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FRANCHISE DISCLOSURE DOCUMENT

Chocolate Works Franchising, LLC
a New York limited liability company
114 Church Street, Freeport, NY 11520
516-868-8070
info@chocolateworks com
www chocolateworks com

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

The total investment necessary to begin operation of a Chocolate Works® franchise is estimated to be between $290,500 and $456,600 This includes between $162,000 to $191,000 that must be paid to the franchisor and/or its affiliate, as appropriate

If you sign an Area Development Agreement to develop at least two Chocolate Works® Stores, the total aggregate investment under the Area Development Agreement will vary, depending on the number of Chocolate Works® Stores to be developed by you under the agreement The Reservation Fee is equal to the Initial Franchise Fee for your first Store, plus fifty percent (50%) of a reduced Initial Franchise Fee for each Store after the first The total investment necessary to develop two Chocolate Works® franchise is $317,600-486,200 This includes between $162,000 to $191,000 that must be paid to the franchisor and/or its affiliate, as appropriate

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

You may wish to receive your disclosure document in another format, such as a PDF sent by email or in the form of a CD ROM that is more convenient for you To discuss the availability of disclosures in different formats, contact Joseph Whaley at 114 Church Street, Freeport, NY 11520 and 516-868-8070

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

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

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

Issuance Date April 9, 2018

STATE COVER PAGE

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

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

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

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION ONLY IN New York OUT OF STATE MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST MORE TO MEDIATE AND ARBITRATE WITH US IN NEW YORK THAN IN YOUR OWN STATE

2 THE FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT STATE THAT NEW YORK LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

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

STATE EFFECTIVE DATES

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

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

California	
Connecticut	N/A
Florida	N/A
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Kentucky	N/A
Maine	N/A
Maryland	Pending
Michigan	N/A
Minnesota	N/A
Nebraska	N/A
New York	
North Carolina	N/A
North Dakota	N/A
Rhode Island	N/A
South Carolina	N/A
South Dakota	N/A
Texas	N/A
Utah	N/A
Virginia	N/A
Washington	N/A
Wisconsin	N/A

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

The Franchisor is Chocolate Works Franchising, LLC We are a New York limited liability company formed on December 3, 2015 Our principal business address is 114 Church Street, Freeport, NY 11520 We do business under our corporate name and the trade name and mark 'Chocolate Works®"

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

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

Our Parents, Predecessors and Affiliates

Parent Company

Our parent company is CW—5th Holdings, LLC ('CWH"), a New York limited liability company, formed on December 3, 2015, CWH has its offices at our address CWH does not offer franchises in this or any other line of business

Predecessor

Our predecessor was Chocolate Works NY, LLC, located at our address Our predecessor was a New York limited liability company, formed on June 20, 2012, for the primary purpose of offering Chocolate Works Franchised Businesses As of January 4, 2016, the assets of our predecessor were purchased by CWH and assigned to us Information on our affiliates is provided below Our predecessor began franchising on December 2013 and ended on December, 2016

Affiliates

We have two corporate affiliates

Our first affiliate is 5th Avenue Chocolatiere, LLC ("5th Avenue") 5th Avenue's offices are located at our address 5th Avenue sells chocolate truffle candies (candies made from chocolate and cream, and coated in cocoa powder using our proprietary recipe) and bulk chocolate to our franchisees Our franchisees use the truffle candies and bulk to create the individual candy products sold at their Stores Along with our approved vendors, 5th Avenue sells certain other products to our franchisees, including candy-making equipment and assorted confectionary products, including jelly beans and lollipops 5th Avenue does not offer franchises in this or any other line of business

Our second affiliate is Retail Stores Newco, LLC ("RSN") RSN is a New York limited liability company, formed on December 3, 2015 RSN owns and operates a Chocolate Works location at 2350 Merrick Road Bellmore, NY 11710 This Chocolate Works location was acquired from our predecessor in March of 2016 In June 2016, RSN also acquired an existing franchise location at 1410 Lexington Avenue, New York, NY 10128 This store was acquired from an existing franchisee RSN does not offer franchises in this or any other line of business

The Franchisor

Chocolate Works Franchising, LLC, was formed in New York State on December 3, 2015 Chocolate Works Franchising, LLC, was formed for the specific purpose of marketing and selling the franchises described in this Disclosure Document Our address is 114 Church Street, Freeport, NY 11520 We operate and own a Store of the type being franchised We do not offer franchises in any other line of business

The Franchise Offered

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

Each Chocolate Works® Store will offer four different lines of products and services It will sell fine chocolates and related products ('Products") from a retail store located on its premises It will also market custom-made chocolate products to institutional customers for distribution to their employees, customers, vendors, and others Stores will host chocolate-making parties and similar events for children and adults in specially designed party spaces at the Store Finally, each store will have the opportunity to participate in the fulfillment of online orders generated from our website when generated from within your territory, or when a customer specifically chooses your store as the source of fulfillment

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

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

Area Development Agreement

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

If you become an Area Developer, you must sign our then current Franchise Agreement for each Store to be opened under the Development Agreement The terms of the Franchise Agreement in use at the time each of the Franchise Agreements is signed under the Area Development Agreement may be significantly different from the terms of the Franchise Agreement described in this Disclosure Document

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

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

Market and Competition

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

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

Industry Specific Laws and Regulations

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

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

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

ITEM 2
BUSINESS EXPERIENCE

Joseph Whaley–CEO
Joseph Whaley has been our Chief Operating Officer and Chief Executive Officer since our inception From June 2012 to January 2016, he was Chief Executive of our predecessor From June 1999 to the January 2016, he served as Chief Executive Officer of an affiliate of our predecessor

Steve Eshaghoff–Executive Director
Steve Eshagoff has been our Executive Director since our inception Since 1996, Mr Eshaghoff has been an independent contractor servicing the chemical distribution industry, based in Great Neck, New York

Sherri Adler–Director of Franchise Operations
Sherri Adler has been our Director of Franchise Operations since our inception From September 2012 to January 2016, Ms Adler was Director of Franchise Operations for our predecessor She was a Product Development Consultant for our predecessor from June 2010 to September 2012 From May 1993 to

June 2008, she worked as a freelance television and feature film set designer in New York and Los Angeles

Barbara Butensky–Director of Marketing
Barbara Butensky has been our Director of Marketing since our inception From 2009 to the present, Ms Butensky has been the owner and operator of Gingerbread & Giggles, in Rockville Centre, New York Gingerbread & Giggles is a party planning business, specializing in events for children From May 2015 to January 2016, Ms Butensky was the director of special events for our predecessor

Product Production Supervisor - Robert Pilmunga
Robert Pilmunga has served as our Product Production Supervisor since our inception From July 2009 to August 2012, Mr Pilgmunga was Product Production Supervisor for an affiliate of our processor From August 2012 to January 2016 he was Product Production Supervisor for our predecessor

Alyssa Behan–Product Coordinator
Alyssa Behan has been our Project Coordinator since our inception From May 2014 to January 2016, she was Project Coordinator for our predecessor Prior to June 2014, Ms Behan was a student at Queens College, in Flushing, New York

Alonzo Boone–Marketing Coordinator
Alonzo Boone has been our Marketing Coordinator since our inception From May 2014 to January 2016, he was a Graphic Designer for our predecessor Prior to May 2014, Mr Boone was a student at Briarcliffe College, in Bethpage, New York

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item

ITEM 5
INITIAL FEES

Based upon our financial condition, the Maryland Securities Commissioner requires that we defer the payment of the initial franchise fee and all other initial payments until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating However, you must sign the Franchise Agreement before beginning training

In the State of Washington, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating However, you must execute the Franchise Agreement prior to looking for a site or beginning training

Franchise Agreement

The "Initial Franchise Fee" is $50,000 and is payable in a lump sum when you sign the Franchise Agreement

The Initial Franchise Fee is non-refundable The Company offers a $10,000 discount on the Initial Franchise Fee to veterans of the United States Armed Forces opening a single Store

We may, in circumstances we deem appropriate, grant discounts on the Initial Franchise Fees for Area Developers and other franchisees Accordingly, the Initial Franchise Fees paid by you may not be the same as those paid by other franchisees

If you do not locate and secure a location for your Store that is reasonably acceptable to us within 180 days after you sign the Franchise Agreement, we have the right either to terminate your agreement and retain your Initial Franchise Fee, or to grant you an extension to locate a suitable site If you do not locate a suitable site before the extension ends, we may terminate the agreement and retain your Initial Franchise Fee

Area Development Agreement

If you sign an Area Development Agreement, you must commit to opening at least two (2) Stores and must pay us a reservation fee equal to the amounts shown below The reservation fee will be paid immediately upon the signing of the Area Development Agreement The reservation fee is not refundable The Reservation Fee will be an amount equal to the Initial Franchise Fee for the first Store to be developed under your Area Development Agreement, plus an amount equal to fifty percent (50%) of the Initial Franchise Fee for each Store after the first The Initial Franchise Fee for each store after the first will depend on the number of Stores you agree to develop

The Reservation Fee is equal to the Initial Franchise Fee for your first Store, plus fifty percent (50%) of a reduced Initial Franchise Fee for each Store after the first The Reservation Fee is non-refundable

Based on the number of Stores you agree to develop, the Initial Franchise Fee schedule is as follows

$50,000 for first Store
$40,000 for second Store

$30,000 for third Store
$25,000 for the fourth Store
$20,000 for the fifth and subsequent Stores

Based on the number of Stores you agree to develop, the reservation fee schedule is as follows
$50,000 for first Store
$70,000 ($50,000 + $20,000) for two Stores
$85,000 ($50,000 + $20,000+$15,000) for three Stores
$97 500 ($50,000 + $20,000+$15,000+$12,500) for four Stores
$107,500($50,000 + $20,000 + $15,000 + $12,500 + $10,000) for five Stores

Balance Due when opening subsequent Stores

$20,000 when opening your second Store
$35,000 when opening your third Store
$47,500 when opening your fourth Store
$57,500 when opening your fifth Store

Initial Inventory Purchase

You must purchase your initial inventory of prepared chocolate candies and bulk chocolate from our affiliate or an approved vendor before your Store opens for business The cost of the initial inventory you must purchase will depend on the size of your Store and the time of year in which you will open your Store You must pay us for such inventory in full at the time you place your order For example, if you have a large store and are opening near a holiday, your initial inventory will cost more than for the same size store that opens at another time of the year We anticipate that the cost of your initial inventory will range from $42,000 to $50,000, which includes both products and packaging

Equipment Purchased from our Affiliate

You must purchase certain equipment from our affiliate before your Store opens for business This includes two chocolate tanks with pumps, a chocolate fountain, an enrobing machine with cooling tunnel, and five to six acrylic candy bins We anticipate that the cost of your equipment purchase will range from $70,000 to $76,000

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

Grand Opening Program

We will work with you to arrange a grand opening advertising and marketing program that will be conducted within 90 days of the date on which your Store first opens You will spend approximately $10,000-$15,000 on the grand opening advertising and marketing program This program may include regional or local print and/or radio advertising, flyers, product samples, promotional events and similar items At our request if we do not approve your campaign, you must give us the money for your grand opening advertising campaign and we will conduct the campaign on your behalf

twice the amount of Royalties paid and owing from your Store during the 12 months of operation before the termination

ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Revenue	Payable each Wednesday for the prior week ending Sunday	This fee must be paid by electronic funds transfer, which is set up when you sign your Franchise Agreement See Note 2 below
Advertising Fund Contributions	1% of Gross Revenue per month	Payable on the 1st of each month	We may change this fee from time to time at our discretion We may modify any individual Franchisee's contribution based on individual circumstances See Note 3 below
Local Advertising	1% of Gross Revenue	Must be spent monthly	You will pay your local advertising suppliers directly Any advertising that you want to use (and that we have not prepared or previously approved) must be approved by us before you may use it
Advertising Cooperative Contributions	As determined by the members	As determined by the members	Any amounts you contribute to an advertising cooperative will count toward your local advertising requirement See Note 4 below
Company-wide or Regional Meetings	Expenses of your attendees	As incurred	We may hold regional and/or company-wide meetings to promote our System and to communicate new or revised procedures The cost of these meetings may be paid by us from the Advertising Fund You must pay for the expenses incurred by your attendees, including travel, lodging, meals and wages

Type of Fee (Note 1)	Amount	Due Date	Remarks
Training Program (for New or Additional Employees only)	Our then-current training fee, plus expenses Current training fee = $1,500 (There is no charge for initial training of up to 3 persons prior to opening of your store)	Our fee is payable before the training program begins	We will train up to three people, one of whom must be you, at no additional charge If you request us to train additional employees at any time, you must pay our then-current training fee You must also pay for all of your trainees' expenses while attending training, including travel, lodging, meals and wages
Additional On-Site Assistance or Training	Our then current fee per trainer, plus expenses Current per day fee = $500	Upon demand	If you ask us to provide training at your Store, you must pay our then current daily fee for each trainer we send to you, and you must reimburse our trainers' expenses, including travel, lodging and meals
Transfer Fee	$15,000	With request for approval of transfer of your franchise	The transfer fee includes initial training for up to 3 of the transferee's personnel We do not charge a transfer fee for a transfer to a corporate entity that you have formed for convenience of ownership of the franchise
Renewal Fee	$10 000	At time of renewal	This fee is payable in connection with the renewal of your franchise agreement
Interest	18% per annum or the highest legal rate, whichever is less See Note 5 below	At time the overdue payments are paid	Interest is payable on any overdue or underpaid amounts owed to us and/or our affiliates Interest will accrue from the original due date until the amount is paid in full

Type of Fee (Note 1)	Amount	Due Date	Remarks
Audit	Any underpaid amount revealed by the audit, plus interest The cost of the audit is reimbursable to us in certain circumstances	Upon demand	You must reimburse our costs for the audit if (a) the audit is done because you fail to provide required reports, or (b) if the audit shows you understated your Gross Revenue by 2% or more
Costs and Legal Fees	Will vary under circumstances	Upon demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement
Indemnification	Will vary under circumstances	Upon demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or in connection with any offer of your securities, for costs associated with defending claims that you used the trademarks in an unauthorized manner or for damages arising out of your breach of your franchise agreement
Insurance Premiums	The cost of the insurance premiums, plus our expenses incurred in obtaining insurance	Upon demand	We have the right (but not obligation) to buy insurance coverage for you if you do not do so
Product/Supplier Testing	The costs of testing and evaluation	Upon demand if incurred	If you ask us to consider a new product or supplier for our approval, you must pay the costs we incur in evaluating the product or supplier

Type of Fee (Note 1)	Amount	Due Date	Remarks
Store Refurbishment	Will vary under the circumstances not to exceed $50,000	As incurred	We may require you to refurbish your Store from time to time to comply with our then current Trade Dress We will not make this request more than once every five years
Liquidated Damages	twice the amount of Royalties paid and owing from your Store during the 12 months of operation before the termination	15 days after termination	Payable only if your franchise agreement is terminated by us for cause or by you without cause
Products	Will vary under the circumstances	As incurred See Note 7 below	You must purchase all chocolate truffles and all bulk chocolate from us All other products and all furniture, fixtures and equipment must be purchased from us or from suppliers designated or approved by us See Note 8 below
Prohibited Product or Service Fine	$250 per day of use of unauthorized products or services	If incurred	Payable if you offer or sell products or services not approved by us
Management Fee	5% of Gross Revenue, plus expenses	As incurred	If we must step in to temporarily operate your Store for you in certain circumstances, you must pay us a fee for managing your Store You must also reimburse our representative's expenses, including travel, lodging and meals
Relocation Fee	50% of then-current Initial Franchise Fee	If incurred	If your Store is relocated at your request
Technology Fee	$250/month	Monthly	Tech support in connection with point-of-sale (" POS") system software, social media, event tracking software and similar items

1 Except as noted in the chart above, all fees are imposed by and payable to us All fees paid to us are non-refundable The fees imposed in connection with renewals, transfers and relocations may be negotiated in certain cases

2 You must pay your royalties to us weekly Royalties for any week are payable on Wednesday of

the following week We may require you to pay Royalties and other amounts owing to us by automatic debit from your bank account or by EFT (electronic funds transfer) In either such case, you must file any bank forms required in connection with the debiting of your account You must also sign an Authorization Agreement for Prearranged Payments (Direct Debits), which is Exhibit J to the Franchise Agreement You must make the necessary funds available in your account for us to withdraw We may require you to make Royalty or other payments in a manner other than automatic debit or EFT, and you must comply with our payment instructions

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

Some of the Franchisor's initial franchisees (located in New York City and Long Island in New York, and in Essex County, New Jersey) have franchise agreements providing for a 3% Royalty If any of such initial franchisees open additional Stores, we may offer them a similar 3% Royalty with respect to such additional Stores The term ' Gross Revenue" as used in this Disclosure Document and in the Franchise Agreement means gross revenue from the sale of all products and services, whether for cash or credit and including any assumed gross revenue calculated in connection with any insurance claim for lost profits if the claim is paid by the insurer Gross Revenue excludes (a) sales or service taxes collected from customers and paid to the appropriate taxing authority, (b) customer refunds, adjustments and credits, and (c) sales revenues attributable to purchases by Institutional Customers where we fulfill such orders

3 You must pay advertising fund contributions monthly in advance

4 We may establish or approve of the establishment of an advertising cooperative in your geographical area If such a cooperative is established, you will be required to participate The amount you must contribute to the advertising cooperative will be established by the members No minimums or maximums have been established for such contributions

No such advertising cooperatives currently exist Although Franchisor has only one company-owned Store currently in operation, it is possible that, at some point in the future, Franchisor may open additional company-owned Stores, and that such Stores may have a controlling vote in one or more advertising cooperatives In that case, Franchisor would be able to control the amount of the contributions to be made by members of such cooperatives

5 If you are late in making any payments owing to us, the overdue amount will accrue interest at 18% per annum or the maximum legal rate, whichever is less, and you may be required to pay for purchases of Products and ingredients in cash in advance until all outstanding balances have been paid in full In addition, any line of credit you may have with us may be suspended or terminated Repeated or long-term late payments may also result in our refusal to sell you additional Products and ingredients until all outstanding balances have been paid in full, or in termination of your Franchise Agreement In the state of California the maximum interest rate is 10% annually

6 If we terminate the Franchise Agreement with cause, you must pay us liquidated damages equal to twice the amount of Royalties paid and owing from your Store during the 12 months of operation before the termination

7 You must pay for all purchases of Products and ingredients from us or our affiliates within thirty (30) days of delivery date If, however, you default in timely payment, we may require that you pay immediately upon delivery

8 You must purchase all chocolate truffles, and all bulk chocolate from us or our affiliates All other products and all furniture, fixtures and equipment must be purchased from us, our affiliates or third-party suppliers designated or approved by us You will be provided with two price lists - the first one is the cost to you to purchase Products and ingredients from us The prices on this list generally include a mark-up of approximately 5% - 10%, but the markups on bulk chocolate purchases and purchase of candy-making equipment may range as high as 10% - 16% This first price list is subject to change by us based on certain factors, including changes in commodity prices The second list provided to you is a suggested retail price list for your customers

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	When Due	Method of Payment	To Whom Payment is to be Made
Initial Franchise Fee (1)	$50,000	On Signing Franchise Agreement	Lump Sum	Us
POS/Computer System, Cash Register	$3,600 to $7,200	As Incurred	As Agreed	Designated Suppliers
Leasehold Improvements (3)	$50,000 -$125,000	As Incurred	As Agreed	Independent Contractors, Lessor
Fixtures and Equipment (4)	$95,000 to $125,000	As Incurred	As Agreed	Our Affiliate and Designated Suppliers
Architect Fees (5)	$5,000 to $10,000	As Arranged	As Agreed	Approved Supplier
Rent -3 months (6)	$10,000 to $30,000	As specified in lease or sublease	Lump Sum	Landlord
Insurance - 3 months (7)	$1,000 to $1,500	As Arranged	As Agreed	Insurance Carriers
Opening Inventory and Supplies (8)	$42,000 to $50,000	As Incurred	As Agreed	Us and Designated Suppliers
Signage and Awning (9)	$5,000 to $12,000	As Incurred	As Agreed	Designated Suppliers
Initial Training Expenses (10)	$500 to $5,000	As Incurred	As Incurred	Airlines, Hotel, Restaurants
Grand Opening Advertising Program (11)	$10,000, but up to $15,000, in certain circumstances	Within 10 days after our request for such additional funds	As Agreed	Us or Outside Suppliers
Professional Fees (12)	$2,500 to $5,000	As Incurred	As Agreed	Attorney, Accountant
Additional Funds - 3 months (13)	$15,900 to $20,900	As Incurred	As Incurred	Various

TOTAL ESTIMATED INITIAL INVESTMENT	$290,500 to $456,600			

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

Explanatory Notes

1 ***Initial Franchise Fee*** This number represents the Initial Franchise Fee for franchises purchased under individual Franchise Agreements The Franchisor offers a $10,000 discount on the Initial Franchise Fee to veterans of the United States Armed Forces opening a single Store The Franchisor may, in its discretion, provide other discounts to franchisees under circumstances it deems appropriate If you sign an Area Development Agreement, the Initial Franchise Fee you pay will vary, depending on the number of Stores to be developed

2 ***POS/Computer System, Cash Registers and Scales*** You must purchase at least one POS system/cash register and one scale Depending on the size and sales volume of your Store, you may want to have as many as four registers and scales You must purchase the POS system and cash registers specified in our Operations Manual

3 ***Leasehold Improvements*** The cost of leasehold improvements will vary depending on many factors, including (i) the size, layout and existing condition of the premises, (ii) pre-construction costs (such as demolition of existing walls and removal of existing improvements and fixtures), and (iii) cost of materials and labor, which may vary based on geography and location These amounts are based on the cost of adapting your space to meet our architectural and design plans and the cost of other leasehold improvements These figures are our best estimate based on remodeling with finish-out rates These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials These costs may also vary depending on whether any of these costs will be paid by the landlord

4 *Fixtures and Equipment* All fixtures and equipment that you purchase for your Store must be approved by us The fixtures and equipment you need include, under our low end estimate refrigerated display case, chocolate conveyor line, two 225 pound chocolate tanks, two chocolate pumps, shelving and display cases, freezers, refrigerators, party tables and chairs, storage racks and telecommunications equipment Approximately $70,000 to $76,000 of our estimate is attributable to equipment you must purchase from our affiliate Our affiliates provide franchisees with payment terms of net 30 days from invoice date No interest accrues on the outstanding balance due if paid within such thirty-day period Please refer to Item 5 for more Information

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

5 ***Architect Fees*** You must hire a qualified architect, whom we have approved or designated for use by our Franchisees, to adapt our standardized plans and specifications to your approved location

6 ***Rent*** If you do not own adequate real property, you must lease property for your Store A typical Chocolate Works® Store will need approximately 1,500 to 2,500 square feet of space for a strip center or free-standing location Lease costs will vary widely and may be

significantly higher than projected in this table depending on factors such as property location, population density, economic climate, prevailing interest rates and other financing costs, and conditions of the property You should investigate all of these costs in the area where you wish to establish a Store We reserve the right to lease, or have one of our affiliates lease, and sublease the property to you

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

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

7 ***Insurance*** The estimate represents approximately three months of coverage for the insurance you must have for your Store Insurance costs will vary depending upon factors such as the size and location of the Store

8 ***Opening Inventory and Supplies*** You must purchase all chocolate truffles, and all bulk chocolate from us or our affiliates All other products and all furniture, fixtures and equipment must be purchased from us, our affiliates or third-party suppliers designated or approved by us You will need to re-stock your initial inventory on an as needed basis as food items and other supplies are used The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and anticipated volume and mix of your Store's sales

9 ***Signage*** The estimates include the costs for interior and exterior signage The cost of signage may vary significantly depending on the location of your Store, market conditions and local codes In some instances, the use of additional or larger signage may be possible, with our prior written approval The costs of these optional items are not included in the line item total above

10 ***Initial Training Expenses*** We provide initial training at our training facility for up to three people, one of whom must be you, at no additional charge These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages for the first three trainees These amounts do not include any fees or expenses for training any other personnel Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation The lower end of our estimate assumes that the trainees live within driving distance of our training facility

11 ***Grand Opening Advertising Program*** You will spend $10,000 for a grand opening advertising campaign to promote the opening of your Store All advertisements used in your grand opening advertising campaign must be approved by us The campaign will be conducted in the first 90 days after your Store opens If we believe that the size or location of your Store or other factors we deem relevant call for the expenditure of more than $10,000 in connection with your grand opening, we may require you to contribute up to $5,000 to fund additional advertising, marketing and promotional activities At our request if we do not approve your campaign, you must give us the money for your grand opening advertising campaign and we will conduct the campaign on your behalf

12 ***Professional Fees*** We expect that you will retain an attorney and an accountant to

assist you with evaluating this franchise offering, forming your business entity, and negotiating your lease or purchase agreement for the approved location

13 Additional Funds This is an estimate of your start-up expenses for an initial three-month period, excluding payroll costs, and does not include any revenue that your Store may earn in the first three months of operation These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your business You will need capital to support ongoing expenses, such as payroll, utilities, royalty fees and local advertising if these costs are not covered by sales revenue for your first three months of operation The amount of revenue you generate in the first three months of operation may depend, in part, on the time of year your Store opens Your expenses will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (including the local market for our products or services), the prevailing wage rate, competition and the sales level reached during the initial period These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations The *Advertising Fund* because your contributions to the Advertising Fund are monthly payment, our estimate includes your first three months of contributions to the Advertising Fund We relied upon our predecessor's 4 years of experience in preparing these figures The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular Franchisee

We have not included a separate table for the initial investment if you sign an Area Development Agreement If you become an Area Developer, you will pay an Area Development Fee which is applied pro rata to the Franchise Fees due for each Store to be developed after the first The amount of the Area Development Fee will depend on the number of Stores to be developed under the Area Development Agreement, and will be calculated as follows If Area Developer plans on opening 2 locations the fees would be ($70,000), 100% of the Franchise Fee for the first Store to be developed plus 50% of the reduced Franchise Fee for each additional Store to be opened under that agreement and is due to us on signing the Area Development Agreement Other than the Area Development Fee, actual start-up costs pertaining to the actual Stores opened under the Area Development Agreement are as estimated above, subject to potential increases over time or other changes in circumstances If you sign an Area Development Agreement, your professional fees such as legal and financial fees may be higher between $5,000 and $7,500 The approximate cost for a vehicle to view potential sites, oversee the build-outs, supervise multiple locations, etc will be $2,100 for 3 months The Total Initial Investment for 2 stores would be $240,500-$406,600 with a Total Investment of $317,600-486,200

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

Operations Manual

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

standard or specification and will provide you with a reasonable opportunity to conform to any such changes

Restrictions on Supplies and Equipment

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

Required Products and Services

All chocolate truffles and all bulk chocolate must be purchased from us or our affiliate The other goods and services that you will require to operate your Store consist of the following

- refrigerated display case
- chocolate conveyor line
- two 225 pound chocolate tanks
- two chocolate pumps
- shelving and display cases
- freezers and refrigerators
- party tables and chairs
- storage racks
- fire extinguishers*
- telephone equipment
- POS system, computerized cash register and scale
- computer and phone lines*
- legal, accounting, architectural and other professional services

Optional products and services that you may wish to obtain include the following

- chocolate fountain
- M&M display
- Jelly Belly display
- Pucker Powder display
- lollipop displays
- fudge machine

Approved Suppliers

During the fiscal year ended December 31, 2017, 5th Avenue had no revenues from the sale of goods and services to our franchisees

Approval of Alternative Suppliers

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

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

reimburse our costs in evaluating the proposed product or supplier

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

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

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

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

Our COO, Joseph Whaley has an ownership interest in us, and the following affiliates 5th Avenue Chocolatiere, LLC, Retail Stores Newco, LLC

Our Executive Director, Steve Eshaghoff, has an ownership interest in us, and the following affiliates 5th Avenue Chocolatiere, LLC, Retail Stores Newco, LLC

Other than the interests described above, none of our officers has an ownership interest in any other approved supplier

Purchasing Cooperatives

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

Arrangements with Suppliers

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

Currently, neither we nor our affiliates receive any payments or credits, in the form of preferred pricing, commissions, or rebates (collectively, ' Rebates") from designated and approved suppliers due to these suppliers' transactions with our Franchisees, although we do receive a 5% credit on our own direct purchases of certain products from our principal candy supplier We reserve the right to arrange for such credits on purchases by and for our Franchisees in the future, and we expect that the amount of any such Rebates will be calculated as a percentage of revenues derived by such suppliers from purchases for and by our Franchisees We may use any future amounts that we receive from our designated and approved suppliers for any purpose that we deem appropriate

In fiscal year December 31, 2017 neither we nor our affiliates received any Rebates from approved suppliers, based on purchases or leases by our franchisees

Insurance

You must obtain and maintain at your own expense the insurance coverage that we and your Store's landlord periodically require You must also meet the other insurance-related obligations in the Franchise Agreement Our specific insurance requirements will be included in the Manuals, and these

requirements may change over time You must comply with any modified insurance requirement that we specify You must obtain the required insurance coverages not later than the date you acquire the approved location for your Store

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

(1) public general liability insurance, including products liability coverage, in the minimum amount of $2,000,000 combined single limit,

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

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

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

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

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

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

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

Each insurance policy must

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

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

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

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

Under an Area Development Agreement, we may require you to maintain insurance coverage

(a) broad form comprehensive general liability coverage against claims under one or more policies of insurance containing minimum liability coverage prescribed by us from time to time, but in no event in an amount less than One Million Dollars ($1,000,000)

aggregate, and such insurance shall not have a deductible or self-insured retention in excess of Five Thousand Dollars ($5,000), and

(b) worker's compensation and employer's liability insurance in statutory amounts, unemployment insurance and state disability insurance as required by governing law for your employees

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 Agreements	Item in Disclosure Document
(a) Site selection and acquisition/lease	Section 4 of Franchise Agreement, Section 6 of Area Development Agreement	Items 7, 8 and 11
(b) Pre-opening purchase/leases	Section 4 of Franchise Agreement	Items 5, 7 and 11
(c) Site development and other pre-opening requirements	Section 4 of Franchise Agreement	Items 8 and 11
(d) Initial and ongoing training	Section 5 of Franchise Agreement	Items 5, 6, 7 and 11
(e) Opening	Section 4 of Franchise Agreement	Item 11
(f) Fees	Sections 10, 12 1 and 12 2 of Franchise Agreement, Section 5 of Area Development Agreement	Items 5, 6,7 and 11
(g) Compliance with standards and policies/Operations Manual	Sections 5 4 and 11 of Franchise Agreement	Item 11
(h) Trademarks and proprietary information	Sections 6, 7, 8 and 9 of Franchise Agreement, Sections 7 and 8 of Area Development Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 11 2 and 11 3 of Franchise Agreement	Item 16
(j) Warranty and customer service requirements	Not applicable	Not applicable
(k) Territorial development and sales quotas	Section 3 of Area Development Agreement	Item 12
(l) On-going product/service purchases	Sections 11 2 and 11 3 of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 4 11 and 11 1 of Franchise Agreement	Item 6
(n) Insurance	Section 11 9 of Franchise Agreement, Section 9 4 of Area	Items 6 and 8

		Development Agreement	
(o)	Advertising	Sections 4 9 and 12 of Franchise Agreement	Items 6, 8 and 11
(p)	Indemnification	Sections 6 5 and 15 of Franchise Agreement, Section 13 of Area Development Agreement	Item 6
(q)	Owner's participation/ management/staffing	Section 11 8 of Franchise Agreement, Section 9 of Area Development Agreement	Items 11 and 15
(r)	Records and reports	Sections 13 of Franchise Agreement, Section 9 5 of Area Development Agreement	Item 1111
(s)	Inspection and audits	Section 14 of Franchise Agreement, Sections 9 4 and 9 5 of Area Development Agreement	Items 6 and 8
(t)	Transfer	Section 16 of Franchise Agreement, Section 10 of Area Development Agreement	Items 6 and 17
(u)	Renewal	Section 17 of Franchise Agreement	Items 6 and 17
(v)	Post-termination obligations	Section 19 of Franchise Agreement, Section 12 of Area Development Agreement	Item 17
(w)	Non-competition covenants	Sections 9, 16 3 and 19 4 of Franchise Agreement, Sections 3 6, 8 and 12 4 of Area Development Agreement	Item 17
(x)	Dispute resolution	Section 21 of Franchise Agreement, Section 14 of Area Development Agreement	Item 17
(y)	Liquidated damages	Section 19 7 of Franchise Agreement	Item 6

ITEM 10
FINANCING

We do not offer, either directly or indirectly, any financing arrangements to you We do not guarantee your notes, leases or other 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

Pre-Opening Obligations

Franchise Agreement Before you open your Store under the Franchise Agreement, we will provide you with the services described below Such services will be provided to you whether you are

executing an individual Franchise Agreement or are executing a Franchise Agreement pursuant to an Area Development Agreement Such services consist of

1 Consent to sites that meet our requirements The actual size of a franchisee's designated territory will be determined by us in our sole discretion, based upon population density, demographics and other factors we deem relevant You must submit to us a complete site report, including our site request form, as described below **(Franchise Agreement - Section 4 1)** We may, but have no obligation to, assist you with various phases of locating, approving and developing sites for Chocolate Works® Stores We may also refer you to real estate brokers to assist you in finding a location, if you request this assistance

If you do not locate and secure an acceptable location for your Store within 180 days after you sign the Franchise Agreement, we have the right to terminate your agreement and retain 100% of your Initial Franchise Fee Alternatively, we may grant you an extension to locate a suitable site If after any extension we may grant, you have still not located a suitable site for your Store, your franchise agreement with us may be terminated without further notice to you

2 Approve a lease or purchase agreement for the approved site, if the lease or purchase agreement meets our criteria **(Franchise Agreement - Section 4 2)**

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

3 Furnish specifications of our requirements for design, decoration, layout, equipment, furnishings, fixtures, color scheme, signs and other operating materials needed for the Chocolate Works® Store to open You must hire your own architect or employ a design firm and/or architecture firm approved by us to adapt the plans to your site with our approval You must also hire a contractor to build the Chocolate Works® Store in accordance with those approved plans You must make sure that your Store complies with all local and other requirements relating to the plans, including zoning, local building codes, and the Americans with Disabilities Act **(Franchise Agreement - Section 4 3)**

4 Loan you, for your sole use, one copy of the Operations Manual which may consist of one or more handbooks or manuals as may be periodically modified by us The Manuals may be provided to you electronically, such as on CD-ROM or via a password-protected website **(Franchise Agreement - Section 5 4)**

5 Provide our standard initial training program for the operation of your Chocolate Works® Store to you, your manager and one additional employee **(Franchise Agreement - Section 5 1)**

6 Provide a representative to assist in the operation of the Chocolate Works® Store for up to five days around the opening date of your Chocolate Works® Store, at our cost **(Franchise Agreement - Section 5 1 4)**

7 Sell or have our affiliates or designated suppliers sell you Products and ingredients **(Franchise Agreement - Section 4 7)**

Area Development Agreement Before you begin operating under the Area Development Agreement, we will provide you with the following, in addition to the 7 items described above under the immediately preceding section entitled "**Franchise Agreement**"

1 Grant you the right to develop a specific number of Chocolate Works® Stores at locations we approve within your Development Area **(Area Development Agreement - Section 3 1)**

2 Consent to sites that meet our requirements **(Area Development Agreement - Section 6 1)**

3 If you are not in default under any of your Area Development or Franchise Agreements, and you obtain possession of a site we have approved, we will offer to you a franchise to operate a Chocolate Works® Store at the approved site by delivering to you our then-current form of franchise agreement in form for signature If you do not sign and return the Franchise Agreement to us along with payment of any fees due us within 15 days, we may terminate our offer to grant a franchise for a Chocolate Works® Store at the approved site and withdraw our approval of the site **(Area Development Agreement - Section 6 3)**

Opening

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

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

Continuing Obligations

Franchise Agreement and Area Development Agreement During the operation of your Chocolate Works® Store, including any Chocolate Works® Store opened under an individual Franchise Agreement, or under a Franchise Agreement executed pursuant to an Area Development Agreement, we will

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

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

2 At your request, we will provide additional assistance or training at your Chocolate Works® Store You must pay our then-current daily fee for each trainer we send to your Store, and you must reimburse our trainers' expenses, including travel, lodging and meals **(Franchise Agreement - Sections 5 1 and 5 2)**

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

4 Sell or direct our affiliates and designated suppliers to sell you Products and ingredients on an ongoing basis **(Franchise Agreement - Section 11 3)**

5 Conduct periodic inspections of, and provide evaluations of the Products sold and services rendered at, the Franchised Business **(Franchise Agreement - Section 14 1)**

6 Provide refresher training courses You and your manager(s) may be required to take some or all of these courses We will not charge a fee for any refresher training that we require, but you must pay for your trainees' expenses, including travel, lodging, meals and wages **(Franchise Agreement - Section 5 2)**

7 Hold periodic regional or national meetings for all Chocolate Works® Store owners, including Stores owned by us, our affiliates and our Franchisees, to discuss new products, provide training and to discuss other matters relevant to the Chocolate Works® System Attendance at these meetings may be required for you and/or your manager(s) We may use money from the Fund (described below) to pay for the cost of presenting these meetings, but you must pay the expenses incurred by your attendees, including travel, lodging, meals and wages **(Franchise Agreement - Section 5 5)**

8 Set the minimum and maximum prices that you may charge to your customers for products and services provided or sold under the System, as permitted by applicable law **(Franchise Agreement - Section 11 4)**

Advertising

Advertising Fund

We have established an advertising fund (referred to as the "Fund") for advertising, marketing and public relations programs on a regional or national basis to promote Chocolate Works® Stores You must contribute to the Fund each month All Stores in the System, whether owned by us, our affiliates or our Franchisees, will contribute to the Fund at the same rate The current contribution rate is 1% of Gross Revenue per month per Store We reserve the right to modify the rate of contributions for all Stores, as well as an individual Franchisee's monthly contribution based on individual circumstances, in our sole discretion

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

- the costs of developing advertising ideas and concepts,
- developing market research and merchandising programs,
- preparing advertising campaigns, developing promotional ideas and strategies,

- preparing collateral creative materials,
- preparing advertisements, preparing public relations campaigns, establishing and maintaining a website,
- providing technical and professional advice in connection with any of the above, and
- placement of advertising
- We may use money from the Fund to pay for the cost of presenting the refresher training and periodic meetings

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

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

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

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

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

The Fund is intended to increase recognition of the Proprietary Marks and the revenues of Chocolate Works® Stores generally We will attempt to use the Fund to develop advertising and marketing materials and programs, and to place advertising, to benefit all Chocolate Works® Stores However, we have no obligation to make sure that the amount spent by the Fund in any geographic area is proportionate or equal to the contributions made by the Chocolate Works® Stores operating in that geographic area Not every Chocolate Works® Store will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising Your failure to realize any benefit will not serve as a basis for reducing or eliminating your obligation to contribute to the Fund We have no fiduciary obligation to you in connection with the establishment of the Fund or the collection, administration or use of monies paid into the Fund Except as provided in the Franchise Agreement, we will have no direct or indirect liability or obligation to you in connection with the direction or administration of the Fund **(Franchise Agreement - Section 12 1)**

For the fiscal year ending December 31, 2017, no money was collected or spent by the Fund

Advisory Council

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

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

Local Advertising

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

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

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

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

Advertising Cooperative

We may designate any geographic area in which two or more Stores are located as a region for purposes of establishing an advertising Cooperative We may also approve of the formation of an advertising Cooperative by our Franchisees The members of the Cooperative for any area will consist of all Chocolate Works® Stores, whether operated by us, our affiliates or our Franchisees Stores owned by us and our affiliates will contribute to the Cooperatives on the same basis as Stores owned by our Franchisees

Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval as described above, promotional materials for use by the members in local advertising If any advertising Cooperative is established for a geographic area where your Store is located when the Franchise Agreement is signed, or if any nationwide Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative If the Cooperative will operate according to written documents, we must approve of these documents, and a copy of the Cooperative documents applicable to the geographic area in which your Store will be located will be provided to you if you request it

The payments you make to a Cooperative may be applied by you toward satisfaction of your local advertising requirement If the amount you contribute to a Cooperative is less than the amount you

must spend on local advertising, you must spend the difference locally so that your local advertising requirement is met All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative, if any Copies of any governing documents will be available to any member of the Cooperative, upon request The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above Fees will be assessed on all members on a uniform basis, whether as a flat monthly fee, a percentage of gross revenues, or another formula determined by the members of the Cooperative

No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our written approval, as described above Cooperatives will prepare annual unaudited statements, which will be available for inspection by any member of the Cooperative, upon request

Currently there are no Cooperatives in the System, and we have no current plans to establish any such Cooperatives Accordingly, there is no established structure for the administration of any Cooperative, and it is possible that different Cooperatives will have different administrative structures We will have the right to dissolve, merge or change the structure of the Cooperatives

Grand Opening Advertising

You will spend $10,000-$15,000 for the cost of conducting a grand opening advertising campaign to promote the opening of your Store The grand opening campaign will be conducted during the first 90 days after your Store opens for business At our request if we do not approve your campaign, you must give us the money for your grand opening advertising campaign and we will conduct the campaign on your behalf

Website, Extranet, Telephone Numbers

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

You shall be permitted to have your own micro-page on the Chocolate Works website You will have access to edit this page which we have the right to approve to promote your parties, workshops, events, news updates, pictures and featured retail items that are unique to your Store

Your Chocolate Works micro site will be linked back to the E-commerce site Customers that enter the E-commerce section of the website from either your micro site, using your promotional code or by selecting your store at time of check out from the E-commerce site will have any online sales credited to you We shall have the sole discretion regarding the content, pictures, coupons, promotions advertised on your micro site

If you are in good standing, you will have the opportunity to fulfill an on line order and receive the complete payment, including shipping and handling fees reimbursed back to you from us, less the five percent (5%) Royalty Fee and any sales tax collected

For online orders that are generated from within your designated territory or from an online order that specifically chooses your location as the source of fulfillment there will be sharing of revenue with us If you choose not to fulfill the on line order, or are not able to fulfill an on line order, we will fulfill the order on your behalf Your share of the online order net income is equal to 50% of the on line retail price less the five percent (5%) Royalty Fee, less the listed wholesale price We will receive the full value

of the shipping and handling costs There is no royalty calculated on sales tax, shipping and handling If you have your own promotional code or coupon that is approved by us, that discount will be reduced from your share of the net income

Once a customer has been registered as your customer, they will remain your customer unless the customer chooses to change stores If the customer of the store who places an on line order has a promotional code from another franchisee's store, we will fulfill the order and both you and the other franchisee will share equally in fifty percent (50%) of the net income, twenty five percent (25%) for each of you

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

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

- all rights to the telephone numbers of the Store and any related and business listings or advertisements, and

- Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Store (if we permit you to advertise on-line)

If you establish your own Website without our prior approval, it will be a material default under your Franchise Agreement and you will have 5 days to take down the Website If the Website is not removed in this 5 day period, your Franchise Agreement will automatically terminate

With our prior written approval, you may advertise your Store on social and/or networking Websites, such as Facebook, LinkedIn, Instagram, Pinterest, and Twitter However, it you register identification names or handles for use in social media containing the name ' Chocolate Works ' in some form on any such sites or services, such identification name or handle must be preapproved by Franchisor, which preapproval shall not be unreasonably withheld or delayed

Computer & POS Systems

You must purchase the POS system or computer system currently specified in our Operations Manual The computer system refers to hardware, software for the management and operation of the Store and for reporting and sharing information with us, cash register and scale, and communication systems (including modems, cables, etc) We will have no responsibility to provide you with updates, upgrades or maintenance for your POS system, cash registers or scales

There are no specific contractual obligations limiting the frequency or cost of your obligation to acquire upgrades and updates or to replace obsolete or worn out hardware or equipment The estimated cost of maintenance, updating, upgrading or support contracts for the computer system can range from $250 to $600 per year

The cost of the POS system and/or computer system ranges from $3600 to $7,200

We reserve the right to designate a different POS system and/or computer system in the future,

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

Training

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

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

We will also provide 40 hours of onsite training at your Store prior to a grand opening, and one of our representatives to assist you for up to five days around the opening of your Store, at our expense If you request additional days of opening assistance you must pay our then-current per diem fee and reimburse our representative's expenses

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

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

We may choose to conduct System-wide regional or national meetings to get feedback from Franchisees, to provide additional training, to roll out new promotions, to meet with suppliers that are important to company success, to hear opinions and suggestions from guest speakers, and other activities of our choosing We may provide that attendance at the refresher training is mandatory for you and/or your manager(s) We may use money from the Fund to pay for the cost of presenting these meetings, but you must pay for all expenses incurred by your attendees, including travel, lodging, meals and wages A regional or national meeting will not be longer than three days in any calendar year

Initial Training Program

The initial training program is held at our headquarters in Freeport, NY, at one of our Stores, or another location that we designate It will involve both in-store/on-the-job and classroom training and will last for approximately one week We expect to conduct the initial training after you sign the Franchise Agreement and while your Chocolate Works® Store is being developed We reserve the right to modify our training program at any time as part of an overall change to the program, or to take into

account the particular needs or experience of any individual trainee
We may train multiple Franchisees and their staff at the same time We do not compensate training attendees for any incidental services they may perform while attending our training program

The instructional materials used in the initial training consist of our Operations Manual (consisting of approximately 744 pages), marketing and promotion materials, programs related to the operation of the point of purchase system, and other materials we believe will be beneficial to our Franchisees in the training process We do not currently have a set training schedule (such as monthly or bi-monthly classes), and we will hold our initial training program based on the number of Franchisees that require training The initial training program schedule is displayed on the chart that follows

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Operational Training	12	0	Freeport, NY, or another location designated by us
Personnel – Safety & security	4	0	Freeport, NY, or another location designated by us
Merchandising – Advertising	8	0	Freeport, NY, or another location designated by us
Retail Store, Operations, Parties and Corporate Sales	4	40	Freeport, NY, or another location designated by us

Currently the training is supervised, scheduled and coordinated by Sherri Adler The minimum experience of the instructors in the field that is relevant to the subject taught and our operations is from 1 to 11 years

Confidential Operations Manual

The table of contents to the Operations Manual is attached to this Disclosure Document as Exhibit G Our Operations Manual includes approximately 744 pages

ITEM 12
TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate your Store only at the location we approve ("Approved Location") If, when you sign the Franchise Agreement, a location for your Store has not been found by you and approved by us, you will be given an area in which you may obtain your Approved Location Franchises located in rural or suburban areas will be granted a designated territory covering approximately a 5 mile radius from the Store's location Franchises in urban areas will be granted smaller designated territories In each case, the actual size of a franchisee's designated territory will be determined by us in our sole discretion, based upon population density, demographics and other factors we deem relevant The territorial rights granted to you do not prohibit us or any other franchisee from advertising within the designated territory or from soliciting institutional clients within such territory They merely prohibit the opening of any company-owned or franchisee-owned Chocolate Works® Store within your designated territory Accordingly, your designated territory is not an exclusive territory and you may face competition from, among other things, other franchisees located outside your designated territory that solicit institutional customers within your territory, or from sales by the

Company of franchised products through non-traditional channels of distribution (including, but not limited to, amusement parks, theaters, airports, department stores, and supermarkets), or from sales of competitive brands that the franchisor controls

You will not receive an exclusive territory You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control

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

You may sell our Products and related merchandise and services, including chocolate making parties and other events, to retail customers who visit your Store and to Institutional Customers, wherever located You may conduct promotional activities or sell our products or services through your page on our website You may advertise or sell products or services through catalogs or by mail directed to customers or prospective customers within your Territory You may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located anywhere You have no options, rights of first refusal, or similar rights to acquire additional franchises

For online orders that are generated from within your designated territory or from an online order that specifically chooses your location as the source of fulfillment there will be sharing of revenue with us If you choose not to fulfill the on line order, or are not able to fulfill an on line order, we will fulfill the order on your behalf Your share of the online order net income is equal to 50% of the on line retail price less the 5% Royalty Fee, less the listed wholesale price We will receive the full value of the shipping and handling costs There is no royalty calculated on sales tax, shipping and handling If you have your own promotional code or coupon that is approved by us, that discount will be reduced from your share of the net income

Once a customer has been registered as your customer, they will remain your customer unless the customer chooses to change stores If the customer of the store who places an on line order has a promotional code from another franchisee's store, we will fulfill the order and both you and the other franchisee will share equally in 50% of the net order, 25% for each

Except as limited by the protective territories granted to franchisees, we and our affiliates may sell products under the Proprietary Marks anywhere and through any method of distribution, including the Internet, catalog sales, telemarketing or other direct marketing sales ('alternative distribution channels You may not use alternative distribution channels to make sales anywhere You may, however, receive compensation for our sales through alternative distribution channels to customers located within your designated territory on a basis to be determined by us in our discretion

Except as described in Item 1, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned stores that sell our Products under a different trade name or trademark We reserve the right to do so in the future, without first obtaining your consent

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

Area Development Agreement

Under an Area Development Agreement, a form of which is attached as Exhibit B, we grant you the right to develop at least two Chocolate Works® Stores in the Development Area The number of Stores you may open is specified in the Development Schedule attached to the Area Development

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

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

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

- eliminate or reduce the scope of protections granted to you within the Development Area,
- reduce the scope of the Development Area, or
- reduce the number of Stores for you to develop

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

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

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

The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises within the designated territory or contiguous territories You must be a Area Developer to obtain these options or rights

ITEM 13
TRADEMARKS

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

Mark	Application Date	Serial Number	Registration Date	Registration Number
Chocolate Works® (word mark)	November 9, 2011	85468869	March 19, 2013	4,306 186

The above listed trademark is registered on the Principal Register of the USPTO There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringements, opposition or cancellation proceedings or material litigation, involving the Proprietary Marks

In January 2016, we acquired the assets of our predecessor, Chocolate Works, NY, LLC These assets include ownership of the Proprietary Marks We have amended this registration to reflect our ownership of the trademark There are no agreements currently in effect which significantly limit our right to use or license the use of the Proprietary Marks in any manner material to you All affidavits required to be filed to date in connection with the registration of the Proprietary Marks have been filed No renewal of the above registered trademark is required until 2021

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

You must use the Proprietary Marks as the sole trade identification of the Chocolate Works® Store and you must identify yourself as the independent owner of the Chocolate Works® Store in the manner we indicate You may not use any Proprietary Mark or variation of such Proprietary Mark

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

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

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

must sign all documents and provide any other assistance our lawyers may request to protect our interests in any litigation or proceeding and to protect our interests in the Proprietary Marks

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

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

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

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

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

Confidential Operations Manuals

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

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

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

Confidential Information

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

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

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

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

Under the Franchise Agreement and Area Development Agreements, you must use your best efforts to develop and expand the market for the Products and other products and services offered by Chocolate Works® Stores and cooperate with us to accomplish the purposes of the Franchise Agreement and Area Development Agreement

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

You or a Principal Owner who is at least a 10% owner will be our primary contact for all operational issues If the Principal Owner leaves or is no longer associated with you, you must designate a new Principal Owner within 30 days

You must maintain a full-time manager who has completed our training and the number of employees required for adequate staffing of the Chocolate Works® Store You must keep us informed of the identity of the manager at all times The Chocolate Works® Store must at all times be under the direct, on-site supervision of a manager whose identity has been disclosed to us, who has completed our

training program to our satisfaction, and who is approved by us Your manager does not need to have an ownership interest in you We may require you to obtain and deliver to us signed confidentiality and/or non-competition agreements from your managers and from some of your other employees

We expect that each Store will have a primary manager plus several employees During off-peak periods a Store may be run by one employee

If you are a corporation, limited liability company or partnership, each Principal Owner must personally guarantee your obligations under the Franchise and Area Development Agreements and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement pursuant to the Principal Owner's Agreement attached to the Franchise Agreement and to the Area Development Agreement If the Principal Owner's spouse not a Principal Owner they are not required to personally guarantee obligations under the Franchise and Area Development Agreements

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

This section describes certain restrictions contained in your Franchise Agreement on what you may sell from your Chocolate Works® Store These restrictions apply equally to franchisees who execute Franchise Agreements for individual units and for Area Developers who execute multiple Franchise Agreements under the terms of their Area Development Agreement

We may sell products through the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers located anywhere In order to avoid the inevitable confusion that would result from permitting each Franchisee to open its own website and in order to ensure that customers are directed to the closest local franchise, we will list your Store location on our website and will provide a "Store Locator" button on our home page Customers clicking on the Store Locator button will be directed to the nearest Chocolate Works® Store locations in their area Individual Franchisees are not permitted to sell products through the Internet except through our website, and may not establish their own websites displaying any of our Proprietary Marks or offering any of the Products for sale If you establish your own Website without our prior approval, it will be a material default under your Franchise Agreement and you will have 5 days to take down the Website If the Website is not removed in this 5 day period, your Franchise Agreement will automatically terminate

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

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

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

You must not offer or permit any intoxicating beverages of any kind to be sold, dispensed or consumed, on or from the Store, without our prior written consent Except with our prior written approval, you will not cause or permit vending or gaming machines, pay telephones, automatic teller

machines, lottery equipment, tickets or cards, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Site

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following tables list certain important provisions of the franchise, area development and related agreements pertaining to renewal, termination, transfer and dispute resolution You should read these provisions in the agreements attached to this disclosure document

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
(a) Term of the Franchise	Section 3 1	Ten (10) years
(b) Renewal Franchise or extension of the term	Section 17 1	Two renewal terms of five years each, if you meet certain requirements, pay the renewal fee ($10,000), and execute a general release The release will not apply to any of our liabilities to you under the New York State Franchise Act
(c) Requirements for you to obtain a renewal franchise	Article 17	You provide notice, maintain possession and remodel or obtain new approved location and develop in compliance with standards, full compliance during the initial term of the agreement and at the time of renewal, sign then current form of Franchise Agreement and ancillary agreements, pay fee, sign a general release You may be asked to sign a Franchise Agreement with materially different terms and conditions than your original contract, but the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing Franchisees
(d) Termination by you	Not Applicable	You may terminate the Franchise Agreement on any grounds available by law

Provision	Section in Franchise Agreement	Summary
(e) Termination by us without cause	Not Applicable	We have no right to terminate without cause
(f) Termination by us with cause	Section 18 1 and section 18 2	We can terminate if you fail to comply with the Franchise Agreement or any mandatory specification, standard or operating procedure we prescribe
(g) "Cause" defined - curable defaults	Section 18 1	10 days for monetary and reporting defaulting and 15 days for all other curable defaults (unless otherwise specified in this document), but if it cannot be cured within 15 days, begin efforts to cure within 10 days and continue cure efforts until completion
(h) ' Cause" defined – Defaults which cannot be cured	Section 18 2	(1) Fail to obtain possession of the approved site or develop Chocolate Works® Store and begin operations within time provided, (2) abandon, surrender or transfer control without our prior written approval, (3) make material misrepresentation or omission on application, (4) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects your or our reputation or the goodwill of the Proprietary Marks, (5) unauthorized transfer, (6) you or your affiliates or owners make any unauthorized use, duplication or disclosure of Confidential Information, the proprietary Marks, any copyrighted works, the Manuals or challenge or seek to challenge our rights in any of these items, (7) lose the right to possess the premises and fail to relocate in accordance with the Franchise Agreement, (8) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days, (9) violation by you, your Principal Owners or members of their immediate families of the in-term non-compete provision or other non-compete agreement, (10) knowingly maintain false records or submit false reports to us, (11) three or more defaults within 12 months or two or more of the same default within 12 months whether or not cured, (12) fail to purchase or maintain required insurance, (13) pose a threat to public health or safety, (14) refuse us permission to inspect the Chocolate Works® Store or your books and records, (15) you or any of your affiliates or owners interfere with our

Provision	Section in Franchise Agreement	Summary
		ability to license the Proprietary Marks or the System to others, (16) you or any of your affiliates or owners interfere with our contractual relations with others, or (17) a Franchise Agreement or Area Development Agreement with you or your affiliates is terminated by us, or is terminated by you in a way that is not in compliance with the applicable agreement
(i) Your obligations on termination/ non-renewal	Article 19	Pay all amounts owed, stop using Proprietary Marks, remove all signs, return to us or destroy all materials containing any Proprietary Marks, cancel assumed or fictitious name registrations, transfer your lease or sublease and all telephone numbers to us, stop using all Copyrighted Works, if we do not purchase the Chocolate Works® Store you must make de-identify the premises, furnish us evidence of compliance with the above, return Manuals, comply with post-term covenant not to compete, pay liquidated damages (if applicable)
(j) Assignment of contract by us	Section 16 1	No restriction on our right to assign However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the franchise agreement
(k) 'Transfer" by you – definition	Section 16 2	Includes transfer of any interest in the Agreement, the Franchise, you, the Chocolate Works® Store and some or all of its assets
(l) Our approval of transfer by you	Section 16 2 through 16 7	We have the right to approve all transfers
(m) Conditions for our approval of transfer	Section 16 3	You and your owners must be in full compliance with the Franchise Agreement, transferee meets our criteria, transferor signs or delivers other required documents, including a general release If the transfer is of the Agreement, a Principal Owner's interest in you or a controlling interest in you, transferee may not be engaged in a competitive business, all amounts due from you and the transferee are paid in full, personnel of transferee sign non-compete and confidentiality

Provision	Section in Franchise Agreement	Summary
		agreement, completion of training, transferee and its owners agree to be bound by all obligations under the Franchise Agreement or sign our then-current form of franchise agreement, at our option, pay transfer fee, lessor consents to assignment of lease, we approve the terms and conditions of the transfer, all obligations of the transferee to you are subordinate to us, transferor and principal Owner signs non-competition covenant, transferee agrees to upgrade the Chocolate Works® Store to then-current standards, transferee signs guarantee of obligations under Franchise Agreement, transfer is made in compliance with all laws
(n) Our right of first refusal to acquire your business	Section 16 8	We have the right to match offers from third parties to buy an interest in the Franchise Agreement, the Franchise, the Chocolate Works® May Store, assets of the Chocolate Works® Store or ownership interests in you
(o) Our option to purchase your business	Section 19 6	We have the right to purchase the assets of the Chocolate Works® Store on termination or non-renewal for fair market value (excluding any value for good will)
(p) Your death or disability	Section 16 5	Interest must be transferred to approved party within six months
(q) Non-competition covenants during the term of the franchise	Section 9	No involvement by you, your Principal Owners and members of their immediate families in a Competitive Business anywhere If you are a corporation or partnership, you may not engage in any business other than the development and operation of Chocolate Works® Stores
(r) Non-competition covenants after the franchise is terminated or expires	Section 19 4	No involvement by you, your Principal Owners or members of their immediate families in a Competitive Business for two years within 25 miles of any Chocolate Works® Store in the System
(s) Modification of the agreement	Section 21 8	No modifications unless in writing and signed, but Operating Manual subject to change
(t) Integration/	Section 21 9	Only terms of the Franchise Agreement are

Provision	Section in Franchise Agreement	Summary
merger clause		binding (subject to state law) Any representations or promises outside the Franchise Disclosure Document and Franchise Agreement may not be enforceable
(u) Dispute resolution by arbitration or mediation	Section 21 5	Litigation or, at our election, arbitration, in New York You must pay our costs if we prevail in any litigation or arbitration This is your sole relief in the event of a dispute with us
(v) Choice of forum	Section 21 5	New York (subject to applicable state law)
(w) Choice of law	Section 21 5	New York law applies (subject to applicable state law)

THE AREA DEVELOPER RELATIONSHIP

Provision	Section in Area Development Agreement	Summary
(a) Term of the agreement	Section 4	Until the end of the Development Schedule
(b) Renewal Franchise or extension of the term	Not applicable	If you wish to develop more Chocolate Works® Stores, you may negotiate a new agreement with us
(c) Requirements for you to obtain a renewal franchise	Not applicable	Not applicable
(d) Termination by you	Not applicable	You may terminate the Agreement on any grounds available by law

(e) Termination by us without cause	Not applicable	Not applicable
(f) Termination by us with cause	Article 11	We can terminate only if you fail to comply with the Area Development Agreement
(g) "Cause" defined – defaults which can be cured	Section 11 1	10 days for monetary defaults and 15 days cure for all other curable defaults, but if not possible to cure within 15 days, begin efforts to cure within 10 days and continue until completion
(h) "Cause" defined – defaults which cannot be cured	Section 11 3	(1) fail to meet the Development Schedule, (2) fail to make payments due, (3) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days, (4) material misrepresentation or omission on application, (5) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects yours or our reputation or the goodwill of the Proprietary Marks, (6) unauthorized transfers, (7) notice of termination of a Franchise Agreement delivered or you or your Controlled affiliate improperly terminates a Franchise Agreement, (8) you or your owners or affiliates interfere with our ability to franchise or license others to use the Proprietary Marks or System, (9) you or your owners or affiliates interfere with our contractual relations with others, (10) you or your owners or affiliates make any unauthorized use, duplication or disclosure of Confidential Information, the Proprietary Marks, the Copyrighted Works, the Manuals or challenge or seek to challenge our rights in any of these items, (11) violation of the in-term non-compete provision, (12) three or more defaults within 12 months whether or not cured or two or more of the same default within 12 months whether or not cured
(i) Your obligations on termination/ non-renewal	Article 12	Pay amounts owed to us, stop using Marks and Copyrights, comply with covenants to maintain confidentiality of confidential information and covenants not to compete
(j) Assignment of contract by us	Section 10 1	No restriction on our right to assign However, no assignment will be made except to an assignee that, in our good faith and judgment is willing and able to assume our obligations under the Area

		Development Agreement
(k) ' Transfer" by you – definition	Section 10 2	Includes transfer of any interest in the Area Development Agreement and in you
(l) Our approval of transfer by you	Section 16 2 and 16 3	We may withhold our approval in our reasonable discretion
(m) Conditions for our approval of transfer	Section 16 2	Not applicable
(n) Our right of first refusal to acquire your business	Section 16 8	We have the right to purchase at the same price and on the same terms as set forth in any bona fide third party offer
(o) Our option to purchase your business	Not applicable	Not applicable
(p) Your death or disability	Section 10 4	Interest must be transferred to an approved party within six months
(q) Non-competition covenants during the term of the franchise	Section 8	No involvement by you, your Principal Owners and members of their immediate family in a Competitive Business anywhere If you are a corporation or partnership, you may not engage in any business other than the development and operation of Chocolate Works® Stores
(r) Non-competition covenants after the franchise is terminated or expires	Section 12 4	No involvement by you, your Principal Owners or their immediate families in a Competitive Business for two years within 25 miles of any Chocolate Works® Store in the System
(s) Modification of the agreement	Section 14 9	No modifications unless in writing and signed, but Operating Manual subject to change
(t) Integration/ merger clause	Section 14 10	Only terms of the Area Development Agreement are binding (subject to state law) Any representations or promises outside the Franchise Disclosure Document and Area Distributed Agreement may not be enforceable
(u) Dispute resolution by arbitration or mediation	Section 14 5	Arbitration in New York
(v) Choice of forum	Section 14 5	New York or the court nearest our executive office at the time action is filed (subject to applicable state law)

(w) Choice of law	Section 14 5	New York law applies (subject to applicable state law)

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchise

ITEM 19
PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Joseph Whaley at 114 Church Street, Freeport, NY 11520 and 516-868-8070, the Federal Trade Commission, and the appropriate state regulatory agencies

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION
Table No 1

System-wide Outlet Summary
For years ending December 31, 2015, 2016, 2017

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2015	12	19	+7
	2016	19	17	-2
	2017	17	17	0
Company Owned*	2015	1	1	0
	2016	1	3	+2
	2017	3	3	0
Total Outlets	2015	13	20	+7
	2016	20	20	0
	2017	20	20	0

*These outlets were owned and operated by our predecessor, Chocolate Works NY, LLC

Table No 2

Transfers of Outlets from Franchisees to new owners (other than the franchisor) for years ending December 31, 2015, 2016, 2017

State	Year	Number of Transfers
New Jersey	2015	0
	2016	1
	2017	1
New York	2015	0
	2016	1
	2017	1
Total Outlets	2015	0
	2016	2
	2017	2

Table No 3

Status of Franchised Outlets
For years ending December 31, 2015, 2016, 2017

Col 1 State	Col 2 Year	Col 2 Outlets at Start of Year	Col 2 Outlets Opened	Col 2 Termination	Col 2 NonRenewals	Col 2 Reacquired by Franchisor	Col 2 Ceased Operations –Other Reasons	Col 2 Outlets at End of the Year
Connecticut	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Missouri	2015	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
New York	2015	9	1	0	0	0	0	10
	2016	10	0	0	0	2	0	8
	2017	8	1	0	0	0	0	9
New Jersey	2015	3	3	0	0	0	0	6
	2016	6	0	0	0	0	0	6
	2017	6	0	0	0	1	0	5

Pennsylvania	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Total	2015	12	7	0	0	0	0	19
	2016	19	0	0	0	2	0	17
	2017	17	1	0	0	1	0	17

Table No 4

Status of Company-Owned Outlets*
For years ending December 31, 2015, 2016, 2017

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Outlets Reacquired From Franchisee	Col 6 Outlets Closed	Col 7 Outlets Sold to Franchisee	Col 8 Outlets at End of the Year
New York	2015	1	0	0	0	0	1
	2016	1	0	2	0	0	3
	2017	3	0	0	0	0	3
New Jersey	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Total	2015	1	0	0	0	0	1
	2016	1	0	2	0	0	3
	2017	3	0	0	0	0	3

*These outlets were owned and operated by our predecessor, Chocolate Works NY, LLC

Table No 5

Projected Openings as of December 31, 2017

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

Missouri	0	4	0
New York	0	1	0
New Jersey	0	1	0
Total	1	9	0

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

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

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

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

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit F is our audited financials as of December 31, 2016, prepared in accordance with U S Generally Accepted Accounting Principles

We were formed on December 3, 2015 and have not been in business for three years or more and therefore cannot provide all financial statements as required in this item

Our fiscal year end is on December 31

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document

Franchise Agreement	Exhibit B
Area Development Agreement	Exhibit C
Form of General Release	Exhibit I

ITEM 23
RECEIPTS

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

EXHIBIT A
TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process We may not yet be registered to sell franchises in any or all of these states

If a state is not listed, Chocolate Works Franchising, LLC has not appointed an agent for service of process in that state in connection with the requirements of franchise laws There may be states in addition to those listed above in which Chocolate Works Franchising, LLC, has appointed an agent for service of process

There may also be additional agents appointed in some of the states listed

CALIFORNIA Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA90013 (213) 576-7500 Toll Free (866) 275-2677 Agent California Commissioner of Business Oversight 1515 K Street, Suite 200 Sacramento, CA 95814 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 1 Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559	**CONNECTICUT** State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent Banking Commissioner

HAWAII (state administrator) Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (agent for service of process) Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	**ILLINOIS** The Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA (state administrator) Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681 (agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531	**MARYLAND** (state administrator) Office of the Attorney General Securities Division 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360 (for service of process) Maryland Securities Commissioner 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN (state administrator) Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W Ottawa Street, 6th Floor Lansing Michigan 48933 (517) 373-7117 (for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P O Box 30054 Lansing, Michigan 48909	**MINNESOTA** (state administrator) Minnesota Department of Commerce 85 7th Place East, Suite 280 St Paul, Minnesota 55101-2198 (651) 539-1600 (for service of process) Minnesota Commissioner of Commerce

NEW YORK (Administrator) NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236 Phone (212) 416-6042 Fax (Agent for service of process) Attention NY Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492	**NORTH DAKOTA** North Dakota Securities Department State Capitol, Fifth Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712
OREGON Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem Oregon 97310 (503) 378-4387 Agent Director of the Department of Consumer and Business Services	**RHODE ISLAND** Division of Securities Rhode Island Dept of Business Regulation John O Pastore Complex – Bldg 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9500
SOUTH DAKOTA Division of Insurance Securities Regulation 124 S Euclid Avenue, Suite 104 Pierre, South Dakota 57501-3168 (605) 773-3563	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 (for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733

WASHINGTON (state administrator) Department of Financial Institutions Securities Division 150 Israel Road S W Tumwater, Washington 98501 (360) 902-8760 (for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S W Tumwater, Washington 98501	**WISCONSIN** (state administrator) Division of Securities Department of Financial Institutions 201 W Washington Ave , 3rd Floor Madison, Wisconsin 53703 (608) 266-1064 (for service of process) Administrator, Division of Securities Department of Financial Institutions 201 W Washington Ave , 3rd Floor Madison, Wisconsin 53703

EXHIBIT B
TO DISCLOSURE DOCUMENT

CHOCOLATE WORKS FRANCHISING, LLC

FRANCHISE AGREEMENT

CHOCOLATE WORKS FRANCHISING, LLC

FRANCHISE AGREEMENT

_____

FRANCHISEE

_____

DATE OF AGREEMENT

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CHOCOLATE WORKS FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into by and between Chocolate Works Franchising, LLC, a New York limited liability company whose principal office is at 114 Church Street, Freeport, NY 11520 ('we", "us" or "our"), and _____, whose principal office is at _____("you" or "your")

ARTICLE 1
INTRODUCTION

1 1 We and our Affiliates have developed and continue to develop methods of operating retail stores specializing, as of the date of this Agreement, in the sale of an exclusive line of high-quality chocolates and other confections, including boxed chocolates, custom packed chocolate assortments, gift baskets and towers, chocolate dipped fruit, cookies and pretzels, hard candy, ice cream and seasonal items under the Chocolate Works® brand The Chocolate Works® franchise will sell products, some of which will be made on-premises at the Store, at retail as well as under organizational programs, and will host chocolate making parties and other events Such a business is defined below as a "Chocolate Works® Store' Chocolate Works® Stores operate at locations that feature the 'System" which consists of distinctive business format and color scheme and utilizes distinctive, uniform business formats, signs, equipment, layouts, systems, methods, procedures, designs and marketing and advertising standards and formats, all of which we may modify from time to time We grant to certain qualified persons and entities franchises to own and operate Chocolate Works® Stores using the System and our proprietary trademarks, service marks, logos and trade names (the "Marks")

1 2 Pursuant to this Agreement, we grant rights to you to own and operate a Chocolate Works® Store at an approved site (the ' Site") and to operate the Store according to the terms of this Agreement

1 3 Certain terms that are capitalized in this Agreement are defined in Section 2 or at the places in this Agreement where they first appear

ARTICLE 2
DEFINITIONS

2 1 For purposes of this Agreement, the terms listed below have the meanings that follow them Other terms used in this Agreement are defined and construed in the context in which they occur

2 1 1 **"Affiliate"** — Any person, entity or company that directly or indirectly owns or controls a party, or is directly or indirectly owned or controlled by a party, or is under common control with a party For purposes of this definition, "control" means the power to direct or cause the direction of the management and policies of an entity

2 1 2 **"Chocolate Works® Store"** — A store that (a) offers the Proprietary Products for sale as well as certain complementary products and services, (b) meets our standards and specifications, (c) operates using the Marks and the System, and (d) is either operated by us, our Affiliates or our franchisees pursuant to a valid license from us

2 1 3 **"Competitive Business"** — A retail food service business other than a Chocolate Works® Store that (a) features chocolate products of any kind or nature for sale as primary

items, (b) hosts chocolate making parties or similar events, or (c) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of any business described in the preceding clauses (a) and/or (b)

2 1 4 **"Controlling Interest"** — If you are a

(a) corporation, then such number of the voting shares in you as (i) permits voting control on any issue and (ii) prevents any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power, or

(b) general partnership, then a managing partnership interest or such percentage of the general partnership interests in you as (i) permits determination of the outcome on any issue and (ii) prevents any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power, or

(c) limited partnership, then a general partnership interest or such percentage of limited partnership interests as permits the replacement or removal of any general partner, or

(d) limited liability company, then such percentage of the membership interests as (i) permits determination of the outcome on any issue and (ii) prevents any other person, group, combination or entity from blocking voting control on any issue or exercising any veto power

2 1 5 **"Designated Computer Hardware"** — The point of sale ("POS") and computer hardware to be purchased by you in accordance with our specifications and used by you in the operation of the Store (as defined below)

2 1 6 **"Mark"** — The trademarks, service marks, logos, other commercial symbols and any web page on our Website that we authorize you to use to identify the services and/or products offered by Chocolate Works® Store including the mark " Chocolate Works® " and the "Trade Dress", provided that such trademarks, service marks, logos, other commercial symbols, and the Trade Dress are subject to modification and discontinuance and may include additional or substitute trademarks, service marks, logos, commercial symbols and trade dress as provided in this Agreement You acknowledge that the Marks are owned by our Affiliate and have been licensed to us so that we may sub-license them to our franchisees Any references in this Agreement to our rights or interest in the Marks will be deemed to include our Affiliate's rights or interest in the Marks

2 1 7 **"Owners"** — All persons or entities holding direct or indirect legal or beneficial ownership interests in you and all persons who have other direct or indirect property rights in you, this Agreement, the Franchise or the Store All current Owners are listed on Exhibit A to this Agreement

2 1 8 **"Ownership Interests"** — In relation to a (a) corporation, the legal or beneficial ownership of shares in the corporation, (b) partnership, the legal or beneficial ownership of a general or limited partnership interest (c) limited liability company, the legal or beneficial ownership of membership interests in the limited liability company, or (d) that, the ownership of a beneficial interest of such trust

2 1 9 **"Principal Owners"** — Each Owner having an equity ownership interest in you of five percent (5%) or more (regardless of whether such Owner is entitled to vote) and any other Owner designated as a Principal Owner on Exhibit A to this Agreement

2 1 10 **"Proprietary Products"** — The proprietary "Chocolate Works®" gourmet chocolates, premium nuts, hard candies, seasonal novelties, ice cream and other products that we authorize from time to time for sale by Chocolate Works® Stores

2 1 11 **"Site"** — The retail, fixed-location geographical site selected and acquired in the manner described in Article 4 and identified on Exhibit B to this Agreement As used herein the term "Site" also refers to the interior and exterior of the structure housing the Store

2 1 12 **"Store"**— The Chocolate Works® Store that you are licensed to operate at the Site pursuant to this Agreement and the limited, non-exclusive and personal license granted pursuant to Article 3 below

2 1 13 **"Trade Dress"** — The design, decor and image elements that we authorize you to use in connection with the operation of Chocolate Works® Stores as they may be revised and further developed by us or our Affiliates from time to time and as further described in the Operating Manual

2 1 14 **"Website"** — An interactive electronic document contained in a network of computers linked by communications software

ARTICLE 3
GRANT OF FRANCHISE

3 1 Grant of Franchise, Term

We hereby grant to you during the term of this Agreement, a limited, non-exclusive and personal license to use the Marks and the System exclusively in connection with the operation of a Chocolate Works® retail fixed-location geographical unit (the "Store") at the Site identified on Exhibit B, attached hereto and incorporated herein by reference

Subject to the provisions of this Agreement, your limited, non-exclusive and personal license to use the Marks and the System in the operation of your Store will be for a term of ten (10) years commencing on the date of this Agreement Termination or expiration of this Agreement will constitute a termination or expiration of the Franchise and any and all licenses granted herein You agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder and that you will continuously exert your best efforts to promote and enhance the business of the Store and the goodwill of the Marks You will not conduct the business of the Store from any location other than the Site

3 2 Designated Territory

You will have the limited territorial rights described below with respect to the territory set forth in Schedule A annexed hereto (the "Territory") During the Term of this Agreement, we will not open, or grant any other franchisee the right to open, a Chocolate Works® Store within the Territory The territorial rights granted to you hereunder do not prohibit us or any other franchisee from advertising within the Territory or from soliciting institutional clients within the Territory, they merely prohibit the opening of any company-owned or franchisee-owned Chocolate Works® Store within the Territory

3 3 Rights Retained by Us and Our Affiliates

We and our Affiliates retain the unrestricted right with respect to Chocolate Works® Stores, the Marks and the sale of Proprietary Products and any other products and services anywhere in the world including, without limitation, the right

(a) subject to any prohibitions set forth herein or in an applicable Area Development Agreement, to own, acquire, establish, and/or operate and license others to establish and operate businesses, including Chocolate Works® Stores, operating under the Marks and the System selling the Proprietary Products at any location regardless of their proximity to, or potential impact on, your Store,

(b) to own, acquire, establish and/or operate and license others to establish and operate, other non-competitive businesses under a different proprietary mark, at any location,

(c) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Marks, whether such businesses are similar or different from the Store, at any location notwithstanding their proximity to the Site or their actual or threatened impact on sales of the Store,

(d) to sell and/or distribute proprietary products under the Marks through Non-Traditional Venues (as hereinafter defined) at any location "Non-Traditional Venues" means outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, arenas, stadiums, amusement parks and centers, convention centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, train stations department stores, supermarkets, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, college and school campuses, airlines (in-flight service), business and industrial complexes), and other types of institutional accounts,

(e) to sell and distribute directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Proprietary Products) through wholesale distribution and through grocery or convenience stores or through outlets (other than Chocolate Works® Stores) that are primarily retail in nature including but not limited to, any existing outlets which currently sell our Proprietary Products, department stores, or through mail order, toll free numbers, or the Internet including those products bearing the Marks,

(f) to use other methods and channels of distribution utilizing the Marks, the System and/or the marks and trade names of our Affiliates, Chocolate Works® trademarks, trade names and service marks, including, without limitation, telephone numbers, domain names, URLs, on-line computer networks and services, the Internet (including, without limitation, any so-called "virtual stores"), kiosks, carts, concessions, other mobile, remote, limited service or non-permanent facilities, and

(g) to be acquired (regardless of the form of transaction) by a business identical or similar to Chocolate Works® Stores, even if the other business operates, franchises and/or licenses competitive businesses near your Store

You expressly acknowledge and agree that, except as expressly provided herein or in any applicable Area Development Agreement, we will have the unlimited right to exercise all of the rights reserved to us in this Section 3 3 at any location, regardless of the proximity of such location to the Store

The trade names, service marks, trademarks Internet domain names, telephone numbers or other like toll-free telephone numbers which may be utilized by us or our Affiliates, and their mnemonics (collectively the "Telephone Numbers") and other identifying marks constituting a part of the System will be used solely as designated and approved by us Nothing contained herein will be construed to authorize or permit the use by you of the System, the Marks, the Internet domain names, URLs, the Telephone Numbers or any confusingly similar imitations of the same at any other location, on the World Wide Web

section of the Internet or for any other purpose whatsoever In this connection, you acknowledge and agree that we and our Affiliates have the exclusive right to sell the Proprietary Products and related goods and services over the Internet, including the right to display access and sell such goods and services to buyers located within your Territory

ARTICLE 4
DEVELOPMENT AND OPENING OF THE STORE

4 1 Approval of Site

4 1 1 You must obtain our approval of a proposed site for the Store in accordance with our procedures within one hundred eighty (180) days from the date hereof You must submit to us a complete site report for the proposed site which you reasonably believe to conform to site selection criteria we establish from time to time The site report will contain such demographic, commercial and other information and photographs as we may require You acknowledge that in approving a proposed site we may consider such matters as we deem material including, without limitation, demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, including other Chocolate Works® Stores, the proximity to other businesses, the exclusivity granted to our other franchisees or developers, the nature of other businesses in proximity to the site, the purchase price or rental obligations, lease terms for the site, its size, its appearance, and other physical characteristics

4 1 2 We will approve or disapprove each site you propose for the operation of the Store by giving written notice to you We agree to use reasonable efforts to deliver such notice to you within thirty (30) days after we receive the complete site documentation and any other materials we request regarding you and the proposed site We will not unreasonably withhold our approval of a proposed site that meets our standards and specifications for Chocolate Works® Stores Unless we provide our specific approval of a proposed site for your Store, the proposed site is deemed not approved Upon our approval of a proposed site for the Store, the address of the Store will be inserted on Exhibit B to this Agreement In the event (a) you do not locate a suitable site for your Store within one hundred eighty (180) days from the date this Agreement is signed, (b) we locate a suitable site for your Store but you reject the site for whatever reason, or (c) we do not approve a site for your Store and you do not locate another suitable site, we will have the right to terminate this Agreement or grant you an extension of time to find an alternative, acceptable location If, after any extension granted pursuant to this Section, you have not located a suitable site for your Store, this Agreement may be terminated by us without further notice to you

4 1 3 You hereby acknowledge and agree that our approval of the Site does not constitute an express or implied assurance, representation or warranty of any kind as to the suitability of the Site for a Chocolate Works® Store or for any other purpose Our approval of the Site indicates only that we believe the Site complies with acceptable minimum criteria established by us solely for our purposes as of the time of evaluation You and we acknowledge that application of criteria that have been effective with respect to other sites may not be predictive of potential for the Store and that, subsequent to our approval of the Site, demographic and/or economic factors included in or excluded from our criteria could change, thereby altering the potential of the Site Such factors are unpredictable and are beyond our control We are not responsible for the failure of the Site to meet your expectations as to revenue, operational performance or other measures You further acknowledge and agree that your acceptance of a Franchise for the operation of the Store at the Site is based on your own independent investigation of the suitability of the Site

4 2 Approval of Lease

4 2 1 Upon our approval of a proposed site, you will attempt to obtain lawful possession of the approved Site through your direct purchase, lease or sublease You must obtain lawful possession of the Site within one hundred and eighty (180) days after execution of this Agreement The lease or sublease for the Site will be in a form satisfactory to us and (a) provide for concurrent, written notice to us of your default under said lease or sublease, (b) provide for our right, in our sole discretion, to cure your default under said lease or sublease, (c) provide for your right to assign your interest under said lease or sublease to us without the lessor's or sublessor's consent (d) authorize and require the lessor or sublessor to disclose to us upon our request sales and other information furnished to the lessor or sublessor by you, (e) provide that we will have the right, in our sole discretion, upon termination of this Agreement or expiration of this Agreement, without the grant of a successor franchise, to assume said lease or sublease, (f) provide for the lessor's or sublessor's consent to your display of the Marks in accordance with our specifications therefore, subject only to applicable law, (g) provide that it may not be materially modified without our prior written consent and that we will receive copies of such modifications when proposed and when executed, and (h) include an executed copy of the Collateral Assignment of Lease, which is attached hereto as Exhibit D, or a substantially similar form approved by us

4 2 2 You will deliver to us for review a copy of the lease, sublease or purchase agreement for the Site You agree that you will not execute a lease, sublease or purchase agreement without our prior written approval of its terms If we do not approve a proposed lease, sublease or purchase agreement within thirty (30) days after we receive it, it will be deemed disapproved by us You will deliver a copy of the signed lease, sublease or purchase agreement to us within fifteen (15) days of its execution You further agree that you will not execute or agree to any modification of the lease, sublease or purchase agreement which would affect our rights without our prior written approval

4 2 3 If you fail to obtain lawful possession of the approved Site within one hundred eighty (180) days after execution of this Agreement, we may withdraw approval of the Site

4 2 4 You acknowledge and agree that our participation in the selection and/or approval of a Site will not constitute any representation or warranty by us regarding the profitability or success of the Store at the Site or the suitability of the approved location as the Site

4 3 Design Specifications

We will furnish to you "Design Specifications" which contain our requirements for design, decoration, layout equipment, furniture, fixtures, color scheme, and signs for Chocolate Works® Stores You will be responsible for hiring an architect, or employing a design firm and/or architecture firm designated or approved by us, to adapt the Design Specifications to your Site with our approval, and for hiring a contractor to build the Chocolate Works® Store in accordance with those approved plans You acknowledge and agree that the Design Specifications are an integral part of the System and form a part of the Trade Dress and that, therefore, the Store will be developed, constructed and designed in accordance with the Design Specifications You must submit all plans and specifications to us for our approval You will not begin development of the Store until we approve your plans and specifications in writing You acknowledge and understand that our approval of your proposed plans and specifications is not meant to assess or verify compliance with any applicable law (including, but not limited to, the Americans with Disabilities Act, as amended (the "ADA")), regulation or building code Our review of your plans and specifications is only to verify that such plans and specifications accurately represent the Marks and Trade Dress and meet our then-current image for Chocolate Works® Stores

4 4 Development of the Store

4 4 1 Within ninety (90) days after the date you obtain possession of the Site by signing a lease, sublease or purchase agreement, you will, at your expense, do or cause to be done the following (a) prepare and submit to us for approval, detailed construction plans and specifications and space plans for the Store that comply with the Design Specifications and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions, (b) obtain all required zoning changes, planning consents, building, utility, sign, health, sanitation and business permits, licenses and approvals and any other consents, permits and licenses necessary to lawfully open and operate the Store, (c) construct all required improvements in compliance with construction plans and specifications approved by us, (d) decorate the Store in compliance with Design Specifications and plans and specifications approved by us, (e) purchase and install all required equipment, including the Designated Computer Hardware, furniture, fixtures and signs and (f) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services

4 4 2 Prior to opening the Store and prior to renovating the Store after its initial opening, you will execute an ADA Certification in the form attached to this Agreement as Exhibit I that certifies in writing to us that the Store and any proposed renovations comply with the ADA

4 5 Equipment, Fixtures and Signs

4 5 1 You agree to use in the development and operation of the Store only those brands, types and/or models of equipment, fixtures and signs displaying the Marks that meet our specifications You may purchase approved brands, types and/or models of equipment, fixtures and signs that meet our specifications from any supplier unless we designate that you must purchase or lease such items from a designated supplier We will, from time to time, supply you with a list of suppliers who sell items that meet our specifications All computer equipment (including cash registers and scales) used in the operation of the Store must be of a brand, type and/or model authorized by us

4 5 2 When so directed by us, you will utilize the Designated Computer Hardware, system documentation manuals and other proprietary materials required by us in connection with the operation of the Store You will input and maintain in your computer(s) such data and information as we prescribe in our Operating Manual, our software programs and otherwise You will purchase such new or upgraded proprietary software programs, manuals and/or computer-related materials whenever we determine to adopt such new or upgraded programs, manuals and/or materials for Chocolate Works® Stores generally

4 5 3 You understand that computer systems are designed to accommodate a certain maximum amount of data and terminals and that as such limits are achieved and/or as technology and/or software is developed in the future, we, at our sole discretion, may mandate that you add memory, ports, accessories, peripheral equipment and/or additional, new or substitute software to the original computer system purchased by you You further understand that it may become necessary for you to replace or upgrade your entire computer system with a larger system capable of assuming and discharging all the computer-related tasks and functions specified by us You further understand and agree that as computer designs and functions change periodically, we may be required to make substantial modifications to our computer specifications or to require installation of entirely different systems during the term of this Agreement or during the term of any successor Franchise Agreement

4 5 4 You agree, at your expense, to keep your computer system in good maintenance and repair Following our testing and determination that same will prove beneficial to you, you agree to

install, at your own expense, such additions, changes, modifications, substitutions and/or replacements to your computer hardware, software, telephone and power lines and other computer-related facilities as we direct within the time frame specified by us, in our sole and exclusive discretion, in our Operating Manual or otherwise We will provide you with technical support in connection with your POS system, your accounting and event tracking software and related issues, for which you will pay us a monthly technology fee of Two Hundred Fifty Dollars ($250)

4 5 5 Upon termination or expiration of this Agreement, all computer software, disks, tapes and other magnetic storage media will be returned to us in good condition, allowing for normal wear and tear

4 6 Designated Computer Hardware

4 6 1 You will utilize the Designated Computer Hardware and record all sales as we will direct in our Operating Manual or otherwise Designated Computer Hardware will include at a minimum a device to record accumulated sales which cannot be turned back or reset, and a back-up power system for memory storage in the event of a power loss

4 6 2 When so instructed by us, you will procure and install designated accounting software and software options, associated computer hardware, required dedicated telephone and power lines, modem(s) for polling purposes printer(s), and other related accessories or peripheral equipment, and bar coding equipment as we specify in our Operating Manual or otherwise You will provide any assistance required by us to bring such system on-line with our system at the earliest possible time and you expressly agree that we will thereafter have the free and unfettered right to retrieve such data and information from your system as we, in our sole and exclusive discretion, deem necessary or appropriate The cost of such retrieval will be borne by us You will bear the sole cost of the foregoing items to be installed or purchased and activities to be accomplished by you and the delivery and installation cost of all hardware and software

4 6 3 You understand that said Designated Computer Hardware is designed to accommodate a certain maximum amount of data and that as such limits are achieved and/or as technology and/or software is developed in the future, we, at our sole discretion, may mandate that you add memory, ports, accessories, peripheral equipment and/or additional, new or substitute software to the original computerized cash register system purchased by you You further understand that it may become necessary for you to replace or upgrade the entire cash register system with a larger system capable of assuming and discharging all the tasks and functions specified by us You further understand and agree that as designs and functions change periodically, we may be required to make substantial modifications to our specifications or to require installation of entirely different systems during the term of this Agreement or during the term of any renewal Franchise Agreement

4 6 4 You agree, at your expense, to keep your cash register system in good maintenance and repair Following our testing and determination that it will prove beneficial to you, you agree to install at your own expense such additions, changes, modifications, substitutions and/or replacements to your hardware, software, telephone lines and power lined and other related facilities as we direct on those dates and within those times specified by us in our sole and exclusive discretion in our Operating Manual or otherwise

4 7 Pre-Opening Purchases

Upon completion of the development of the Store, you agree to stock the initial inventory of the Store to our specifications and standards The initial inventory of the Store will include your purchase of candy making and display equipment and Proprietary Products from us or our designated supplier

4 8 Store Opening

You agree not to open the Store for business until (a) we determine that all of your obligations pursuant to Sections 4 1 through 4 7 have been fulfilled, (b) pre-opening training of Store personnel has been completed, (c) all amounts then due to us have been paid, (d) we have been furnished with copies of all insurance policies required pursuant to this Agreement or such other evidence of insurance coverage and payment of premiums as we request, and (e) we have completed the pre-opening inspection of the premises You must open your Store within twelve months after we approve the location for your Store or fifteen months after signing the Franchise Agreement, whichever occurs first You further agree to open the Store for business and commence conduct of business at the Store pursuant to this Agreement within five (5) days after we give notice to you stating that the Store is ready for opening

4 9 Grand Opening Program

You must conduct a grand opening advertising and marketing program within 90 days of the date on which your Store first opens You must devote at least Ten Thousand Dollars ($10,000) to such program If we believe, in our discretion, that the size or location of your Store or other factors we deem relevant call for the expenditure of more than Ten Thousand Dollars ($10,000) in connection with your grand opening, we may require you to contribute up to an additional Five Thousand Dollars ($5,000) to fund additional advertising, marketing and promotional activities

4 10 Relocation of Store Site

We will grant permission for relocation of the Store to a site approved by us if (a) your lease or sublease for the Site of the Store expires or terminates without your fault (b) the Site is damaged, condemned or otherwise rendered unusable as a Chocolate Works® Store in accordance with this Agreement or (c) in our and your judgment there is a change in the character of the location of the Site sufficiently detrimental to its business potential to warrant its relocation Any such relocation will be at your sole expense, including payment to us of a relocation fee equal to fifty percent (50%) of our then-current initial franchise fee for a single unit franchise, which payment is due to us with your request for approval of your relocation, and any replacement site must be approved by us and developed by you in the manner described in this Article 4 The Store will re-open at the replacement site as soon as reasonably practicable, but in no event more than ninety (90) days after the closing of the original location

4 11 Store Refurbishment

At our request, which will not be more frequently than once every five (5) years, you will refurbish the Store at your sole cost and expense so that it conforms to the building design, Trade Dress, color schemes and presentation of the Marks in a manner consistent with the image then in effect for new Chocolate Works® Stores under the System, including, without limitation, remodeling, redecoration and modifications to existing improvements, and equipment

ARTICLE 5
TRAINING AND GUIDANCE

5 1 Initial Training

5 1 1 Before the Store begins operating, we will provide initial training at our headquarters (or such other location as we designate) to you, your manager and one (1) additional employee (for a maximum of three (3) people) If you request that we provide our initial training program to additional trainees, whether before your Store opens or while it is operating, you must pay our then-current training fee for each additional trainee Initial training will be held at such time and location and for such duration as we designate You and your managers must complete the initial training program to our reasonable satisfaction If we, in our sole discretion, determine that the initial Store manager has failed to satisfactorily complete the initial training or needs additional training either at or away from the Store, you agree to immediately (within thirty (30) days) hire a substitute initial Store manager and arrange for such substitute manager to complete the training to our satisfaction, at your expense

5 1 2 If we, in our sole discretion, determine that you or any substitute initial Store manager fails to satisfactorily complete the initial training program within a reasonable period of time, we may terminate this Agreement immediately upon notice to you

5 1 3 You will be responsible for the cost of all travel and living expenses that you and your trainees incur in connection with initial training and any subsequent training including, but not limited to, travel, lodging, meals and applicable wages We will not compensate training attendees for any incidental services performed in connection with training

5 1 4 We will provide an additional forty (40) hours of on-site training at your Store prior to the Grant Opening In addition, we will provide a representative to assist in the opening and operation of the Store for a period of up to five (5) days Our representative will assist you in training Store personnel and establishing standard operating procedures for the Store We will not charge you for the services of our representative for up to five (5) days of assistance, however, if you request additional days of opening and operating assistance, you will pay to us our then-current per diem fee for our representative, and you will reimburse our representative's expenses in providing such additional assistance, including but not limited to, travel, lodging and meals

5 1 5 Any Store managers hired by you subsequent to the commencement of operation of the Store must attend and successfully complete our initial training program You must pay our then - current training fee for each additional manager sent to our training program, and you must pay such manager's expenses while attending training including, but not limited to, travel, lodging, meals and wages

5 2 Additional Training

5 2 1 At your request, and subject to the availability of our personnel, we may provide additional training or assistance on-site at your Store You will pay our then-current per diem fee for each trainer/representative we send to your Store to provide the additional training or assistance and for each day such training or assistance lasts and you will reimburse our trainers'/representatives' expenses while providing such on-site training or assistance, including but not limited to, travel, lodging and meals

5 2 2 We may offer refresher training programs at various times, and we may designate that attendance at the refresher training is mandatory for you and/or your manager(s) We may use money from the Fund (as defined in Section 12 1) to pay for the cost of presenting the refresher training, but you

must pay for all expenses incurred by your attendees, including travel, lodging, meals and wages You will not have to attend more than five (5) days of refresher training in any calendar year

5 2 3 You will implement a training program for Store employees in accordance with training standards and procedures that we may prescribe You will maintain, at all times, a staff of trained employees sufficient to operate the Store in accordance with this Agreement

5 3 Guidance and Assistance

We will furnish guidance to you with respect to (a) specifications, standards and operating procedures utilized by Chocolate Works® Stores and any modifications thereof, (b) purchasing approved equipment fixtures, signs, inventory, and operating materials and supplies, (c) development and implementation of local advertising and promotional programs, (d) administrative, bookkeeping, accounting inventory control and general operating and management procedures of Chocolate Works® Stores, and (e) establishing and conducting employee training programs at the Store Such guidance will, in our discretion, be furnished in the form of our Operating Manual, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at the Store If you request, we will furnish additional guidance, assistance and/or training as described in Section 5 2 1 above

5 4 Operating Manual

We will loan to you for your sole use during the term of this Agreement one (1) copy of an 'Operating Manual", as further described in Section 11 14 below, which may consist of one (1) or more handbooks or manuals as may be modified, replaced or supplemented by us from time to time, in our sole discretion, and which we may provide to you in an electronic format The Operating Manual will contain mandatory specifications, standards, policies and procedures prescribed from time to time by us for Chocolate Works® Stores

5 5 Meetings

5 5 1 To develop and maintain cooperation and friendship with other franchisees, to enhance the ability to operate the Store properly, to learn the most recent developments in business methods for the Store and to take instructions from us on new or revised procedures or requirements, you will be required to attend any regional or company-wide meetings organized and conducted by us for franchisees, to be held at locations to be determined by us

5 5 2 We will pay all costs of organizing and conducting such meetings utilizing monies of the Fund (as defined in Section 12 1), but you will be responsible for your own travel expenses, meals and lodging, including those of your manager(s) However, we will be under no obligation to organize or hold such meetings until we believe, in our sole and absolute discretion, it is advisable to do so

5 5 3 Your manager(s), if any, or you must attend and complete, at your expense, all the meetings and training sessions described in Article 5 hereof, to the same extent as you

ARTICLE 6
MARKS

6 1 Goodwill and Ownership of Marks

You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to the operation of the Store by you pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the term of the Franchise Any unauthorized use of the Marks by you will constitute a material breach of this Agreement and an infringement of our and our Affiliate's rights in and to the Marks You acknowledge and agree that all usage of the Marks by you and any goodwill established thereby will inure to our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you other than the right to operate the Store in compliance with this Agreement All provisions of this Agreement applicable to the Marks will apply to any other trademarks, service marks and commercial symbols hereafter authorized in writing for use by and licensed to you by us

You acknowledge that our Affiliate is the owner of the Marks and it has licensed the Marks to us so that we may sub-license them to our franchisees Any references in this Agreement related to our rights and interest in and to the Marks will be deemed to include our Affiliate's rights and interest in and to the Marks

You understand and agree that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by us, and that are not subsequently designated by us as being withdrawn from use, together with those that may hereafter being designated by us in writing You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of our Marks by virtue of the limited license granted hereunder, or by virtue of your use of any of the Marks

During the term of this Agreement and any renewal or extension hereof you will identify yourself as the independent owner of the Store in conjunction with any use of the Marks, including but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as we may designate in writing

6 2 Limitations on Your Use of Marks

You agree to use the Marks as the sole trade identification of the Store, provided that you will identify yourself as the independent owner of the Store in the manner prescribed by us You will not use any Mark or any variation thereof (a) as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, (b) in connection with the performance or sale of any unauthorized services or products, (c) as part of the domain name or electronic address of any Website, or (d) in any other manner not expressly authorized in writing by us You agree to display the Marks prominently in the manner prescribed by us at the Store and in connection with advertising and marketing materials You agree to give such notices of trademark and service mark registrations as we specify and to obtain such business name registrations as may be required under applicable law Notwithstanding anything contained herein to the contrary, it shall not be a violation of this Agreement for you to register identification names or handles for use in social media containing the name "Chocolate Works" in some form, including without limitation on Facebook®, Twitter®, Pinterest®, Instagram® and LinkedIn®, provided that any such identification name or handle shall be preapproved by Franchisor, which preapproval shall not be unreasonably withheld or delayed

6 3 Notification of Infringements and Claims

You will immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark, and you will not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim We will have sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks We will reimburse you for the reasonable out-of-pocket expenses incurred and paid by you in complying with the requirements imposed by this Paragraph, provided however if any action taken by us results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs thereof up to the amount of the monetary recovery

6 4 Discontinuance of Use of Marks

If it becomes advisable at any time, in our sole judgment, for the Store to modify or discontinue the use of any Mark or of any aspect of the Trade Dress and/or for the Store to use one or more additional or substitute trademarks or service marks or substitute trade dress, you agree to immediately comply with our directions to modify or otherwise discontinue the use of such Mark and/or to use one or more additional or substitute trademarks, service marks, domain names, logos or commercial symbols or substitute trade dress after notice thereof by us Neither we nor our Affiliates will have any obligation to reimburse you for any expenditure made by you to modify or discontinue the use of a Mark or to adopt substitutes for a discontinued Mark including, without limitation, any expenditures relating to advertising or promotional materials or to compensate you for any goodwill related to the discontinued Mark You covenant not to commence or join in any litigation or other proceeding against us for any of these expenses, losses or damages

6 5 Indemnification of You

We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement and for all costs reasonably incurred by you in the defense of any such claim brought against you or in any such proceeding in which you are named as a party, provided that you have timely notified us of such claim or proceeding, have given us sole control of the defense and settlement of any such claim, and have otherwise complied with this Agreement If any action taken by us with respect to any such claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs thereof up to the amount of the monetary recovery

ARTICLE 7
COPYRIGHTS

7 1 Ownership of Copyrights

You and we acknowledge and agree (a) we may authorize you to use, in connection with the operation of the Store, certain copyrighted or copyrightable works which will be referred to herein as the "Copyrighted Works", (b) that the Copyrighted Works are the valuable property of us or our Affiliates, and (c) that the rights herein are granted to you solely on the condition that you comply with the terms of

this Section You acknowledge and agree that we own or are the licensee of the owner of the Copyrighted Works and will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Chocolate Works® Stores Such Copyrighted Works include the Operating Manual and may include all or part of the Marks, Trade Dress and other portions of the System We intend that all works of authorship related to the System and created in the future will be owned by us or our Affiliates

7 2 Limitation on Your Use of Copyrights

You acknowledge that your right to use the Copyrighted Works is derived solely from this Agreement and is limited to the use of such Copyrighted Works pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the term of this Agreement You will ensure that all Copyrighted Works used hereunder will bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws prescribed by us specifying that we or our Affiliate is the owner of the copyright You acknowledge that this Agreement does not confer any interest in the Copyrighted Works upon you other than the right to operate the Store in compliance with this Agreement If we authorize you to prepare any adaptation, translation or derivative work of the Copyrighted Works, you hereby agree that such adaptation, translation or derivative work will be our property and you hereby assign all your right, title and interest therein to us You agree to execute any documents in recordable form which we determine are necessary to reflect such ownership You will submit all such adaptations, translations or derivative works to us for approval prior to use Unless we provide our specific approval of such works, they are deemed not approved

7 3 Notification of Infringements and Claims

You will immediately notify us of any actual or apparent infringement of or challenge to any of the Copyrighted Works, or claim by any person of any rights in the Copyrighted Works You will not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim We will have the sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to the Copyrighted Works

7 4 Discontinuance of Use

If it becomes advisable at any time in our sole judgment for you to modify or discontinue use of any of the Copyrighted Works and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree to immediately comply with our directions to modify or otherwise discontinue the use of the copyrighted materials and/or to use one or more substitute materials, at your expense

ARTICLE 8
CONFIDENTIAL INFORMATION

8 1 We possess and will further develop and acquire "Confidential Information" including, but not limited to, the following categories of information, methods, techniques, procedures, and knowledge developed or to be developed by us, our Affiliates and/or franchisees and developers

(a) recipes, methods, techniques, specifications, standards, policies, procedures, information, concepts and systems relating to and knowledge of and experience in the development, operation, and franchising of Chocolate Works® Stores,

(b) marketing and promotional programs for Chocolate Works® Stores,

(c) knowledge of specifications for and knowledge of suppliers of certain materials, equipment and fixtures for Chocolate Works® Stores,

(d) the terms of this Agreement and

(e) the Operating Manual

8 2 All data relating to the sales and operations of the Store will also be deemed to be Confidential Information for purposes of this Agreement

8 3 We will disclose such parts of the Confidential Information as are required for the operation of a Chocolate Works® Store to you during training and in guidance and assistance furnished to you during the term of the Franchise, and you may learn or otherwise obtain from us additional Confidential Information during the term of the Franchise You acknowledge and agree that neither you nor any other person or entity will acquire any interest in or right to use the Confidential Information, other than your right to utilize it in the operation of the Store, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with us and other Chocolate Works® Store franchisees You agree to disclose the Confidential Information to your Owners and to employees of the Store only to the extent reasonably necessary for the operation of the Store

8 4 You acknowledge and agree that the Confidential Information is confidential to and a valuable asset of ours and our Affiliates, is proprietary, includes trade secrets of ours and our Affiliates, and is disclosed to you solely on the condition that you your Owners and your employees who have access to it agree, and you do hereby agree, that during and after the term of this Agreement, you, your Owners and such employees

(a) will not use the Confidential Information in any other business or capacity,

(b) will maintain the absolute secrecy and confidentiality of the Confidential Information,

(c) will not make unauthorized use of any portion of the Confidential Information disclosed in written or other tangible form,

(d) will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information,

(e) will require all Principal Owners and all employees and Owners who will have access to Confidential Information, including, without limitation, managers and other personnel who attend our training programs, to execute Confidentiality and Non-Competition Agreements in the form attached hereto as Exhibit E We will be a third party beneficiary of each such agreement with the independent right to enforce its terms You will provide, at our request, executed originals of each such Confidentiality and Non-Competition Agreement Failure to procure execution of a Confidentiality and Non-Competition Agreement will be a material breach of this Agreement, and

(f) will use best efforts to cause all other employees and Owners to sign the Confidentiality Agreement attached hereto as Exhibit F You will provide, at our request, executed originals of each such Confidentiality Agreement

8 5 Nothing contained herein will be construed to prohibit you from using the Confidential Information in connection with the operation of a Chocolate Works® Store other than the Store pursuant to a franchise agreement between you and us

8 6 Notwithstanding anything to the contrary contained in this Agreement, and provided you will have obtained our prior written consent, the restrictions on your disclosure and use of the Confidential Information will not apply to the following (a) information methods, procedures, techniques and knowledge which are or become generally known in the business of the offer and sale of Proprietary Products, other than through deliberate or inadvertent disclosure by you, and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided you have notified us prior to disclosure and will have used your best efforts to obtain, and will have afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed

8 7 You agree to disclose to us all ideas, concepts, methods, techniques and products relating to the development and operation of a Chocolate Works® Store conceived or developed by you, your Affiliates, Owners or your employees during the term of this Agreement You hereby grant to us and agree to procure from your Affiliates, Owners or employees a perpetual, non-exclusive and worldwide right for us to use same We will have no obligation to make any payment with respect to any such idea, concept, method, technique or product You agree that you will not use, nor will you allow any other person or entity to use, any such concept, method, technique or product without obtaining our prior written approval

ARTICLE 9
EXCLUSIVE RELATIONSHIP

9 1 You acknowledge and agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Chocolate Works® Stores if franchisees, area developers, their Principal Owners, or members of any of their immediate families were permitted to engage in, hold interests in, or perform services for a Competitive Business You further acknowledge and agree that the restrictions contained in this Section will not unduly hinder your activities or the activities of your Principal Owners under this Agreement or in general We have entered into this Agreement with you on the express condition that, with respect to the operation of Competitive Businesses, you and your Principal Owners and members of their respective immediate families will deal exclusively with us You therefore agree that during the term of this Agreement neither you nor any of your Principal Owners nor any member of the immediate family of yours or any of your Principal Owners will, directly or indirectly

(a) have any interest as a disclosed or beneficial owner in any Competitive Business, or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business, or

(c) employ or seek to employ any person, who is employed by us, our Affiliates or by any other developer or franchisee of Chocolate Works® Stores, nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer

9 2 The restrictions set forth in clause (a) of Section 9 1 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represents less than five percent (5%) of the number of shares of that class of securities issued and outstanding

9 3 The restrictions of Section 9 1 will not be construed to prohibit you, any of your Principal Owners, or any member of the immediate family of yours or your Principal Owners from having a direct or indirect ownership interest in any Chocolate Works® Store, Area Development Agreement or Franchise Agreement for the development or operation of any Chocolate Works® Store, or any entity owning, controlling or operating a Chocolate Works® Store or from providing services to any such Chocolate Works® Store pursuant to other agreements with us

ARTICLE 10
FEES

Based upon our financial condition, the Maryland Securities Commissioner requires that we defer the payment of the initial franchise fee and all other initial payments until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating However, you must sign the Franchise Agreement before beginning training

In the State of Washington, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating However, you must execute the Franchise Agreement prior to looking for a site or beginning training

10 1 Initial Franchise Fee

You agree to pay to us an "Initial Franchise Fee" of Fifty Thousand Dollars ($50,000), unless this Agreement is executed pursuant to an Area Development Agreement, in which event the Initial Franchise Fee payable hereunder shall be as set forth in such Area Development Agreement We offer a Ten Thousand Dollar ($10,000) discount on the Initial Franchise Fee to qualified veterans of the United State Armed Forces opening a single Store The Initial Franchise Fee will be fully earned by us upon execution of this Agreement and is non-refundable in whole or in part

We may, in circumstances we deem appropriate, grant discounts on the Initial Franchise Fees for franchisees and area developers Accordingly, you understand and acknowledge that the Initial Franchise Fees paid by you may not be the same as those paid by other franchisees

10 2 Royalty Fee, Institutional Customers

You agree to pay to us a continuing "Royalty Fee' in an amount equal to five percent (5%) of the Gross Revenue of the Store You will submit to us on or before the Tuesday of each week, or the next business day if any Tuesday is not a business day, a statement reporting all the Gross Revenue of the Store for the preceding week ending Sunday This statement will contain such detail, be in such format, and be submitted to us in the manner we prescribe in the Operating Manual or otherwise in writing This

statement may be accessed directly by us from your computer system The Royalty Fee is payable on Wednesday of each week, as described in Section 10 6 below

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you

If you receive an order from a business charity or other organization (an "Institutional Customer"), you will have the right to fulfill the order, and the revenues you receive in connection with such orders will be included in your Gross Revenues for the purpose of calculating your Royalty Fee If you elect not to fulfill an order for an Institutional Customer, you will forward the order to us for fulfillment, in which event we will make, package and deliver such products in accordance with the terms of the relevant purchase order and our then applicable pricing schedule For all orders from Institutional Customers that you do not elect to fulfill and that you refer to us, we will pay to you fifty percent (50%) of the invoiced amount (excluding taxes and shipping) derived in connection with such order and actually received by us, which amounts shall be payable on a monthly basis, within thirty (30) days following the end of the calendar month in which we receive the relevant revenues We agree to provide you with reasonably detailed written monthly statements within the same time period We reserve the right to deduct from your portion of the net profits any amounts you may owe to us Orders from Institutional Customers will generally be prepaid when the order is accepted If you do not arrange for prepayment in full, you will bear the credit risk for nonpayment

10 3 Definition of "Gross Revenue"

As used in this Agreement, the term "Gross Revenue will mean gross revenue of the Store from the sale of Proprietary Products and the sale of all other products and services by or for you or the Store in, upon or from the Site or through or by means of the business conducted pursuant to this Agreement, whether for cash or credit, including any assumed gross revenue calculated for the purpose of an insurance claim for lost profits to the extent such claim is paid by the insurer, exclusive of (a) sales or service taxes collected from customers and paid to the appropriate taxing authority, (b) all customer refunds, adjustments and credits made by the Chocolate Works® Store, and (c) sales revenues attributable to purchases by Institutional Customers where such orders are fulfilled by us

10 4 Interest on Late Payments

All Royalty Fees, marketing fund contributions, amounts due for purchases by you from us or our Affiliates, and other amounts which you owe to us or our Affiliates will bear interest after the due date at a rate equal to the maximum interest rate permitted by law or at the rate of eighteen percent (18%) per annum, whichever is less You acknowledge that this Section will not constitute our agreement to accept such payments after same are due or a commitment by us to extend credit to or otherwise finance your operation of the Store You acknowledge that failure to pay all such amounts when due will constitute grounds for termination of this Agreement as provided herein, notwithstanding the provisions of this Section

10 5 Application of Payments

Notwithstanding any designation by you, we will have sole discretion to apply any payments received from you or any indebtedness of yours to us to any past due indebtedness of yours for Royalty Fees, advertising fund contributions, purchases from us or our Affiliates, interest, or any other indebtedness of yours to us or our Affiliates

10 6 Electronic Funds Transfer

10 6 1 At our request, you must sign and deliver to us any documents we require to authorize us to debit your business checking account automatically for the Royalty Fee and other amounts due under this Agreement As described in Section 10 2 above, you must report to us each Tuesday, as we direct, the Store's true and correct Gross Revenue for the previous week We will debit your account for the Royalty Fee on the Wednesday of each week for the prior week If any Wednesday is a holiday, your Royalty Fee will be due to us on the next business day You agree to make the funds available for withdrawal by electronic transfer before each due date

10 6 2 If you fail to report the Store's Gross Revenue, we may debit your account for one hundred twenty percent (120%) of the last Royalty Fee that we debited If the Royalty Fee we debit is less than the Royalty Fee you actually owe us, we will debit your account for the balance on a day we specify If the Royalty Fee we debit is greater than the Royalty Fee you actually owe us, we will credit the excess against the amount we otherwise would debit from your account the following week

10 6 3 You hereby authorize us to initiate debit entries and/or credit collection entries to your designated primary business operating checking or savings account for the payment of continuing Royalty Fees, Advertising Fund contributions, rent and rent-related expenses and all other sums that may become due to us or our Affiliates from you If we elect to utilize this method of payment of such obligations, you will execute such authorizations as we, our bank and your bank will require and will make funds available for withdrawal by us by electronic transfer on the Wednesday of each week as we will designate

10 6 4 You hereby authorize us and our subsidiaries and Affiliates to deduct and retain an amount equal to all Royalty Fee and Advertising Fund contributions, rent and rent-related expenses, and all other sums that may become due to us and our Affiliates from any funds due to you from our Affiliates under any agreement between you and such Affiliates

10 7 Processing of Credit Card Sales

You will arrange for processing of credit card sales transactions which occur at the Store with one or more financial institutions of your choice, provided that you will ensure that you are able to process transactions at your Store on all major credit cards, including, at a minimum, Visa, MasterCard and American Express

10 8 Offsets

We may retain and apply in any manner determined by us, in our sole and absolute discretion, any funds collected from you or for your account to offset any amounts owed by you to us or our Affiliates

ARTICLE 11
STORE OPERATION

11 1 Condition and Appearance of the Store

11 1 1 You agree that (a) neither the Store nor the Site will be used for any purpose other than the operation of a Chocolate Works® Store in compliance with this Agreement (b) you will maintain the condition and appearance of the Store, its equipment, fixtures, signs, and the Site in accordance with our specifications and standards and consistent with the image of a Chocolate Works®

Store, (c) you will perform such maintenance with respect to the decor, equipment, fixtures, and signs of the Store and the Site as may be required from time to time to maintain such condition, appearance, and efficient operation including, without limitation (i) thorough cleaning, exterminating, repainting and redecorating of the interior and exterior of the Site on a daily basis or at reasonable intervals, as applicable, (ii) interior and exterior repair of the Site, (iii) repair or replacement of damaged, worn out or obsolete equipment, fixtures, and signs, provided we will not require you to replace any obsolete equipment unless we have initiated a program to replace such equipment as it becomes necessary in the Chocolate Works® Stores that we operate, (iv) you will not make any material alterations to the Site or to the appearance of the Store as originally developed without our prior approval in writing, and (v) subject to our approval of plans, layouts and designs, you will remodel, expand, redecorate, re-equip and refurnish the Site and the Store when required by us, but no more often than once every five (5) years, to reflect changes in the operation of Chocolate Works® Stores prescribed by us and required of new Chocolate Works® Store franchisees, provided we have initiated a program to begin such changes with respect to Chocolate Works® Stores we operate Notwithstanding the provisions above, we can require you to change and/or upgrade equipment at any time to comply with new specifications and standards and you will place or display at the interior and exterior of Site only such signs, emblems, lettering, logos, and display and advertising materials that are from time to time approved by us

11 1 2 In addition to our rights to terminate this Agreement as set forth herein, if you do not maintain the condition and appearance of the Store as herein required, we may, upon not less than ten (10) days' notice to you, or immediately in cases of health or sanitation hazards or other public endangerment (a) arrange for the necessary cleaning, sanitation, repair, remodeling, upgrading, painting or decorating, or (b) replace the necessary fixtures, furnishings, equipment, or signs You will pay the entire cost thereof on or before the fifth (5th) day following the receipt of a bill for such work from us

11 2 Required Products

You agree that the Store will offer for sale all Proprietary Products and related products that we from time to time prescribe and that the Store will make available all services that we prescribe from time to time for Chocolate Works® Stores You agree that the Store will not offer for sale or sell at the Site or any other location in conjunction with the Marks or any other marks any other products or services which have not been approved by us and in particular will not install at the Store any vending machines, coin-operated games or comparable devices The parties agree that the handling of prohibited products, which are products other than the Proprietary Products or other products authorized by us, will result in damages to us You and we agree that Two Hundred Fifty Dollars ($250) for each day of such prohibited use is a fair and reasonable estimate of such damages because it would be impracticable to determine precisely the damages we would incur from such a breach The amount of damages will be immediately payable by you to us upon demand Our right to collect such damages will be in addition to any other right or remedy we may have, including the right to strictly enforce or terminate this Agreement

11 3 Approved Products, Distributors and Suppliers

11 3 1 The reputation and goodwill of Chocolate Works® Stores is based upon and can be maintained only by the sale of distinctive, high quality products and the presentation, packaging and service of such products in an efficient and appealing manner We have developed a line of proprietary chocolates, premium nuts, hard candies, seasonal novelties, ice cream, cheesecakes, frozen desserts and private-label coffee and hot chocolate which will be prepared by or for us according to our secret specifications and formulas We have developed standards and specifications for our Proprietary Products and other food products, ingredients, mixes, beverages, materials and supplies incorporated in or used in the preparation, serving and packaging of food products authorized for sale at Chocolate Works® Stores We have and will periodically approve suppliers and distributors of the foregoing products that meet our

standards and requirements including, without limitation, standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations You agree that the Store will (a) purchase the Proprietary Products only from us, our Affiliate or a third party designated and approved by us to manufacture and sell such products ("Designated Supplier"), and (b) purchase from distributors and other suppliers approved by us all other goods, food products, ingredients, materials and supplies used in the preparation or sale of Proprietary Products, and equipment, forms, paper and plastic products, packaging or other materials that meet our standards and specifications for the same We may from time to time modify the list of approved brands and/or suppliers and you will not after receipt in writing of such modification, reorder any brand from any supplier which is no longer approved We may suggest recommended suppliers to you as an accommodation to you in certain instances You will not be obligated to purchase items from these sources as long as you maintain the required quality and conforms with our standards and requirements

11 3 2 We may approve a single distributor or other Designated Supplier for any product and may approve a distributor or other supplier only as to certain products We may concentrate purchases with one (1) or more distributors or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Chocolate Works® Stores franchised or operated by us Approval of a distributor or other supplier may be conditioned on requirements relating to the frequency of delivery, standards of service, prompt attention to complaints, or other criteria and concentration of purchases as set forth above and may be temporary pending a further evaluation of such distributor or other supplier by us If you desire to recommend sources of supply for any item or items to us, we will test and evaluate these sources of supply with reasonable promptness, not to exceed sixty (60) days, at your expense, and will approve or disapprove such sources based on our tests and evaluations of the products or services and upon the following conditions (i) you will submit a written request to us for approval of the supplier, (ii) the supplier must demonstrate to our reasonable satisfaction that it is able to supply an item to you meeting our specifications for such item, that it is in good financial standing in the business community, including with respect to its financial capabilities, and that its products and services are reliable, (iii) you may not use a recommended supplier before we approve the supplier in writing We will notify you if and when we no longer approve a previously approved supplier and all commerce with a disapproved supplier will immediately cease A supplier must continually adhere to our standards to maintain its approval Nothing contained herein will be deemed to require us to approve an inordinate number of suppliers of a given item which, in our reasonable judgment, would result in higher costs to our franchisees or prevent effective and economical supervision of suppliers by us

11 3 3 Our Designated Supplier (which may be us or our Affiliate) will sell Proprietary Products to you at the same price that they are sold to franchisees who are similarly situated All Proprietary Products purchased from our Designated Supplier will be purchased in accordance with the purchase order format issued from time to time by the Designated Supplier The Designated Supplier can change its prices at any time due to shortages, cost increases for ingredients or other items, catastrophes, strikes, acts of God, or other causes that are beyond our Designated Supplier's control The Designated Supplier, in its discretion, may discontinue the sale of any Proprietary Products at any time if in its judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable All Proprietary Product orders by you will be subject to acceptance by the Designated Supplier at the Designated Supplier's designated offices, and the Designated Supplier may accept or reject, in whole or in part, any order placed by you You will submit to the Designated Supplier, upon written request, financial statements which contain sufficient information to enable the Designated Supplier to determine the credit limits, if any, to be extended to you The Designated Supplier, in its sole discretion, may establish the credit terms, if any, upon which it will accept your orders, and has the right to require you to pay in full for the Proprietary Products and estimated shipping charges with each order that you place Our Designated Supplier may, but is not obligated to, arrange shipments to you for your convenience Our Designated Supplier will have no responsibility for the selection or actions of any particular carrier You

waive any claim against us or our Designated Supplier related to the shipment or the action of the carrier Each order placed by you, whether oral or written, for any Proprietary Product will be deemed to incorporate all of the terms and conditions of this Agreement, will be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and will include such information as we may from time to time specify In the event of any default by you of this Agreement, neither we nor any Designated Supplier will be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by you, and we may notify our Designated Supplier of any impending termination or expiration of this Agreement and may, among other things, instruct such suppliers to deliver only such quantity of products as is reasonably necessary to supply your needs prior to the expiration or termination date of this Agreement

11 3 4 Your only remedy and our Designated Supplier's only liability for claims concerning delivered Proprietary Products, for delayed delivery or for non-delivery, will be the purchase price of the Proprietary Products (plus any shipping costs you may have paid) or, if our Designated Supplier wishes, the replacement of the Proprietary Products at your Store Neither party will be liable for special incidental, indirect or consequential damages, whether or not from the party's negligence

11 3 5 Our Designated Supplier only warrants that the Proprietary Products that you buy meet our specifications Our Designated Supplier makes no other warranties, express or implied, for the Proprietary Products that you purchase WE, OUR AFFILIATES AND OUR DESIGNATED SUPPLIERS DISCLAIM ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE FOR THE PROPRIETARY PRODUCTS

11 3 6 If you are in default under this Franchise Agreement, our Designated Supplier will have no obligation to sell you Proprietary Products At our Designated Supplier's request, you must sign their form of Supply Agreement and authorization for electronic funds transfer for payments to the Designated Supplier

11 3 7 You will notify us and submit to us such information, specifications, and samples as we request if the Store proposes to purchase any food products, ingredients, mixes, equipment, forms, paper or plastic products, packaging or other materials, or utensils from a distributor or other supplier who has not been previously approved by us We will notify you within a reasonable time whether the Store is authorized to purchase such products from such distributor or other supplier We may require you to reimburse our costs for making such determination

11 3 8 You will be responsible for maintaining at all times at your own expense a complete inventory of goods and merchandise at the Store, including, without limitation, all Proprietary Products required by us to be obtained by you from our Designated Supplier from time to time All merchandise to be sold from the Store must conform to the standards and specifications established by us from time to time as set forth in the Operating Manual, company directives or otherwise in writing, in order to protect, maintain and foster the reputation, goodwill and public acceptance of us, our Affiliates, other franchisees of ours and the System

11 3 9 You will purchase all printed paper, paper products and containers required at the Store from vendors and suppliers designated or approved by us strictly in accordance with our standards and specifications You will not have the right to substitute vendors or suppliers without our prior written consent In addition, you will obtain any specific products required by us to be utilized in the Store from suppliers designated by us

11 3 10 You acknowledge and agree that you will be operating the Store under the Chocolate Works® trade name and that your actions and the manner of the conduct of your business will reflect on the reputation of us, our Affiliates, other Chocolate Works® franchisees and the System You will sell all merchandise in a manner reasonably acceptable to us and similar to the standards established by us for all of our franchisees Your failure to maintain product standards and to properly maintain suitable merchandise (as to both quality and quantity) will be deemed a breach of this Agreement We may require you to discontinue the use or sale of any product or item which, in our reasonable judgment, does not conform to our image or quality standards and the System

11 3 11 You will maintain your trade accounts in a current status and seek to resolve any disputes with trade suppliers promptly Should you not so maintain your trade accounts, we may, but will not be required to, pay such accounts on your behalf, in which event you will immediately repay us therefor Your failure to keep your trade accounts current or to make the immediate repayment to us specified herein will constitute a default under this Agreement

11 4 Pricing

We may advise you in writing, from time to time, concerning the minimum and/or maximum prices which you should charge your customers for products and services provided or sold under the System, as permitted by applicable law Any such advice, if given at all, will be binding on you and you agree to comply with our pricing guidelines Nothing contained herein will be deemed a representation by us that if you follow such guidelines you will, in fact, generate or optimize profits You are obligated to inform us of all prices charged for services and products sold by you and to inform us of any modifications of your prices

11 5 Specifications, Standards and Procedures

11 5 1 You acknowledge that the operation of the Store in compliance with our high standards is important to us and other Chocolate Works® Stores and you agree to maintain such high standards in the operation of the Store You agree to comply with all mandatory specifications, standards and operating procedures relating to the appearance, function, cleanliness, days and hours of operation (subject to applicable law or the terms of your lease), and operation of a Chocolate Works® Store, and with our requirements for the decor, equipment, format and image of a Chocolate Works® Store as they may be developed or changed by us from time to time You acknowledge and agree that all mandatory specifications, standards, and operating procedures prescribed from time to time by us in the Operating Manual or otherwise in writing will constitute binding obligations on your part, and any failure by you to adhere to such mandatory specifications, standards and operating procedures within a reasonable period of time after having been notified in writing in the Operating Manual or otherwise will constitute grounds for termination of this Agreement by us as provided for herein All references herein to this Agreement will include all such mandatory specifications, standards, and operating procedures

11 5 2 You acknowledge that due to peculiarities of particular market areas and circumstances, complete and detailed uniformity may not be practical or in the best interests of all Chocolate Works® Stores We reserve the right to vary, in our sole discretion, standards and procedures as they relate to a particular franchisee or group of franchisees

11 6 Modification of the System

You understand and agree that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other market place variables, and if it is to best serve the

interests of us, you and all other franchisees Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System, abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons, adding to, deleting from or modifying those products, programs and services which your Store is authorized and required to offer, modifying or substituting entirely the building, premises, equipment, signage, Trade Dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder, and changing, improving modifying or substituting the Marks You expressly agree to comply with any such modifications, changes additions, deletions, substitutions and alterations, provided, however, that such changes will not materially and unreasonably increase your obligations hereunder

You will accept use and effectuate any such changes or modifications to, or substitution of, the System within a reasonable period of time after you have received written notification thereof, as if they were part of the System at the time that this Agreement was executed

We will not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby Finally, you expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good firth and fair dealing

11 7 Compliance with Laws and Good Business Practices

You will secure and maintain in force in your name all required licenses, permits, and certificates relating to the conduct of your business pursuant to this Agreement You will operate the Store in full compliance with all applicable laws, ordinances and regulations including, without limitation, immigration law, worker's compensation insurance, unemployment insurance, and withholding and payment of all taxes All advertising bv you will be completely factual, in good taste in our judgment, and will conform to high standards of ethical advertising You will in all dealings with your customers, suppliers, us, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Chocolate Works® Stores You will notify us in writing within five (5) days of your learning of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of you or the Store

You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below) In connection with that compliance, you and your Owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Owners otherwise are not in violation of, any of the Anti-Terrorism Laws "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your or your Owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement

11 8 Management and Personnel of the Store

11 8 1 You or your Principal Owner(s) listed in Exhibit A hereto will supervise the operation of the Store but need not be engaged in the day-to-day operations of the Store You will maintain, at all times, a full-time manager who has completed our training program and the number of employees required for adequate staffing of the Store You will, at all times, keep us advised of the identities of such manager We will have the right to deal with such manager on matters pertaining to day-to-day operations of and reporting requirements for the Store The Store, at all times, will be under the direct, on-site supervision of a manager who has completed our training program and must, at all times during the term hereof, be a person who meets our criteria as a qualified retail Store operator

11 8 2 Upon the death, disability or termination of employment of the Store manager, you will immediately notify us and designate a successor or acting Store manager who meets our then-current criteria In no event will the appointment of a successor or acting manager be more than thirty (30) days after the death, disability or termination of the predecessor manager Each successor manager must satisfactorily complete our initial training program within sixty (60) days of appointment by you

11 8 3 You will hire all employees of the Store and will be exclusively responsible for the terms of their employment, compensation and for the proper training of such employees in the operation of the Store We may require you to obtain confidentiality and non-competition agreements from certain of your employees You will establish at the Store for all employees a training program meeting the standards prescribed by us

11 8 4 During the term of this Agreement, we will not directly or indirectly employ or seek to employ any person who is employed by you or by any entity controlled by you nor induce any such person to leave said employment without your prior written consent

11 9 Insurance

11 9 1 During the term of this Agreement, you will maintain in force under policies of insurance issued by licensed insurers approved by us the following categories of insurance coverage

(a) public general liability insurance, including products liability coverage, in the minimum amount of Three Million Dollars ($3,000,000) aggregate,

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

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

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

(e) worker's compensation and unemployment insurance and all other insurance required by law, and

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

11 9 2 We have the right to renew the required insurance coverage annually and to modify the coverages required or the limits of the required coverages

11 9 3 The insurance policies required herein will

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

(b) provide at least the types and minimum amounts of coverage specified in this Agreement or otherwise in the Operating Manual, and

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

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

11 9 4 You will provide us with evidence of the insurance required hereunder at least fifteen (15) days before the Store opens You will provide us with a complete copy of each insurance policy no more than thirty (30) days after our request for such copy Thereafter, prior to the expiration of the term of each insurance policy, you will furnish us with evidence of each renewal or replacement insurance policy to be maintained by you for the immediately following term and evidence of the payment of the premium therefor If you fail or refuse to maintain required insurance coverage or to furnish satisfactory evidence thereof and the payment of the premiums therefor, we may, at our option, and in addition to our other rights and remedies hereunder, obtain such insurance coverage on your behalf and you will fully cooperate with us in our effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, allow any inspections of the Store which are required to obtain or maintain such insurance and pay to us on demand any costs and premiums incurred by us If you fail to purchase or maintain any insurance required by this Agreement or fail to reimburse us for our purchase of insurance on your behalf within fifteen (15) days of delivery to you of our written demand for reimbursement then we may terminate this Agreement upon notice of termination without opportunity to cure

11 9 5 The maintenance of sufficient insurance coverage will be your responsibility Your obligations to maintain insurance coverage as herein described will not be affected in any manner by reason of any separate insurance maintained by us nor will the maintenance of such insurance relieve you of any indemnification obligations under this Agreement

11 10 Credit Cards and Other Methods of Payment

You will sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified by us in the Operating Manual or otherwise in writing You will fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by you or another Chocolate Works® Store You will sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by us in the Operating Manual or otherwise in writing, including those relating to procedures by which you will request reimbursement for Gift Cards issued by other Chocolate Works® Stores and for making timely payment to us, other operators

of Chocolate Works® Stores, or a third-party service provider for Gift Cards issued from the Store that are honored by us or other Chocolate Works® Store operators

11 11 Best Efforts, Sole Purpose

11 11 1 You and your Principal Owners agree to use your best efforts to develop and expand the market for the Proprietary Products and services offered by the Store and to cooperate with us to accomplish the purposes of this Agreement

11 11 2 If you are a corporation, partnership, limited liability company or other legal entity, you will not, directly or indirectly, engage in any business or other activity other than the development and operation of Chocolate Works® Stores pursuant to agreements with us

11 11 3 You will devote your full time, attention and best efforts to the performance of your duties hereunder, including a minimum of forty (40) hours per week of your physical presence or that of your manager at the Store during open and operating hours, and a failure to do so will constitute a breach of this Agreement If you are the owner of any Chocolate Works® franchised units in addition to the Store, you will satisfy the requirements of this Section 11 11 so long as you devote your full time and attention to the management of all Stores during open and operating hours

11 12 Websites

As used in this Agreement, the term ' Website" means an interactive electronic document contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to your Store, the Proprietary Marks, us, or the System The term Website includes all Internet and World Wide Web home pages

You shall be permitted to have your own micro-page on the Chocolate Works website You will have access to edit this page which we have the right to approve to promote your parties, workshops, events, news updates, pictures and featured retail items that are unique to your Store

Your Chocolate Works micro site will be linked back to the E-commerce site Customers that enter the E-commerce section of the website from either your micro site, using your promotional code or by selecting your store at time of check out from the E-commerce site will have any online sales credited to you We shall have the sole discretion regarding the content, pictures, coupons, promotions advertised on your micro site

If you are in good standing, you will have the opportunity to fulfill an on line order and receive the complete payment, including shipping and handling fees reimbursed back to you from us, less the five percent (5%) Royalty Fee and any sales tax collected

For online orders that are generated from within your exclusive territory or from an online order that specifically chooses your location as the source of fulfillment there will be sharing of revenue with us If you choose not to fulfill the on line order, or are not able to fulfill an on line order, we will fulfill the order on your behalf Your share of the online order net income is equal to 50% of the on line retail price less the five percent (5%) Royalty Fee, less the listed wholesale price We will receive the full value of the shipping and handling costs There is no royalty calculated on sales tax, shipping and handling If you have your own promotional code or coupon that is approved by us, that discount will be reduced from your share of the net income

Once a customer has been registered as your customer, they will remain your customer unless the customer chooses to change stores If the customer of the store who places an on line order has a promotional code from another franchisee's store, we will fulfill the order and both you and the other franchisee will share equally in fifty percent (50%) of the net order, twenty five percent (25%) for each

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

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

- all rights to the telephone numbers of the Store and any related and business listings or advertisements, and

- Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Store (if we permit you to advertise on-line)

If you establish your own Website without our prior approval, it will be a material default under your Franchise Agreement and you will have 5 days to take down the Website If the Website is not removed in this 5 day period, this Agreement will automatically terminate

With our prior written approval, you may advertise your Store on social and/or networking Websites, such as Facebook, LinkedIn, Instagram, Pinterest, and Twitter However, it you register identification names or handles for use in social media containing the name ' Chocolate Works" in some form on any such sites or services, such identification name or handle must be preapproved by Franchisor, which preapproval shall not be unreasonably withheld or delayed

11 13 Participation in Promotions

You will participate in promotional programs developed by us for the System, in the manner directed by us in the Operating Manual or otherwise in writing, to the extent such promotional programs do not directly affect your pricing freedom In no way limiting the foregoing, you agree that if we require, you will participate in all programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary products

11 14 Operating Manual

The requirements of our Operating Manual and other manuals will govern the operation of your Store Changes in such requirements may be made by us from time to time as deemed advisable by us

11 14 1 You will operate the Store in accordance with the standards, specifications and procedures set forth in our Operating Manual, will comply with any changes in such standards, specifications and procedures as may become necessary or desirable from time to time and will accept as reasonable any modifications, revisions and additions to the Operating Manual which we, in the good faith exercise of our judgment, believe to be necessary or desirable for the Chocolate Works® System

11 14 2 You will not reproduce or copy the Operating Manual or any part thereof and will not disclose any of the contents of the Operating Manual to anyone without our prior written consent

11 14 3 In order to protect the reputation and goodwill associated with the Marks and the System, and to maintain the uniform standards of operation thereunder, you will strictly conform to and be bound by and follow the procedures set forth in the Operating Manual, as modified and changed from time to time

11 14 4 The Operating Manual, together with any other manuals which govern the operation of the Store, are our property and will be deemed to be loaned to you during the term of this Agreement Immediately following the termination of this Agreement, you will return to us all the Operating Manual, and all other manuals, directives and forms supplied by us

11 14 5 If any questions arise between us and you regarding the construction and opening of the Store, the operations of the Store, marketing for the Store or financial reports or record-keeping for the Store, or otherwise, the completeness of the material in the Operating Manual will be governed by the specific master copy of the Operating Manual kept at our offices

11 14 6 We will have the right to modify the Operating Manual at any time and from time to time, provided, that no such modification will alter your fundamental status and rights under this Agreement Modifications in the Operating Manual will become effective upon delivery of written notice thereof to you unless a longer period is specified in such written notice The Operating Manual, as modified from time to time, will be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the Operating Manual will be deemed to mean the Operating Manual kept current by amendments from time to time

11 15 Standard Business Format

A standard business format is required by us and will be used by you Any changes in the business format to be used at the Store will be approved in writing by us prior to its use by you You agree to indemnify and hold us and our Affiliates, and our respective shareholders, directors, officers, employees and agents, harmless from and against any and all loss, damage, cost or expense, including attorneys' fees, resulting from any change you make in the standard business format We may change the standard business format at any time and from time to time

11 16 Uniforms

We will be entitled to prescribe standard uniforms and identification for all of your personnel in order to enhance our image, service products and business format If so required, you and your employees will wear uniforms and name tags complying with the System while working in or for the Store The cost for such uniforms and name tags will be borne solely by you You will be entitled to obtain such uniforms and name tags from any manufacturer or distributor, provided they are in strict accordance with our design, quality and other specifications

11 17 Intoxicating Beverages, Vending or Other Machines

You will not permit any intoxicating beverages of any kind to be sold, dispensed or consumed, on or from the Store, without our prior written consent Except with our prior written approval, you will not cause or permit vending or gaming machines, pay telephones, automatic teller machines, lottery equipment, tickets or cards, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Site

11 18 Sufficient Inventory and Staff

You will sell no product, service or other item at the Store other than products or services approved by us All products and services will be in strict compliance with our specifications and requirements as from time to time prescribed by us You will submit to us for approval all contemplated product and service changes and all additions to or deletions from the items sold or services provided in or from the Store You agree not to make such changes without our prior written consent If you fail to remove any unapproved products from the Store within five (5) days after our issuance of a written notice to you to do so, we may enter the Store at any time without prior notice and remove any such unapproved products from the Store without any liability to you for doing so You will maintain sufficient inventories of goods and merchandise and will employ a sufficient number of employees to operate the Store in accordance with the requirements of our System You will use our approved and designated plans and designs for merchandise placement in the Store and will stock an inventory of these items at the levels we will determine from time to time

11 19 Business Review Process

You will prepare and submit to us for approval, not more frequently than once every twelve (12) to eighteen (18) months during the term of this Agreement, a business review for the Store in a form designated by us by a date specified by us and as set forth in the Operating Manual, as it may from time to time be amended, and in our other directives

ARTICLE 12
ADVERTISING

12 1 Advertising by Us

12 1 1 We have instituted a "Fund" which will operate as a regional and national marketing fund for such advertising, marketing and public relations programs as we in our sole discretion may deem necessary or appropriate to promote Chocolate Works® Stores You agree to contribute to the Fund an amount equal to one percent (1%) of your Gross Revenues each month, payable on the first (1st) day of each month (or the next business day if the first (1st) of any month is not a business day Chocolate Works® Stores owned by us and our Affiliates will contribute to the Fund on the same basis as you

The required monthly payment designated herein may be adjusted by us from time to time on the basis of such factors as we may deem relevant We reserve the right to modify any individual franchisee's contribution based on individual circumstances If we elect to so modify a franchisee's contribution, this does not entitled you or any other franchisee to a similar modification

12 1 2 We or our designee will administer the Fund as follows

(a) We or our designee will direct all advertising and public relations programs financed by the Fund with sole discretion over the creative concepts, materials and media used in such programs You must participate in all advertising and public relations programs instituted by the Fund The Fund may furnish you with samples of certain marketing, advertising and promotional formats and other such materials without charge

(b) The Fund will be used to meet any and all costs of (i) developing advertising ideas and concepts, (ii) developing and conducting market research and merchandising programs, (iii) preparing advertising campaigns, (iv) developing promotional ideas and strategies, (v) preparing collateral creative materials, (vi) preparing advertisements and developing, implementing and

maintaining our Website, (vii) preparing public relations campaigns, (viii) providing technical and professional advice in connection with the above, and (ix) placement of advertising We may also use monies from the Fund to present refresher training courses and periodic meetings for all Store owners Additionally, monies in the Fund may be expended by us for such reasonable administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the Fund and advertising programs for franchisees including, without limitation, salary costs of employees working directly for the Fund and collecting and accounting for contributions to the Fund All sums paid by franchisees to the Fund, plus income earned from the Fund, will be maintained in an account separate from our other funds and will not be used by us for any purposes other than those provided for herein Upon your request, we will, within one hundred twenty (120) days following the close of each fiscal year, prepare and provide to you an unaudited statement detailing Fund income and expenses for such fiscal year

(c) We may spend in any fiscal year, an amount greater or less than the aggregate contribution of all Chocolate Works® Stores to the Fund in that year The Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund Any monies remaining in the Fund at the end of any year will carry over to the next year

(d) You authorize us to collect for remission to the Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases from such supplier Any advertising or promotional monies or credits collected by us from any supplier based upon your purchases will not be credited toward your required contribution to the Fund

(e) We will have the right to cause the Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and such successor entity will have all our rights and duties pursuant to this Section

(f) You understand and acknowledge that the Fund is intended to maximize recognition of the Marks and patronage of Chocolate Works® Stores generally Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs and to place advertising in order to benefit all Chocolate Works® Stores, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Chocolate Works® Stores operating in that geographic area or that any Chocolate Works® Store will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising You acknowledge that your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund Except as expressly provided in this Paragraph (f), we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund You acknowledge and agree that we have no fiduciary obligation to you or any other Chocolate Works® Store in connection with the establishment of the Fund or the collection, control or administration of monies paid into the Fund We expressly disavow the existence of any such fiduciary relationship

(g) We retain the right, in our sole discretion, to terminate the Fund The Fund will not be terminated until all monies in the Fund have been expended for advertising and promotional purposes If we elect to terminate the Fund, we also have the right to reinstate the Fund at any time, and any reinstated Fund will be administered as described herein

12 2 Advertising by You

12 2 1 You are required to spend for local advertising and promotion of the Store during each month not less than one percent (1%) of the Store's Gross Revenue for such month Such local advertising expenditures will exclude money spent for classified telephone directory listings, advertising, discounts, coupon redemptions and the cost of products or services given without charge You will submit to us, in a form prescribed by us and within thirty (30) days of our request verification of your expenditures for advertising and promotion for the period of time stated in our request Amounts spent for local advertising and promotion of the Store will not be credited toward your local advertising expenditure obligations hereunder to the extent that you are reimbursed for such expenditures or such expenditures are made by a supplier of the Store

12 2 2 If your landlord requires you to participate in any marketing or promotion fund, the amounts you pay may be applied towards satisfying your local advertising obligations, if first approved in writing by us We must approve all advertising before you use it You must not advertise or use the Proprietary Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent, which we are not required to provide

12 2 3 Any advertising that you propose to use that has either not been prepared by us or has not been approved by us in the immediately preceding twelve (12) month period must be submitted to us for our approval before you may use it We will have five (5) business days after receipt of all materials to approve or disapprove of the proposed advertising materials Our review of your proposed materials includes where you intend to place the advertising Unless we provide our specific approval of the proposed advertising materials, the materials are deemed not approved Any materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials We reserve the right to require you to include certain language in your local advertising, such as "Franchises Available" and our website and telephone number

12 3 Advertising Cooperatives

There does not currently exist any regional advertising and promotional cooperative ("Cooperative") for Chocolate Works® Stores and franchisees are not required to pay any cooperative advertising fee other than the fees described in this Article 12 We expressly reserve the right, in our sole discretion, to designate any geographical area for purposes of establishing a Cooperative, and to determine whether a Cooperative is applicable to your Store If a Cooperative applicable to the geographical area in which your Store is located is established at any time during the term of this Agreement, you will become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation If your Store is within the territory of more than one (1) Cooperative, you will be required to be a member of only one (1) such Cooperative If established, the following provisions will apply to each Cooperative

12 3 1 Each Cooperative will be organized, governed, and administered pursuant to its Bylaws, in a form and manner, and will commence operation on a date, approved in advance by us in writing,

12 3 2 Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standard advertising materials for use by the members in local advertising and promotion,

12 3 3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval, all such plans and materials will be submitted to us in accordance with the procedure set forth in Section 12 2,

12 3 4 Each Cooperative will have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the Cooperative by majority vote, each Chocolate Works® Store operated by us or an Affiliate in a geographic area for which the Cooperative operates will have voting power on any fees imposed by the Cooperative,

12 3 5 Each member franchisee will submit to the Cooperative, no later than the tenth (10^{th}) day of each month, for the preceding calendar month, its contribution as provided in Section 12 3 4 hereof, together with such other statements or reports as may be required by us or by the Cooperative with our prior approval,

12 3 6 Your contribution to the Cooperative will be in lieu of your then-minimum local advertising and sales promotion expenditure as described in Section 12 2 hereof, provided, however, if your contribution to the Cooperative does not at least equal the minimum required local advertising and sales promotion expenditure, you must expend the difference on local advertising and sales promotion as provided for in Section 12 2,

12 3 7 Pursuant to its Bylaws, an unaudited accounting of the operation of the Cooperative will be prepared annually by the Cooperative and will be made available to you during regular business hours, once during each calendar year,

12 3 8 We, in our sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption Our decision concerning such request for exemption will be final If an exemption is granted to a franchisee, such franchisee will be required to expend on local advertising and sales promotion the full amount provided for in Section 12 2, and

12 3 9 Although each Cooperative when established is intended to be of perpetual duration, we maintain the rights to change, dissolve, merge, or terminate any Cooperative A Cooperative will not be terminated, however, until all monies in that Cooperative have been expended for advertising and/or promotional purposes

12 4 Advisory Councils

We may, in our discretion, form an advisory council to work with us to improve the System, the products offered by Chocolate Works® Stores, advertising conducted by the Fund, and any other matters that we deem appropriate The advisory council will be comprised of our representatives and franchisee representatives The franchisee representatives may be chosen by us or by other franchisees in the System If you are selected to participate in an advisory council, you must pay any expenses you incur related to this participation, which may include travel, lodging and meals related to council meetings

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

12 5 Test Marketing

We may from time to time conduct market research to determine consumer trends and test new products and services You agree to participate in such market research in the manner we request, which may include purchasing reasonable amounts of test products or services from us and offering and selling such test products or services from the Store

12 6 Testimonials and Endorsements

You agree to permit us or our agents or representatives to communicate with customers of the Store on or off the premises of the Store for the purpose of procuring testimonials and/or endorsements of Chocolate Works® Stores, its products and its services You further agree that we may make any or no use of such testimonials without compensation to you

ARTICLE 13
ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS

13 1 You will establish and maintain, at your own expense, a bookkeeping, accounting, record keeping and records retention system conforming to the requirements including the required accounting software prescribed by us from time to time Each transaction of the Store will be processed on the Designated Computer Hardware in the manner we prescribe We will have at all times the right to access the Designated Computer Hardware and all data processed on the Designated Computer Hardware with respect to the Store You will take such action as may be necessary to provide such access to us

13 2 With respect to the operation and financial condition of the Store, you will furnish to us, in the form we prescribe, from time to time (a) on or before Tuesday of each week, a report of the Gross Revenue of the Store for the previous week ending Sunday, (b) within thirty (30) days of the end of each calendar quarter, a statement of profit and loss for that quarter and a balance sheet as of the end of the quarter, (c) upon our request, such other data, information, and supporting records for such periods as we, from time to time, require, and (d) within ninety (90) days after the end of your fiscal year, a fiscal year-end balance sheet, a statement of profit and loss for such fiscal year reflecting all year-end adjustments and a statement of changes in cash flow

13 3 All reports and statements must be prepared in accordance with generally accepted accounting principles consistently applied Each report and financial statement submitted by you to us will be signed by you and verified as correct in the manner we prescribe You hereby authorize us to use and/or publish information derived from your financial statements including, without limitation, our Disclosure Document and related documents, without compensation to you

13 4 You agree to maintain and to furnish to us, upon request, complete copies of all income, sales, value added, use and service tax returns filed by you reflecting activities of the Store

13 5 You will preserve for six (6) years all business, accounting, tax, inventory, financial, legal, personnel, operations and other records relating to the Store and to you We will have the right with or without prior notice to inspect, audit and copy such records during business hours You will make such records available for examination at the Store

13 6 You will adopt our fiscal year end, which ends on December 31 of each year

ARTICLE 14
INSPECTIONS AND AUDITS

14 1 Our Right to Inspect the Store

To determine whether you and the Store are complying with this Agreement and with specifications, standards and operating procedures we prescribe for the operation of Chocolate Works® Stores, we or our agents or representatives will have the right at any reasonable time before or after the Store opens to (a) inspect the Site and the equipment, fixtures, signs, inventory and supplies of the Store, (b) observe, photograph and video tape the operations of the Store for such consecutive or intermittent periods as we deem necessary, (c) remove samples of any products without payment therefor for testing and analysis, (d) interview personnel of the Store, (e) interview customers of the Store, and (f) inspect and copy any books, records and documents relating to the operation of the Store You agree to cooperate fully with us in connection with any such inspections, observations, photographing and videotaping, product removal and interviews You will present to your customers such evaluation forms as we periodically prescribe and will participate and/or request your customers to participate in any surveys performed by us or on our behalf You will install and maintain a high speed internet connection, as we require and in accordance with our specifications, to permit us and our Affiliates to access the Designated Computer Hardware, thereby permitting us to inspect and monitor electronically information concerning your inventory, sales of the Store, Gross Revenue, and such other information as may be contained or stored in the Designated Computer Hardware We will have access as provided herein at such times and in such manner as we will from time to time specify

14 2 Our Right to Audit

We will have the right, at any time during business hours and with reasonable notice to you, to inspect and audit or cause to be inspected and audited the business records, bookkeeping and accounting records, value added, sales, use and service and income tax records and returns and other records of the Store, and the books and records of any corporation, partnership, limited liability company or other entity which holds the Franchise Any such audit will be performed by independent accountants hired by us You will fully cooperate with our representatives and independent accountants hired by us to conduct any such inspection or audit Our right to audit will also include our right to access the Designated Computer Hardware as provided in this Agreement In the event any inspection or audit discloses an understatement of your Gross Revenue, you will pay to us, within fifteen (15) days after receipt of the inspection or audit report, the Royalty Fees and advertising fund contributions due on the amount of such understatement plus interest at the rate and on the terms provided for herein from the date originally due until the date of payment If such inspection or audit is made necessary by your failure to furnish any required reports, supporting records, other information or financial statements on a timely basis or if an understatement of Gross Revenue is determined by any such audit or inspection to be two percent (2%) or more of the reported amount, you will pay any understated amounts together with interest thereon and reimburse us for the cost of such inspection or audit including, without limitation, reasonable legal fees and accountants' fees, and the travel expenses, room and board and applicable per diem charges for our employees The foregoing remedies will be in addition to all our other remedies and rights hereunder or under applicable law

ARTICLE 15
INDEPENDENT CONTRACTORS, INDEMNIFICATION

15 1 Independent Contractors

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose You will conspicuously identify yourself in all dealings with customers, suppliers, public officials, your personnel, and others as the independent owner of the Store under a franchise granted by us and will conspicuously and prominently place such other notices of independent ownership on the Site and on such forms, business cards, stationery advertising, and other materials as we may require from time to time

15 2 No Liability for Acts of Other Party

You will not employ any of the Marks in signing any contract, application for any license or permit, or in a manner that may result in any liability of us or our Affiliates for any indebtedness or obligation of yours, nor will you use the Marks in any way not expressly authorized herein Except as expressly authorized in writing, neither we nor you will make any express or implied agreements, warranties, guarantees or representations, or incur any debt or obligation in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee Neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing We will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Store or your business authorized by or conducted pursuant to the Franchise

15 3 Taxes

We will have no liability for any sales, value added, use, service, occupation, excise, gross receipts, income, property, payroll or other taxes whether levied upon this Agreement, you, the Store, your property, or upon us in connection with the sales made or business conducted by you, except any taxes that we are required by law to collect from you with respect to purchases from us and any taxes on Royalty Fees that we may collect from you, as described in Section 10 2 Payment of all such taxes will be your responsibility

The term 'taxes" means any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, taxes imposed on the Royalty Fees paid to us, or the exercise of rights granted pursuant to this Agreement, whether imposed upon you or us

15 4 Indemnification

You agree to indemnify, defend and hold us, our Affiliates, and our respective shareholders, directors, officers, employees, agents, successors and assigns (collectively, "Franchisor Parties") harmless against and to hold them harmless against (a) all claims, obligations and damages described in this Section, (b) any and all taxes described above, (c) any and all loss, costs, expenses (including attorneys' fees at both the trial and appellate levels, including any such fees incurred in any action, suit or proceeding between you and any Franchisor Party), claims, damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition, or construction, equipping

maintenance, administration, supervision or operation of the Store, including those resulting from claims arising under this Agreement, a sublease or a third party lease, as applicable, and (d) any and all claims and liabilities directly or indirectly arising out of the operation of the Store, the use of the Marks, or the transfer of any interest in this Agreement, the Franchise, the Store, all or any part of the assets of the Store, other than the sale of inventory items in the ordinary course of business, or you, in any manner not in accordance with this Agreement Such loss, claims, costs, expenses, damages and liabilities will also include, without limitation, those arising from latent or other defects in the Store, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, our agents or employees, or any third party, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor Party or from any strict liability imposed on any Franchisor Party For purposes of this indemnification, "claims" will mean and include all obligations, actual and consequential damages, and costs incurred in the defense of any claim against us including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses We will have the right to defend any such claim against it in such manner as we deem appropriate or desirable in our sole discretion This indemnity will continue in full force and effect both during and subsequent to a term of this Agreement and notwithstanding any expiration, termination or non-renewal of this Agreement for any reason

ARTICLE 16
TRANSFER

16 1 By Us

16 1 1 We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations, and (ii) the assignee shall expressly assume and agree to perform such obligations

16 1 2 You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party, may go public, may engage in a private placement of some or all of our securities, may merge, acquire other corporations, or be acquired by another corporation, may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring, and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "Chocolate Works Franchising, LLC" as Franchisor Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement

16 2 You May Not Transfer Without Our Approval

16 2 1 You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the rights hereunder to you in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners Accordingly, neither (a) this Agreement nor (b) any interest in the ownership of you, the Franchise, the Store or any or all of the assets of the Store, other than inventory items in the ordinary course of business, may be transferred without our prior written approval Any such

transfer without such approval will be void and will constitute a breach hereof and convey no rights to or interests in this Agreement, the Franchise, you, the Store or in the assets thereof

16 2 2 As used in this Agreement, the term "transfer" will mean and include the voluntary, involuntary, conditional, direct or indirect assignment, sale, gift or other transfer by you or any of your Owners of any interest in or grant of any security interest in (a) this Agreement (b) the Franchise, (c) you, (d) the Store, or (e) any or all of the assets of the Store, other than inventory items in the ordinary course of business

16 2 3 As used above, an assignment, sale or other transfer will include the following events

(a) the transfer of ownership of shares, partnership interest, or other Ownership Interests,

(b) merger, consolidation or issuance of additional securities representing Ownership Interests,

(c) any sale of Ownership Interests carrying voting rights of you or any security convertible to voting Ownership Interests of you or any agreement granting the right to exercise or control the exercise of the voting rights of any holder of an Ownership Interest, or

(d) transfer in a divorce, insolvency, corporate or partnership dissolution proceeding, or in the event of the death of you or one of your Owners, by will, declaration of or transfer in trust, or under the laws of intestate succession or otherwise by operation of law

16 2 4 Notwithstanding the foregoing the restrictions on transfers set forth above will not apply to

(a) a transfer of Ownership Interests in you by an Owner who is not a Principal Owner provided that

(1) you have given us written notice of the proposed transfer at least ten (10) days in advance of the effective date of the transfer,

(2) the transfer is not to a Competitive Business or to a direct or indirect owner of a Competitive Business, and

(3) the proposed transfer does not by itself or in conjunction with other transfers result in the transfer of a Controlling Interest in you or a change in the composition of the group holding a Controlling interest in you, or

(b) any transfer of stock options that does not by itself or in combination with other transfers result in the transfer of a Controlling Interest in you or a change in the composition of the group holding a Controlling Interest in you

16 3 Conditions for Approval of Transfer

16 3 1 We will not unreasonably withhold our approval of a transfer of an interest in this Agreement, you, the Franchise, the Store, or any of the Store's assets that meets all the applicable

requirements of this Section All of the following conditions must be met prior to or concurrently with the effective date of the transfer

(a) you and your Owners are in full compliance with this Agreement,

(b) the proposed transferee and its owners are individuals of good moral character and otherwise meet our then-applicable standards for Chocolate Works® Store franchisees and, if the proposed transferee, its owners or Affiliates have any other franchise agreements or development agreements with us, they are in full compliance with any such agreements and comply with clause (f) of Section 16 3 2, and

(c) you and your Owners or the transferring Owner(s) and the transferee (if it is then an area developer or franchisee of ours) must execute a general release in form satisfactory to us of any and all claims against all Franchisor Parties (provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the New York General Business Law ("GBL") and the regulations issued thereunder will remain in force, it being the intent of this provision that the non-waiver provisions of GBL Sections 687 4 and 687 5 be satisfied)

A transfer of ownership in the Store or the assets of the Store, other than inventory in the ordinary course of business, may only be made in conjunction with a transfer of this Agreement If the transfer is of an Owner's interest in you, then the transferee's name and relevant information will be added as Exhibit A hereto and the transferee will then be bound by all provisions applicable to Owners

16 3 2 In addition to the above, if the transfer is of this Agreement, a Principal Owner's interest, or a Controlling Interest in you, or is one of a series of transfers which, in the aggregate, constitute the transfer of this Agreement or a Controlling Interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer

(a) the transferee must have sufficient business experience, aptitude and financial resources to operate the Store and perform the obligations of the transferor under this Agreement, and neither the transferee nor its owners may be engaged in or intend to engage in a Competitive Business,

(b) you and the transferee (if it is then an area developer or franchisee of ours) must pay such Royalty Fees, advertising fund contributions, amounts owed for purchases by you (or such transferee from us and our Affiliates), and all other amounts owed to us or our Affiliates remaining unpaid at the date of transfer,

(c) the transferee and its personnel who will have access to the Confidential Information must have signed the Confidentiality and Non-Competition Agreement and completed our training program to our satisfaction,

(d) the transferee and its owners, at our option, must agree in a manner satisfactory to us to be bound by all terms and conditions of this Agreement for the remainder of its term or execute our then-current form of franchise agreement and such ancillary documents, including guarantees, as are then customarily used by us in the grant of franchises for Chocolate Works® Stores, modified as necessary to provide for the same Royalty Fees required hereunder and a term equal to the remaining term of this Agreement,

(e) you or the transferee must have paid us a transfer fee equal to Fifteen Thousand Dollars ($15,000) to offset our costs in reviewing and approving the transaction, and in training the transferee's employees, provided that no such fee shall be payable in connection with a transfer from one or more individual franchisees to an entity wholly-owned by such franchisee(s),

(f) we must have approved all of the material terms and conditions of such transfer, verified that the price and terms of payment are not so burdensome to the transferee as to adversely affect our rights and interests under this Agreement and received from you a true and complete copy of the executed contract of assignment and all other documents and instruments executed and delivered in connection with the transfer,

(g) if you and/or your transferring Owner(s) finance any part of the sale price of the transferred interest, you and/or your transferring Owner(s) must agree in a manner satisfactory to us that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by you and/or your transferring Owner(s) in the assets of the Store will be subordinate in all respects to the obligations of the transferee to pay Royalty Fees, advertising fund contributions, and other amounts due to us and our Affiliates, and otherwise to comply with this Agreement or the franchise agreement executed by the transferee, and you and/or your transferring Owner(s) must execute a subordination agreement in form and substance satisfactory to us confirming such subordination,

(h) if this Agreement is being transferred, you and your Principal Owners must execute a non-competition agreement in favor of us and the transferee If a Principal Owner is transferring his/her interest, such Principal Owner must execute a non-competition agreement in favor of us and the transferee that is satisfactory to us in form and substance Such non-competition agreement must provide that neither you, your Principal Owner(s) nor your transferring Principal Owner(s) (whichever is applicable), nor any member of their immediate families will directly or indirectly for a period of two (2) years commencing on the effective date of such transfer

(1) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within twenty-five (25) miles of the Store or any other Chocolate Works® Store, or

(2) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business located or operating within twenty-five (25) miles of the Store or any other Chocolate Works® Store, or

(3) employ or seek to employ any person who is employed by us or our Affiliates, or any developer or franchisee of ours, or induce or attempt to induce any of the above-mentioned employees to leave such employment,

(i) the proposed transferee must furnish the information and references we require of potential franchisees and must present him/her at his/her own expense for a personal interview at our office,

(j) the lessor or sublessor of the Store must consent in writing to the assignment of your lease to the proposed transferee,

(k) if the proposed transferee is acquiring a portion of the interest in the legal entity that is you, then the proposed transferee must execute our form of guaranty,

(l) except in the case of a transfer of a Principal Owner's interest that does not constitute a Controlling Interest, the transferee, at its expense, must upgrade the Store to conform to the then-current standards and specifications for new franchises, and

(m) the transfer must be made in compliance with all applicable laws

16 3 3 Clauses (h) and (i) of Section 16 3 2 will not apply to transfers by gift, bequest, or inheritance The restrictions of Section 16 3 2(h)(1) will not be applicable to the ownership of shares of a publicly held company that represent less than five percent (5%) of the total shares issued and outstanding of such company

16 3 4 The rights of you and your Owners to transfer interests in this Agreement, the Franchise, you, the Store or the assets of the Store may be exercised only by you or your Owners, and will not be exercisable by a receiver, executor, trustee, liquidator or other person acting in a comparable capacity with respect to the assets or ownership of you

16 4 Transfer to a Wholly Owned Entity

If you are in full compliance with this Agreement, then we will not unreasonably withhold our approval of a transfer, in the case of a proposed assignment or transfer of this Agreement, of the Franchise and the Store to a corporation or comparable legal entity that conducts no business other than the Store and is actually managed by you, and in which you maintain management control and own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding Ownership Interests All certificates or other documents representing Ownership Interests of such legal entity must be endorsed with a legend in form we approve reciting that the transfer of shares or other Ownership Interests in you are subject to the restrictions of this Agreement Such an assignment will not relieve you of your obligations hereunder You will remain jointly and severally liable to us, together with the transferee, for all obligations hereunder You shall not be required to pay any transfer or other fees in connection with a one (1) time transfer pursuant to this Section 16 4

16 5 Your Death or Incapacity

16 5 1 Upon your death or disability, or if you are a corporation, limited liability company, partnership, or other legal entity, upon the death or disability of a Principal Owner of you, all of such person's interest in this Agreement or such interest in you will be transferred to a transferee reasonably approved by us Such disposition of this Agreement or such interest in you, including, without limitation, transfer by bequest or inheritance, will be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and will be subject to all the terms and conditions applicable to transfers contained in this Section Failure to so transfer the interest in this Agreement or such interest in you in accordance with the terms of this Agreement within said period of time will constitute a material breach of this Agreement

16 5 2 If, upon the death or disability of you or a Principal Owner, the Store is not being managed by a trained manager, your or that Principal Owner's executor, administrator, conservator, guardian or other personal representative must, within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager to operate the Store The manager must complete training at your expense Pending the appointment of a manager as provided above, or if in our judgment the Store is not being managed property any time after your or the Principal Owner's death or disability, we may, but need not assume management of the Store All funds from the Store's operation during the period we are managing it will be kept in a separate account and all of the Store's expenses will be charged to this account We may charge a reasonable management fee plus our out-of-pocket costs Our

operation of the Store during any such period will be solely on your behalf but we only have a duty to utilize commercially reasonable efforts and will not be liable to you or the Owners for any debts, losses or obligations the Store incurs or to any creditors for any products, materials, supplies or services the Store purchases during any period when we manage the Store

16 6 Public or Private Offering

Securities of you or an entity owning a direct or indirect equity interest in you, this Agreement, the Franchise or the Store may not be offered to the public pursuant to a private, public or governmentally regulated offering without our prior written consent, which may be withheld in our sole discretion You will reimburse us for our reasonable expenses incurred in connection with the offering or proposed offering, including attorneys' fees

16 7 Effect of Consent to Transfer

Our consent to a transfer of this Agreement or any interest in you, the Store, or the assets of the Store will not constitute a waiver of any claims we may have against you or your Owners, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee

16 8 Our Right of First Refusal

If you or any of your Owners will at any time determine to sell an interest in this Agreement, the Franchise, the Store, some or all of the assets of the Store, other than inventory items in the ordinary course of business, or an Ownership Interest in you, you or your Owner(s) will obtain a bona fide, arms-length, executed written offer and earnest money deposit in the amount of five percent (5%) or more of the offering price from a qualified, responsible, bona fide and fully disclosed purchaser A true and complete copy of the offer and any proposed ancillary agreements will immediately be submitted to us by you, such Owner(s) or both The offer must apply only to an interest in this Agreement the Franchise, the Store, the assets of the Store or you It must not include the purchase of any other property or rights of you or such Owner(s) If the offeror proposes to buy any other property or rights from you or such Owner(s) under a separate, contemporaneous offer, the price and terms of purchase offered to you or such Owner(s) for the interest in this Agreement, the Franchise, the Store, the assets of the Store or you must reflect the bona fide price offered therefor and will not reflect any value for any other property or rights We will have the right, which we may exercise by written notice delivered to you or such Owner(s) within forty-five (45) days from the date of delivery of an exact copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that (a) we may substitute cash, a cash equivalent, or marketable securities of equal value for any non-cash form of payment proposed in such offer, (b) our credit will be deemed equal to the credit of any proposed purchaser, and (c) we will have not less than sixty (60) days to prepare for closing We will be entitled to all customary representations and warranties given by the seller of a business including, without limitation, representations and warranties as to (i) ownership, condition and title to Ownership Interests and/or assets, (ii) liens and encumbrances relating to the Ownership Interests and/or assets being purchased, (iii) validity of contracts, and (iv) the financial statements, results of operation and contingent or other liabilities of the entity being purchased If we exercise our right of first refusal hereunder, you will take all action necessary to cause the lease or sublease for the Store to be assigned to us If we do not exercise our right of first refusal, you or such Owner(s) may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided for herein, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to us or if there is a change in the terms of the sale, we will have an additional right

of first refusal for thirty (30) days on the same terms and conditions as are applicable to the initial right of first refusal

16 9 Ownership Structure and Initial Capitalization

You represent and warrant that your ownership structure and initial capitalization are as set forth on Exhibit A hereto and covenant that you will not vary from that ownership structure without our prior written approval

ARTICLE 17
GRANT OF RENEWAL FRANCHISES

17 1 Your Right to a Renewal Franchise

17 1 1 You will have the right, in accordance with the provisions of this Section, to obtain two (2) "Renewal Franchises" for a Chocolate Works® Store at the Site upon expiration of the initial term for five (5) additional years for each Renewal Franchise, provided that all of the following conditions are fulfilled

(a) we are then offering franchises for Chocolate Works® Stores in the state where the Store is located,

(b) you and your Owners have complied with the terms and conditions of this Agreement during its preceding term,

(c) you and your Owners are then in full compliance with the terms and conditions of this Agreement,

(d) you pay us a renewal fee equal to Ten Thousand Dollars ($10,000), and

(e) (1) you maintain possession of the Site on terms reasonably acceptable to us and agree to remodel and/or expand the Site, add or replace equipment, furniture, fixtures, and signs and otherwise modify the Store to bring it into compliance with specifications and standards then applicable under new or renewal franchises for Chocolate Works® Stores, or

(2) if you are unable to maintain possession of the Site or, if in our judgment, the Store should be relocated, you will secure a substitute site approved by us and will develop such substitute site in such fashion as to avoid any interruption of business and which will be in compliance with specifications and standards then applicable under new or successor franchises for Chocolate Works® Stores

17 2 Renewal Notices

You will give us written notice of your election to obtain a Renewal Franchise not more than twelve (12) months and not less than six (6) months prior to the expiration of this Agreement We agree to give you written notice not more than ninety (90) days after receipt of your notice of (a) our determination whether or not we will grant you a Renewal Franchise and/or (b) any deficiencies in your operation of the Store or any other failure to comply with the terms of this Agreement which could cause us to refuse to grant a Renewal Franchise Such notice will state what actions you must take to correct the deficiencies and will specify the time period in which such deficiencies must be corrected We will give you written notice of a decision not to grant a Renewal Franchise based upon your failure to cure deficiencies not less

than ninety (90) days prior to the expiration of the initial term of this Agreement Such notice will state the reasons for our refusal to grant a Renewal Franchise In the event we fail to give you (a) notice of deficiencies in the Store or in your operation of the Store within ninety (90) days after receipt of your timely election to obtain a Renewal Franchise or (b) notice of our decision not to grant a Renewal Franchise at least ninety (90) days prior to the expiration of the term of this Agreement, we may extend the term of this Agreement for such period of time as is necessary in order to provide you reasonable time to cure deficiencies or to provide ninety (90) days' notice of our determination not to grant a Renewal Franchise The grant of a Renewal Franchise will be conditioned upon your continued compliance with all the terms and conditions of this Agreement up to the date of expiration

17 3 Renewal Agreements, Releases

To obtain a Renewal Franchise, we, you and your Owners will execute the form of franchise agreement and any ancillary agreements then customarily used by us in the grant of franchises for the operation of Chocolate Works® Stores with appropriate modifications to reflect the fact that the agreement relates to a Renewal Franchise The then-current franchise agreement may provide for higher or additional fees You and your Owners will execute general releases in form satisfactory to us of any and all claims against all Franchisor Parties (provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the New York General Business Law ("GBL") and the regulations issued thereunder will remain in force, it being the intent of this provision that the non-waiver provisions of GBL Sections 687 4 and 687 5 be satisfied) Failure by you and your Owners to sign and deliver to us such agreements and releases within thirty (30) days after delivery thereof to you will be deemed an election by you not to obtain a Renewal Franchise

ARTICLE 18
TERMINATION OF THE FRANCHISE

18 1 Notice of Termination — Right to Cure

Subject to the provisions of Section 18 2 below, if you or any of your Owners fail to comply with any provision of this Agreement (including any payment default) or any mandatory specification, standard, or operating procedure prescribed by us, we may terminate this Agreement effective immediately upon delivery of written notice of termination to you and if we give written notice of such breach to you and you fail to

(a) correct such breach within fifteen (15) days after delivery to you of such notice of breach, or

(b) if such breach cannot reasonably be corrected within fifteen (15) days after delivery of notice of breach, undertake within ten (10) days after delivery of such notice to cure such breach, continue such efforts diligently until completion, and furnish proof acceptable to us upon our request of such efforts and the date full compliance will be achieved

Notwithstanding the foregoing, if you establish your own Website (as described in Section 11 12), this will be a material default of this Agreement and you will have thirty (30) days after notice from us to take down the Website If the Website is not removed in this thirty (30) day period, this Agreement will automatically terminate without further notice or action from us

18 2 Notice of Termination — No Right to Cure

Notwithstanding the above, we may terminate this Agreement upon delivery of notice of termination to you without opportunity to cure if you commit any of the following breaches

(a) you fail within the period of time provided by this Agreement, to (i) obtain a suitable Site, (ii) obtain lawful possession of such Site, (iii) develop the Store at the Site in accordance with this Agreement, or (iv) commence operation of business at the Site,

(b) you or any of your Owners abandon, surrender or transfer control of the operation of the Store without our prior written approval,

(c) you or any of your Owners have made any material misrepresentation or omission in the application for the Franchise,

(d) you or any of your Owners are (i) convicted or plead guilty or no contest to a felony or another crime or offense that may, in our judgment, adversely affect the reputation of you, the Store or the goodwill associated with the Marks, or (ii) engage in any conduct which, in our judgment, is injurious or prejudicial to the goodwill associated with the Marks or the System or which adversely affects the reputation of us or any Chocolate Works® Store,

(e) you or any of your Affiliates or Owners make any unauthorized use or disclosure of or duplicate any copy of any Confidential Information, make any unauthorized use of the Marks or Copyrighted Works, or use, duplicate or disclose any portion of the Operating Manual, or challenge or seek to challenge the validity of the Marks or our rights in the Copyrighted Works,

(f) you lose the right to possession of the Site and do not relocate the Store to another site in accordance with this Agreement,

(g) you or any of your Owners become insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due, or a receiver or custodian is appointed for your or your Owners' assets or the assets of the Store, or if a final judgment against you or any of your Principal Owners remains outstanding or of record for longer than thirty (30) days, unless a supersedeas bond is filed,

(h) you, your Principal Owners, or members of their immediate families violate the restrictions of Article 9 of this Agreement (Exclusive Relationship) or of any Confidentiality and Non-Competition Agreement,

(i) you fail to report accurately the Gross Revenue of the Store or fail to make payment of any amounts due us or our Affiliates, and do not correct such failure within ten (10) days after written notice thereof,

(j) you knowingly maintain false books or records, or knowingly submit any substantially false or misleading report to us,

(k) you cause or permit to exist a default under the lease or sublease for the Site and fail to cure such default within the applicable cure period set forth in the lease or sublease,

(l) you or any of your Owners fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to comply with this Agreement or any mandatory

specification, standard or procedure we prescribe, whether or not such failures to comply are corrected and whether or not notice of such default is given, or fail on two (2) or more separate occasions within any period of twelve (12) consecutive months to comply with the same requirement under this Agreement, whether or not such failures to comply are corrected or whether or not notice of such default is given,

(m) you fail to purchase or maintain any insurance required by this Agreement or fail to reimburse us for our purchase of insurance on your behalf within fifteen (15) days of delivery to you of our written demand for reimbursement,

(n) a threat or danger to public health or safety results from the construction, maintenance or continued operation of the Store,

(o) you refuse us permission to inspect the Store, or your business, books, records or other documents pursuant to this Agreement, or interfere or attempt to interfere with our exercise of any such rights,

(p) you or any of your Affiliates or Owners interfere or attempt to interfere with our ability to franchise or license others to use and employ the Marks or System,

(q) you or any of your Affiliates or Owners interfere or attempt to interfere with our contractual relations with other franchisees, customers, suppliers, employees, advertising agencies or other third parties,

(r) a Franchise Agreement or Area Development Agreement between us or any of our Affiliates and you or any of your Affiliate of any of the above is terminated by us pursuant to such agreement or is terminated by you in a manner or for a reason that is not expressly authorized pursuant to such agreement,

(s) you fail to comply with all applicable laws and ordinances relating to the Store, including Anti-Terrorism Laws, or if your or any of your Owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your Owners otherwise violate any such law, ordinance, or regulation, or

(t) you offer products from your Store that have not been specifically approved by us, or you fail to offer Proprietary Products from your Store

18 3 Cross-Defaults, Non-Exclusive Remedies, etc

Any default by you (or any person/company Affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any of our Affiliates) and you (or any Affiliate of yours) Any default by you (or any person/company Affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any of our Affiliates) and you (or any person/company Affiliated with you), and any default by you (or any person/company Affiliated with you) under any obligation to us (or any of our Affiliates) may be regarded as a default under this Agreement Any default by you (or any person/company Affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any of our Affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our Affiliates) and you (or any Affiliate of yours)

In each of the foregoing cases, we (and any of our Affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company Affiliated with you) and our (and/or our Affiliates') obligations No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available

18 4 Our Right to Discontinue Services to You

If you are in breach of any obligation under this Agreement (including any payment obligation), and we deliver to you a notice of termination pursuant to this Article 18, we and our Affiliates will have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we or our Affiliates are Designated Suppliers to you, until such time as you correct the breach

18 5 Amendment Pursuant to Applicable Law

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations, provided, however, that such constructive amendment shall not be deemed a concession by us that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement

ARTICLE 19
RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT

19 1 Payment of Amounts Owed to Us

You will immediately pay to us and our Affiliates upon termination or expiration of this Agreement such Royalty Fees, advertising fund contributions, amounts owed for purchases by you from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid

19 2 Marks, Copyrights and Trade Dress

19 2 1 Upon the termination or expiration of this Agreement, you will

(a) not thereafter, directly or indirectly, at any time or in any manner identify yourself or any business as a current or former Chocolate Works® Store or as a current or former franchisee of ours or as otherwise associated with us, or use any Mark, any colorable imitation thereof or any mark substantially identical to or deceptively similar to any Mark in any manner or for any purpose, or utilize for any purpose any trade name, trademark or service mark, domain name, or other commercial symbol or trade dress that could reasonably suggest or indicate a connection or association with us,

(b) remove all signs containing any Mark and return to us or destroy forms and materials containing any Mark or otherwise identifying or relating to your Chocolate Works® Store,

(c) take such action as may be required to cancel or, at our option, to transfer to us or our designee all fictitious or assumed name or equivalent registrations relating to your use of any Mark,

(d) immediately take all such actions as may be necessary to transfer any telephone number and any telephone directory listings associated with the Marks to us You acknowledge that as between us and you, we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks Concurrently with the execution of this Agreement, you are executing our form of Collateral Assignment of Telephone Numbers and Listings, the current form of which is attached to this Agreement as Exhibit C By executing this Agreement, you authorize and appoint us and each of our officers as your attorney-in-fact to direct the telephone company and all listing agencies to transfer the same to us, should you fail or refuse to do so The telephone company and all listing agencies may accept this Agreement and/or the Collateral Assignment of Telephone Numbers and Listings as conclusive evidence of our exclusive right in such telephone numbers and directory listings and our authority to direct their transfer,

(e) immediately cease all use of Copyrighted Works which were furnished to you by us pursuant hereto and return to us or destroy all forms, advertising and promotional materials or other materials containing such Copyrighted Works,

(f) at our option, assign to us or terminate any Website that identifies you as currently or formerly associated with us or that displays any Mark as well as terminate any domain name of such Website, notwithstanding that you are not permitted to establish your own Website for your Store,

(g) if we do not purchase the Store as provided in Section 19 6, at your expense make such modifications and alterations, including removal of all distinctive physical and structural features associated with the Trade Dress of Chocolate Works® Stores, as may be necessary to distinguish the Site of the Store so clearly from its former appearance and from other Chocolate Works® Stores as to prevent any possibility that the public will associate the Site with Chocolate Works® Stores and any confusion created by such association

19 2 2 You will furnish to us (a) within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with Subparagraphs (a) and (c) of the foregoing obligations, and (b) within thirty (30) days after the later of expiration of our option to purchase the Store as provided in Section 19 6 or receipt of notice that we elect not to purchase the Store pursuant to Section 19 6, evidence satisfactory to us of your compliance with the foregoing obligations

19 3 Confidential Information

You agree that, upon termination of the Franchise or expiration of the Franchise without grant of a Renewal Franchise (a) you will immediately cease to use any of our Confidential Information, however learned or acquired by you, in any business or otherwise, and (b) you will return to us all copies of the Operating Manual and any other confidential materials that have been loaned or made available to you by us

19 4 Covenant Not to Compete

19 4 1 Upon termination of this Agreement by us in accordance with its terms and conditions, or by you without good cause, or upon expiration of this Agreement without the grant of a Renewal Franchise, neither you nor any of your Principal Owners will directly or indirectly, through a member of the immediate family of yours or a Principal Owner or otherwise for a period of two (2) years

commencing on the effective date of such termination or expiration or the date on which you *cease* to operate the Store, whichever is later

(a) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within a twenty five (25) mile radius of the Store or any other Chocolate Works® Store, or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a twenty five (25) mile radius of the Store or any other Chocolate Works® Store in operation or under construction on the effective date of such termination or expiration, or

(c) employ or seek to employ any person who is employed by us, our Affiliates or any developer or franchisee of ours, nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer

19 4 2 The restrictions of clause (a) of Section 19 4 1 will not be applicable to the ownership of shares in a publicly held company that represent less than five percent (5%) of the total number of shares issued and outstanding

19 4 3 The restrictions of Section 19 4 1 will not be construed to prohibit you, any Principal Owner of yours or any member of the immediate families of you or your Principal Owners from having a direct or indirect ownership interest in any Chocolate Works® Store, Area Development Agreement or Franchise Agreement for the development or operation of any Chocolate Works® Store, or any entity owning, controlling or operating a Chocolate Works® Store or from providing services to a Chocolate Works® Store

19 5 Continuing Obligations

All obligations of ours and yours which expressly or by their nature survive or are intended to survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire

19 6 Our Right to Purchase Assets of the Store

Upon termination of this Agreement by us in accordance with its terms and conditions or by you without cause, or upon expiration of this Agreement without the grant of a Renewal Franchise, we will have the option to purchase from you all or any portion of the assets used in the Store We may exercise this option by giving written notice thereof within sixty (60) days from the date of such expiration or termination Assets will include, without limitation, leasehold improvements, equipment, furniture, fixtures, signs, inventory and the lease or sublease fix the Site We will have the unrestricted right to assign this option to purchase We or our assignee will be entitled to all customary warranties and representations given by the seller of a business including without limitation, representations and warranties as to (a) ownership, condition and title to assets, (b) liens and encumbrances relating to the assets, (c) validity of contracts inuring to us or affecting the assets, and (d) the financial statements, results of operation and contingent or other liabilities of the Store The purchase price for the assets of the Store will be the fair market value determined as of the date of termination of expiration of this Agreement in a manner consistent with reasonable depreciation of leasehold improvements owned by you and the equipment, furniture, fixtures, signs and inventory of the Store The purchase price will not contain any factor or increment for any trademark, service mark or other commercial symbol used in

connection with the operation of the Store, goodwill or "going concern" value for the Store We may exclude from the assets purchased hereunder any equipment, furniture, fixtures, signs and inventory that are not approved as meeting quality standards for Chocolate Works® Stores The length of the remaining term of the lease or sublease for the Site of the Store will also be considered in determining the fair market value hereunder If we and you are unable to agree on the fair market value of the assets we elect to purchase, the fair market value of such assets will be determined by an independent appraiser selected by us and you on the basis described above If we and you are unable to agree on an appraiser, we will each select one appraiser who will select a third appraiser, and the fair market value will be deemed to be (x) the average of the two (2) appraisals closest to one another, or (y) if one appraisal is equidistant from the other two, then the average of all three appraisals Each party will bear the costs of its own appraiser, and the cost of a third appraiser will be shared equally between us and you

The purchase price will, at our election, be paid in cash, a cash equivalent, or marketable securities of equal value at the closing of the purchase, which will take place no later than ninety (90) days after receipt by you of notice of exercise of this option to purchase At that time you will deliver instruments transferring to us or our assignee (a) good and merchantable title to the assets purchased free and clear of all liens, claims and encumbrances, other than liens claims or encumbrances acceptable to us or our assignee, with all sales and other transfer taxes paid by you, (b) all licenses and permits of the Store that may be assigned or transferred, and (c) the lease or sublease for the Site In the event that you cannot deliver clear title to all of the purchased assets as aforesaid or in the event there will be other unresolved issues, the closing of the sale will be accomplished through an escrow Prior to closing you and we will comply with all applicable legal requirements including the bulk sales provisions of the Uniform Commercial Code of the state in which the Store is located We will have the right to set off against, and reduce the purchase price by, any and all amounts owed by you to us and the amount of any encumbrances or liens against the assets or any obligations assumed by us If we or our assignee exercise this option to purchase, we will have the right to appoint a manager to maintain the operation of the Store pending the closing of such purchase Alternatively, we may require you to close the Store during such time period without removing any assets from the Site You will maintain in force all insurance policies required pursuant to this Agreement until the date of closing If the Site is leased, we agree to use reasonable efforts to effect a termination of the existing lease for the Site and enter into a new lease on reasonable terms with the landlord In the event we are unable to enter into a new lease, we will indemnify and hold you harmless from any ongoing liability under the lease from the date we assume possession of the Site

19 7 Liquidated Damages

Upon termination of this Agreement according to its terms and conditions by us with cause, or if you terminate this Agreement without cause, you agree to pay to us within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amount, owed hereunder, liquidated damages equal to twice the aggregate "Royalty Fee" we earned from your Store during the twelve (12) months of operation before the termination

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term The patties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees It does not cover any other damages, including damages to our reputation with the public

and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section You and each of your Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section

ARTICLE 20
SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

20 1 If any provision of this Agreement relating to the covenants to refrain from operating, owning or assisting a Competitive Business during the term of this Agreement is declared or made invalid or unenforceable by judicial action, legislation or other government action, we, if we believe in our sole discretion that the continuation of this Agreement would not be in our best interests, may terminate this Agreement upon sixty (60) days' written notice to you

20 2 All other provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable To the extent the post-transfer restrictive covenants or post-termination restrictive covenants contained herein are deemed unenforceable by virtue of their scope in terms of geographic area, business activity prohibited and/or length of time, but may be made enforceable by reductions of either or any thereof, you and we agree that the same will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought If any applicable and binding law or rule of any jurisdiction requires a grater prior notice of the termination of this Agreement or refusal to grant a Renewal Franchise than is required hereunder, or requires the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure we prescribe is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions hereof In such case, we will have the right in our sole discretion to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable Such modifications to this Agreement will be effective only in such jurisdiction and this Agreement will be enforced as originally made and entered into in all other jurisdictions

ARTICLE 21
MISCELLANEOUS

21 1 Waiver of Obligations

21 1 1 We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement Such waiver will be effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver Whenever this Agreement requires our prior approval or consent, you will make a timely written request therefor and such approval will be obtained in writing Unless we provide our specific approval of any item, such item will be deemed not approved

21 1 2 We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, by granting any waiver, approval, or consent to you or by reason of any neglect, delay, or denial of any request therefor Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked in our sole discretion at any time and for any reason effective upon delivery to you of ten (10) days' prior written notice

21 1 3 We and you will not be deemed to have waived or impaired any right, power, or option reserved by this Agreement including, without limitation, the right to demand exact compliance with every term, condition, and covenant herein, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term by virtue of any (a) custom or practice of the parties at variance with the terms hereof, (b) any failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder including without limitation, any mandatory specification, standard or operating procedure, (c) any waiver, forbearance, delay, failure, or omission by us to exercise any right, power, or option, whether of the same, similar or different nature, with respect to any other Chocolate Works® Store or any area developer or franchise agreement therefor, or (d) our acceptance of any payments from you after any breach by you of this Agreement

21 2 Force Majeure

Neither we nor you will be liable for loss or damage or deemed to be in breach of this Agreement if our failure to perform our obligations results from any of the following and is not caused or exacerbated by the non-performing party (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary forgoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any department or agency thereof, (b) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof, (c) acts of God, (d) acts of war or insurrection, (e) strikes, lockouts, boycotts, fire and other casualties, or (f) any other similar event or cause Any delay resulting from any of said causes will extend performance accordingly or excuse performance in whole or in part as may be reasonable except that said causes will not excuse payments of amounts owed at the time of such occurrence or payment of royalty fees or other fees thereafter and as soon as performance is possible the non-performing party will immediately resume performance, nor will such period of excused non-performance exceed six (6) months

21 3 Rights of Parties are Cumulative

Our and your rights hereunder are cumulative and no exercise or enforcement by us or you of any right or remedy hereunder will preclude the exercise or enforcement by us or you of any other right or remedy hereunder or which we or you are entitled by law to enforce

21 4 Costs and Legal Fees

If we are required to enforce this Agreement in a judicial or arbitration proceeding, you will reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you will reimburse us for any of the above-listed costs and expenses incurred by us

21 5 Governing Law, Consent to Jurisdiction, Dispute Resolution

21 5 1 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C §§ 1051 et seq) or other federal law, this Agreement and the relationship between the parties hereto will be governed by the internal laws of the State of New York without regard to its conflicts of law principles No New York law regulating the sale of franchises or governing the

franchise relationship and the regulations thereunder will apply unless its jurisdictional requirements are met independently without reference to this Section

21 5 2 You agree that you and your Owners will institute any action and that we may institute any action against you or your Owners only in state or federal court of general jurisdiction located in Nassau County, New York or the state court of general jurisdiction or the Federal District Court nearest to our executive office at the time such action is filed You and each Owner irrevocably submit to the jurisdiction of such courts and waive any objection you/he/she may have to either the jurisdiction or venue of such courts

21 5 3 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in New York under the authority of New York Statutes The arbitrator(s) will have a minimum of five (5) years experience in franchising or distribution law and will have the right to award specific performance of this Agreement If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration will be conducted as per the selection method set forth in the New York Statutes The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the New York Statutes The decision of the arbitrator(s) will be final and binding on all parties This Section will survive termination or non-renewal of this Agreement under any circumstances Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof During the pendency of any arbitration proceeding, you and we will fully perform our respective obligations under this Agreement

21 6 Limitations of Claims

Except with regard to claims arising from the underreporting of Gross Revenue by you or your obligations to make payments to us or our Affiliates arising from or relating to this Agreement, any and all claims arising out of or relating to this Agreement or the relationship of you and us will be barred unless an action or proceeding is commenced within one (1) year from the date on which you or we knew or should have known in the exercise of reasonable diligence of the facts giving rise to such claims

21 7 Waiver of Punitive Damages and Jury Trial

We and you hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between us, except as otherwise provided herein, each will be limited to the recovery of actual damages sustained by it We and you hereby irrevocably waive trial by jury on any action, proceeding or counterclaim, whether at law or in equity, brought by either of us

21 8 Binding Effect

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest and may not be modified except by written agreement signed by both you and us

21 9 Construction

21 9 1 The preambles and exhibits to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us Except as expressly stated herein, nothing in this Agreement is intended nor will be deemed to confer any rights or remedies upon any person or legal entity not a party hereto The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs This Agreement will be executed in multiple copies, each of which will be deemed an original

21 9 2 The term "you" as used herein is applicable to one (1) or more persons or entities, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include each other and the feminine References to "ownership interests" will include (a) in relation to a corporation or limited liability company, the ownership of shares or membership interests, (b) in relation to a partnership, the ownership of a general or limited partnership interest or (c) in relation to a trust, the ownership of a beneficial interest of such trust References to "immediate family' as used herein will mean parents, spouses, natural and adopted children and siblings and their spouses, and the parents, children and siblings of spouses References to a "controlling interest" in you will mean fifty one percent (51%) or more of the voting shares, membership interests or other interests in you If you are two (2) or more persons at any time hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us will be joint and several

21 10 Reasonableness

We and you agree to act reasonably in all dealings with each other pursuant to this Agreement Whenever the consent or approval of either party is required or contemplated hereunder, the party whose consent is required agrees not to unreasonably withhold the same unless otherwise permitted to do so in this Agreement

21 11 Injunctive Relief

21 11 1 We and you each have the right, in a proper case, to seek injunctions, restraining orders and orders of specific performance from a court of competent jurisdiction, provided that we agree to contemporaneously submit our dispute for arbitration on the merits as provided herein

21 11 2 You agree that we will not be required to post a bond to obtain any injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction if warranted upon due hearing All claims for damages by reason of the wrongful issuance of such injunction are hereby expressly waived If we secure any such injunction or order of specific performance, you agree to pay to us an amount equal to the aggregate of our costs of obtaining such relief including, without limitation, reasonable legal fees, costs and expenses as provided in this Section and any damages incurred by us as a result of the breach of any such provision

21 12 Atypical Arrangements

You acknowledge and agree that we may modify the offer of our franchises to other franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement You further acknowledge and agree that we have made no warranty or representation that all Franchise Agreements previously issued or

issued after this Agreement by us in other states do or will contain terms substantially similar to those contained in this Agreement We may, in our reasonable business judgment and in our sole and absolute discretion, due to the local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Agreement with other Chocolate Works® Store franchisees in a non-uniform manner

21 13 Operation in the Event of Absence or Disability

In order to prevent any interruption of the Store operations which would cause harm to the Store, thereby depreciating the value thereof, you authorize us, and we may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Store, operate the Store for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement All monies from the operation of the Store during such period of operation by us will be kept in a separate account, and the expenses of the Store, including reasonable compensation and expenses for our representative, will be charged to said account as herein provided If we temporarily operate the Store franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties

21 14 Step-In Rights

If we determine in our sole judgment that the operation of your Store is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Store which would cause harm to the System and thereby lessen its value, you authorize us to operate your Store for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement In our sole judgment, we may deem you incapable of operating the Store if, without limitation, you are absent or incapacitated by reason of illness or death, you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your Store, or we determine that operational problems require that we operate your Store for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the Store as a going concern

We will keep in a separate account all monies generated by the operation of your Store, less the expenses of the Store, including reasonable compensation and expenses for our representatives In the event of our exercise of the foregoing rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the foregoing rights Nothing contained herein will prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination

ARTICLE 22
NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operating Manual will be deemed so delivered at the time delivered by hand, one (1) business day after transmission by facsimile with machine generated evidence of receipt, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, one (1) business day after transmission by electronic mail provided that a hard copy is sent by another method provided in this Section, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows

If to us	Chocolate Works Franchising, LLC 114 Church Street Freeport, NY 11520 Fax 516-561-1573
With a copy to	Harold L Kestenbaum, Esq 175 BroadHollow Road, Suite 175 Melville, New York 11747 Fax (516) 745-0293 hkestenbaum@hlkpc com
If to you	_____ _____ _____ Fax _____

Any required payment or report not actually received by us during regular business hours on the date due or postmarked by postal authorities at least two (2) days prior thereto will be deemed delinquent

ARTICLE 23
YOUR REPRESENTATIONS AND ACKNOWLEDGEMENTS

23 1 Your Representations

You represent and warrant to us, with the intention that we are relying thereon in entering into this Agreement, that

23 1 1 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, then you are organized under the laws of the state of its principal place of business (or another state which you have identified to us) and are in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over the Store

23 1 2 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, you have all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon you and your successors and assigns when executed

23 1 3 You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements, which you have furnished to us before the execution of this Agreement

23 1 4 As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners or Principal Owners (as applicable) after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect,

directly or indirectly, any of your assets, properties, rights or business, your right to operate and use your assets, properties or rights to carry on your business, and/or which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement

23 1 5 Neither you nor any of your Principal Owners is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement

23 1 6 All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement

23 2 Your Acknowledgments

You acknowledge, warrant and represent to us and we rely on such acknowledgments, warranties and representations that

23 2 1 No representation has been made by us (or any of our employees, agents or salespersons) and relied on by you as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the Store, or any other Chocolate Works® Store owned by us, our Affiliates or a franchisee We make no guaranties, promises, representations, statements or warranties that you can or will achieve any level or range of sales, income or other measures of performance

_____
Initials

23 2 2 No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding your anticipated income, earnings and growth or that of us or the System, or the viability of the business opportunity being offered under this Agreement

_____
Initials

23 2 3 Before executing this Agreement, you have had the opportunity to contact any and all of our existing franchisees

_____
Initials

23 2 4 You have had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement, using the services of legal counsel, accountants or other advisors (if you so elect) of your own choosing You have been advised to consult with your advisors with respect to the legal, financial and other aspects of this Agreement, the Store, and the prospects for the Store You have either consulted with these advisors or have deliberately declined to do so

_____
Initials

23 2 5 You have received from us a copy of our Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise, at least fourteen (14) calendar days before the execution of this Agreement or at least fourteen (14) calendar days before the payment by you to us of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement

_____
Initials

23 2 6 No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding your ability to procure any required license or permit that may be necessary to the offering of one or more of the products contemplated to be offered by the Store

_____
Initials

23 2 7 You affirm that all information set forth in all applications, financial statements and submissions to us are true, complete and accurate in all respects, and you expressly acknowledge that we are relying on the truthfulness, completeness and accuracy of this information

_____
Initials

23 2 8 Attached hereto as Exhibit L is a Franchisee Disclosure Acknowledgment Statement You will have received and answer the questions thereon, relating to representations that have or have not been made to you You have initialed and executed the Statement voluntarily and attached it hereto

_____
Initials

23 2 9 You understand and agree that we may manage and change the System and our business in any manner that is not expressly prohibited by this Agreement Whenever we have the right within this Agreement to take or withhold action or to grant or decline to you the right to take or withhold action, we may make such a decision on the basis of our business judgment of what is in our best interests and those of the System and the franchise network, without regard to whether other reasonable alternative decisions exist or whether our decision adversely affects you Absent applicable statute, we will have no liability for such a decision and you agree that our decision will not be subject to limitation or review If applicable law implies a covenant of good faith and fair dealing in this Agreement, you agree that such a covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants to us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder

_____
Initials

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in multiple counterparts on the day and year first above written

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

FRANCHISEE

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____

_____
[Print Name]

_____

_____
[Print Name]

JOINDER

The undersigned Owners and Principal Owners of you hereby agree to be bound by the restrictions on transfers of interests in the ownership of you contained in the foregoing Franchise Agreement

COMPANIES

_____
(Name of Company)

By _____
Name _____
Title _____

_____
(Name of Company)

By _____
Name _____
Title _____

_____
(Name of Company)

By _____
Name _____
Title _____

_____
(Name of Company)

By _____
Name _____
Title _____

_____
(Name of Company)

By _____
Name _____
Title _____

INDIVIDUALS

_____
(Name)

_____
(Signature)

_____
(Name)

_____
(Signature)

_____
(Name)

_____
(Signature)

_____
(Name)

_____
(Signature)

EXHIBIT A
TO FRANCHISE AGREEMENT

OWNERS

1 **Owners** List the full name and mailing address of each person or entity who directly or indirectly owns an equity or voting interest in you, and describe the nature of the interest

Name _____
Address _____
_____

Number of Ownership Interest Owed _____
% of Total Ownership Interests _____
Number of Ownership Interests Owner is Entitled to Vote _____
Other Interest (Describe) _____
_____

2 **Designated Principal Owners** The following individuals named in Paragraph 1 are designated as Principal Owners, although they do not hold five percent (5%) or more of the equity ownership interests in you

Name _____ Name _____

3 **Management** As required pursuant to Paragraph 1 of this Exhibit A, the following Principal Owners shall have supervisory responsibilities in connection with the operation of the Store

Name _____

4 **Ownership Structure** You and your Owners represent and warrant the ownership structure and initial capitalization of you is as follows

OWNERSHIP STRUCTURE

Owner	Number of Ownership Interests	Percentage Ownership

As of the date hereof there are _____ (_____) Ownership Interests authorized and there are _____ (_____) Ownership Interests which are issued and outstanding There are no other authorized classes of Ownership Interests

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

FRANCHISEE

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____

_____
[Print Name]

_____

_____
[Print Name]

EXHIBIT B
TO FRANCHISE AGREEMENT

THE SITE

The Site of the Store will be

_____

_____

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

FRANCHISEE

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____

_____
[Print Name]

_____

_____
[Print Name]

EXHIBIT C
TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF TELEPHONE
NUMBER LISTINGS AND INTERNET ADDRESSES

This Collateral Assignment of Telephone Numbers/Listings and Internet Addresses (the "Assignment") is entered into on the date set forth on the signature page hereof, by and between Chocolate Works Franchising, LLC ("we", "us" or "our") and ("you" or 'your") This Assignment is executed in accordance with the terms of that certain Franchise Agreement (the "Franchise Agreement") under which we granted you the right to own and operate a Chocolate Works® Store franchise dated at the business location set forth in the Franchise Agreement (the "Franchise Business")

FOR VALUE RECEIVED, you assign to us the following (1) all telephone numbers, facsimile numbers, and regular, classified or other telephone directory listings (collectively, the "Telephone Numbers and Listings"), and (2) all Internet Website Addresses (the "URLs') and all of the content appearing on such Websites (' Web Content"), each of which are associated with our trade and service marks and used from time to time in connection with the operation of the Franchise Business This Assignment is for collateral purposes only, and except as specified herein, we shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless and until we shall notify the telephone company and/or the listing agencies where you have placed telephone directory listings (collectively, the "Telephone Company") and/or your Internet service provider (the "ISP") of the effectuation of this assignment as set forth below

Upon the expiration, termination or non-renewal of the Franchise Agreement, we shall have the right and are hereby empowered to effectuate this Assignment, including the assignment of the Telephone Numbers and Listings, and the URLs, and in such event, you shall have no further right title or interest in the Telephone Numbers and Listings, the URLs, or the related content, and you shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the Assignment hereunder

You agree and acknowledge that as between us and you, upon the expiration, termination or non-renewal of the Franchise Agreement, we shall have the sole right to and interest in the Telephone Numbers and Listings, the URLs, and the content and you appoint us as your true and lawful attorney-in-fact to direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings, and the URLs to us, and to execute such documents and take such actions as may be necessary to effectuate this Assignment Upon such event, you shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings, and the URLs to us If you fail to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings, and the URLs, to us, we shall direct the Telephone Company and the ISP to complete the assignment contemplated hereunder to us

The parties agree that the Telephone Company and the ISP may accept our written direction, the Franchise Agreement or this Assignment as conclusive proof of our exclusive rights in and to the Telephone Numbers and Listings, and the URLs, upon such expiration, termination or non-renewal and that such Assignment shall be made automatically and effective immediately upon the Telephone Company's and ISP's receipt of such notice from us or you The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of the expiration, termination or non-renewal of the Franchise Agreement our execution of such forms or documentation on your behalf shall be acceptable for your consent and agreement to the Assignment in all instances The parties further agree that at any time after

the date hereof they will perform all such acts and execute and deliver all such documents as may be necessary to assist in or accomplish the Assignment described herein upon the expiration, termination or non-renewal of Franchise Agreement

You agree to pay and indemnify us against all costs and expenses we incur or must pay to bring your accounts with the Telephone Company and the ISP current or to otherwise effectuate this Assignment

Unless specifically stated otherwise, the terms used in this Assignment shall have the same meaning as in the Franchise Agreement, and shall be interpreted and construed in accordance with Article 21 of the Franchise Agreement

IN WITNESS WHEREOF, the parties have entered into this Assignment on the ___ day of _____, 20___

ASSIGNEE	**ASSIGNOR**
CHOCOLATE WORKS FRANCHISING, LLC **a New York limited liability company**	**[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]**
By _____	By _____
Name _____	Name _____
Title _____	Title _____

ACCEPTED AND AGREED TO BY

_____
(Telephone Company Authorized Representative)

_____
(Name of Telephone Company)

EXHIBIT D
TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor') assigns, transfers and sets over to Chocolate Works Franchising, LLC a New York limited liability company ("Assignee"), all of Assignor's right and title to and interest in that certain "Lease", a copy of which is attached as Exhibit A, respecting premises commonly known as _____ This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises that the Lease demises according to the terms of this document and assumes Assignor's obligations under the Lease

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises

Upon Assignor's default under the Lease or under the "Franchise Agreement" for a Chocolate Works® Store between Assignee and Assignor, or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises that the Lease demises and expel Assignor from the premises In that event, Assignor will have no further right or title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing Upon Assignee's failure to agree otherwise in writing and upon Assignor's failure to elect to extend or renew the Lease as required, Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal

ASSIGNOR

Dated _____

CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP OR PROPRIETORSHIP

_____
[Name]

By _____

Name _____

Title _____

INDIVIDUALS

_____

_____

[Print Name]

_____

_____

[Print Name]

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease

(a) Agrees to notify Assignee in writing of Assignee's failure to cure any default by Assignor under the Lease promptly after such default occurs,

(b) Agrees that Assignee will have the right but not the obligation to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above,

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises that the Lease demises ("Premises") and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease provided that Assignee cures within the thirty (30) day period noted in section (b) above all of Assignor's defaults under the Lease, and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that, upon that assignment, Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise other than to certify that the additional assignee or sublessee operates the Premises as a Chocolate Works® Store

DATED _____

_____

_____, Lessor

EXHIBIT E
TO FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
[For Principal Owners]

This Agreement is made and entered into as of this___ day of _____, 20__ by and among FRANCHISEE ("you" or "your"), COVENANTOR and CHOCOLATE WORKS FRANCHISING, LLC, a New York limited liability company ("we", "us" or "our")

FRANCHISEE _____

COVENANTOR _____, being a Principal Owner as defined in the Franchise Agreement who will have access to Confidential Information, an employee of yours who will have access to Confidential Information, or an officer or a director of yours

Address

_____

_____

1 **PREAMBLES**

We have executed or intend to execute a Franchise Agreement with you under which we grant to you certain rights with regard to Chocolate Works® Stores Before allowing COVENANTOR to have access to the Confidential Information and as a material term of the Franchise Agreement necessary to protect our confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or required by us from time to time for use in the operation of the V Stores (the "System") and our proprietary rights in, and your right to use, the Confidential Information, we and you require that COVENANTOR enter into this Agreement

To induce us to enter into the Franchise Agreement and/or to avoid a material breach thereof by you, we, you and COVENANTOR desire and consider it to be in COVENANTOR'S best interests that COVENANTOR enter into this Agreement Due to the nature of our and your business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause us and you substantial harm

2 **DEFINITIONS**

Certain terms that are capitalized in this Agreement are defined in this section or at the places they first appear

(a) **"Competitive Business"** A retail business other than a Chocolate Works® Store that (i) features gourmet chocolates products for sale as primary items, (ii) host chocolate making parties or similar events, or (iii) grants or has granted franchises or licenses or establishes or has established joint venues for the development and/or operation of a retail food service business described in the foregoing clauses (i) and/or (ii)

(b) **"Confidential Information"** Certain confidential and proprietary information and trade secrets including but not limited to the following categories of information, methods, techniques, procedures and knowledge developed or to be developed by us, our Affiliates and/or

franchisees and developers of Chocolate Works® Stores (i) recipes, methods, techniques, specifications, standards, policies, procedures, information, concepts and systems relating to and knowledge of and experience in the development, operation and franchising of Chocolate Works® Stores, (ii) marketing and promotional programs for Chocolate Works® Stores, (iii) knowledge of, specifications for and suppliers of certain materials, equipment and fixtures for Chocolate Works® Stores, (iv) knowledge concerning operating results and financial performance of Chocolate Works® Stores, (v) our operating manuals for use in Chocolate Works® Stores as modified from time to time, and (vi) the terms of the Franchise Agreement and each agreement entered into pursuant to the Franchise Agreement

3 PROTECTION OF CONFIDENTIAL INFORMATION

COVENANTOR agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on your behalf taking into consideration the confidential nature of the Confidential Information COVENANTOR may disclose the Confidential Information only as your agent and for your and our benefit COVENANTOR acknowledges and agrees that neither COVENANTOR nor any other person or entity will acquire any interest in or right to use the Confidential Information under this Agreement or otherwise other than the right to utilize it as authorized in this Agreement and that the unauthorized use or duplication of the Confidential Information including, without limitation, in connection with any other business would be detrimental to us and you and would constitute a breach of COVENANTOR'S obligations of confidentiality and an unfair method of competition with us and/or passing off you and other Chocolate Works® Stores owned by us or our franchisees

COVENANTOR acknowledges and agrees that the Confidential Information is confidential and a valuable asset of ours The Confidential Information will be disclosed to COVENANTOR solely on the condition that COVENANTOR agrees to the terms and conditions of this Agreement COVENANTOR therefore agrees that during the term of the Franchise Agreement and thereafter, he or she (a) will not use the Confidential Information in any other business or capacity, (b) will maintain the absolute confidentiality of the Confidential Information, (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form, and (d) will adopt and implement all reasonable procedures prescribed from time to time by us and you to prevent unauthorized use or disclosure of or access to the Confidential Information

Notwithstanding anything to the contrary contained in this Agreement, the restrictions on COVENANTOR'S disclosure and use of the Confidential Information shall not apply to the following (a) information, methods, procedures, techniques and knowledge which are or become generally known or easily accessible other than by COVENANTOR'S breach of an obligation of confidentiality, and (b) the disclosure of the Confidential Information pursuant to applicable law or in judicial or administrative proceedings to the extent that COVENANTOR is legally compelled or required by a regulatory body to disclose such information, provided COVENANTOR has notified us and you prior to disclosure and shall have used his or her best efforts to obtain, and shall have afforded us and you the opportunity to obtain, an appropriate assurance reasonably satisfactory to us of confidential treatment for the information required to be so disclosed

4 IN-TERM RESTRICTIVE COVENANT

COVENANTOR acknowledges and agrees that we and you would be unable to protect the Confidential Information against unauthorized use or disclosure and we would be unable to achieve a free exchange of ideas and information among Chocolate Works® Stores if persons authorized to use the Confidential Information were permitted to engage in, have ownership interests in or perform services for Competitive Businesses COVENANTOR therefore agrees that for as long as COVENANTOR is a

Principal Owner as defined in the Franchise Agreement, an Owner as defined in the Franchise Agreement who will have access to Confidential Information, an employee of yours who will have access to Confidential Information, or an officer or a director of yours, COVENANTOR shall not directly or indirectly, through members of COVENANTOR'S immediate family or otherwise

(a) have any interest as a disclosed or beneficial owner in or receive compensation of any kind from any Competitive Business, or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business or

(c) employ or seek to employ any person who is employed by us, our Affiliates or any developer or franchisee of ours or induce or attempt to induce any such person to leave said employment without the prior written consent of such person's employer

COVENANTOR further acknowledges that the restrictions contained in this Section will not hinder his or her activities or those of members of his or her immediate family under this Agreement or in general

The restrictions of clause (a) of this Section will not be applicable to the ownership of shares or another class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares or similar securities issued and outstanding

The restrictions of this Section shall not be construed to prohibit ownership in any Chocolate Works® Store, Area Development Agreement or Franchise Agreement for the development or operation of any Chocolate Works® Store, or any entity owning, controlling or operating a Chocolate Works® Store, or from providing services to a Chocolate Works® Store

5 RESTRICTIVE COVENANT UPON TERMINATION OR EXPIRATION OF THE FRANCHISE AGREEMENT OR COVENANTOR'S ASSOCIATION WITH YOU

Upon the first to occur of (a) termination or expiration without renewal of the Franchise Agreement, or (b) the date on which COVENANTOR is not a Principal Owner as defined in the Franchise Agreement an Owner as defined in the Franchise Agreement who will have access to Confidential Information, an employee of yours who will have access to Confidential Information, or an officer or a director of yours (each of these events is referred to as a "Termination Event'), COVENANTOR agrees that for a period of two (2) years commencing on the effective date of a Termination Event, COVENANTOR shall not directly or indirectly through members of COVENANTOR'S immediate family or otherwise

(i) have any interest as a disclosed or beneficial owner in or receive compensation of any kind from any Competitive Business located or operating within a twenty-five (25) mile radius of the Store or any other Chocolate Works® Store, or

(ii) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a twenty-five (25) mile radius of the Store or any other Chocolate Works® Store in operation or under construction on the effective date of the Termination Event, or

(iii) employ or seek to employ any person who is employed by us, our Affiliates or any developer or franchisee of ours, nor induce or attempt to induce any such person to leave said employment without the prior written consent of such person's employer

The restrictions of clause (i) of this Section will not be applicable to the ownership of shares or similar securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares or other securities issued and outstanding

The restrictions of this Section shall not be construed to prohibit ownership in any Chocolate Works® Store, Area Development Agreement or Franchise Agreement for the development or operation of any Chocolate Works® Store, or any entity owning, controlling or operating Chocolate Works® Store, or from providing services to Chocolate Works® Store

COVENANTOR recognizes the broad scope of the restrictive covenants set forth in Sections 4 and 5 of this Agreement, but agrees that they are reasonable If any court or tribunal of competent jurisdiction shall refuse to enforce any such covenant because it is more extensive whether as to time limit, geographic area, scope of business or otherwise than is deemed reasonable, it is expressly understood and agreed that such covenants shall not be void, but that the restrictions contained therein shall be deemed reduced to the extent necessary to permit the enforcement of such covenants

COVENANTOR expressly acknowledges and agrees that COVENANTOR possesses skills and abilities of a general nature and has opportunities for exploiting such skills Consequently, enforcement of the covenants made in Sections 4 and 5 of this Agreement will not deprive COVENANTOR of the ability to earn a living

6 SURRENDER OF DOCUMENTS

COVENANTOR agrees that as of the effective date of a Termination Event, COVENANTOR shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by COVENANTOR and return to you or to us, if directed by us, all copies of the Confidential Information loaned or made available to COVENANTOR

7 COSTS AND ATTORNEYS' FEES

In the event that we or you are required to enforce this Agreement in an action against COVENANTOR, COVENANTOR shall reimburse us and/or you if we/you prevail (whether or not awarded a money judgment) for our/your reasonable attorneys' fees, whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal

8 WAIVER

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times

9 SEVERABILITY

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappeasable ruling issued by

any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible Such other portions shall continue to be given full force and effect and bind the parties hereto Any portion held to be invalid shall, to the extent possible, be amended to the minimum extent necessary to render it valid and enforceable or, if not possible to do so, shall be deemed not to be a part of this Agreement from the date the time for appeal expires if COVENANTOR is a party thereto or upon COVENANTOR'S receipt of a notice from us that we will not enforce the section, paragraph, term or provision in question

10 RIGHTS OF PARTIES ARE CUMULATIVE

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder that they are entitled by law to enforce

11 BENEFIT

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns In the event we do not execute this Agreement (regardless of the reason) we shall be deemed a third party beneficiary of this Agreement and shall have the right to enforce this Agreement directly

12 EFFECTIVENESS

This Agreement shall be enforceable and effective when signed by COVENANTOR regardless of when we or you sign this Agreement

13 GOVERNING LAW

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the State of New York without regard to its conflict of laws principles COVENANTOR and you agree to institute and that we may institute any action against any of the parties hereto only in any state or federal court of general jurisdiction in Nassau or Suffolk County, New York or the state court of general jurisdiction or the Federal District Court nearest to our executive office at the time such action is filed COVENANTOR and you irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction or venue of such court

[Balance of page is left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written

_____
(Name of Franchisee)

By _____
Name
Title

COVENANTOR

_____
Print Name _____

FRANCHISOR

CHOCOLATE WORKS OF NY, LLC

By _____
Name
Title

EXHIBIT F
TO FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT
[For Employees]

1 Introduction

Chocolate Works Franchising, LLC ('we "us' or "our") are signing a franchise agreement ("Franchise Agreement") with _____ ("you" or "your") under which we are granting to you certain rights to develop and operate Chocolate Works® Stores _____ ("Covenantor") wishes to either (1) perform services for you either as an employee, contractor or consultant in return for compensation agreed upon with you, or (2) conduct a due diligence investigation with respect to a proposed investment in a Chocolate Works® Store to be operated pursuant to the Franchise Agreement While providing those services or conducting such an investigation Covenantor may have access to certain of our Confidential Information (as defined below) Before you hire or retain Covenantor to provide services or enter into discussions with Covenantor concerning the proposed investment, we and you require that Covenantor sign this Confidentiality Agreement

2 Definition The term "Confidential Information" shall have the meaning set forth below

Certain confidential and proprietary information and trade secrets, including, but not limited to, the following categories of information, methods, techniques, procedures and knowledge developed or to be developed by us, our Affiliates and/or franchisees and developers of Chocolate Works® Stores (a) recipes, methods, techniques, specifications, standards, policies, procedures, information, concepts, systems for, and knowledge of and experience in the development, operation and franchising of Chocolate Works® Stores, (b) marketing and promotional programs for Chocolate Works® Stores, (c) knowledge of, specifications for and suppliers of certain materials, equipment and fixtures for Chocolate Works® Stores, (d) knowledge concerning operating results and financial performance of Chocolate Works® Stores, (e) our operating manuals for Chocolate Works® Stores as modified from time to time, and (f) any other information that Covenantor shall gain from his/her employment or contact with you

3 Protection of Confidential Information Covenantor agrees that the Confidential Information is confidential to us and you and is a valuable asset of ours Covenantor agrees that, at all times after signing this Agreement, he/she (a) will not use the Confidential Information in any other business or for any other purpose, (b) will maintain the absolute confidentiality of the Confidential Information, (c) will not make unauthorized copies of any portion of the Confidential Information, and (d) will follow all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of or access to the Confidential Information

4 Surrender of Documents Covenantor agrees that, upon the termination of his/her employment by, other relationship with, or due diligence investigation of you, Covenantor shall immediately cease to use the Confidential Information and return to you or us all copies of the Confidential Information in the possession of Covenantor

5 Binding Agreement This Agreement will be binding whether or not it has been signed by you or us We shall be a third party beneficiary of this Agreement with the independent right to enforce its terms

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Agreement was executed

_____
(Print name of Covenantor)

By _____
Signature of COVENANTOR

FRANCHISEE

_____
(Print Name)

By _____
Name _____
Title _____

EXHIBIT G
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATION

In consideration of , and as an inducement to, the execution of the foregoing Franchise Agreement (the "Agreement") by CHOCOLATE WORKS FRANCHISING, LLC, a New York limited liability company ("we", "us" or "our"), each of the undersigned hereby personally and unconditionally (1) guarantees to us and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that _____ ("Franchisee ') will fully and timely pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees to be personally bound by, and personally liable any breach by Franchisee of any provision in the Agreement

Each of the undersigned waives

(1) acceptance and notice of acceptance by us of the foregoing undertakings,

(2) notice of demand for payment of any indebtedness or of nonperformance of any obligations hereby guaranteed,

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed,

(4) any right he, she or it may have to require that an action be brought against Franchisee or any other person as a condition of the undersigned's liability,

(5) all right to payment or reimbursement from, or subrogation against, Franchisee which the undersigned may have arising out of his or her guaranty of Franchisee's obligations, and

(6) any and all other notices and legal or equitable defenses to which he or she may be entitled, including without limitation the invalidity or unenforceability of the guaranteed obligations

Each of the undersigned consents and agrees that

(1) his, her or its direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other guarantors,

(2) he, she or it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so,

(3) such liability shall not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person, and

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement or for so long as any guaranteed obligations remain unsatisfied, whichever is later

If we are required to enforce this Guaranty in a judicial or arbitration proceeding and prevail in such proceeding, the undersigned shall reimburse us for our costs and expenses including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred during, prior to, in preparation for or contemplation of the filing of any such proceeding

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Agreement was executed

WITNESS	**GUARANTOR(S)**
_____	_____
_____	_____
_____	_____

EXHIBIT H
TO FRANCHISE AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC

EXHIBIT H

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void However, a franchise agreement may provide for arbitration outside of Illinois

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___

ATTEST

_____
Witness

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

FRANCHISEE

_____
Witness

_____

EXHIBIT H
TO FRANCHISE AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC
REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for Chocolate Works Franchising, LLC's Franchise Disclosure Document and for its Franchise Agreement The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties

1 Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

2 Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

3 Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise

4 Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101 et seq)

5 The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

6 The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise

7 The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

8 The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law "

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

_____
Witness

FRANCHISEE

EXHIBIT H
TO FRANCHISE AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC
BY
THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself

3 LITIGATION

Neither the Franchisor, its Predecessor nor any person listed under Item 2 or an affiliate offering franchises under Franchisor's principal trademark

(A) has an administrative criminal or civil action pending against that person alleging a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations

(B) has been convicted of a felony or pleaded nolo contendere to a felony charge or, the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, anti-fraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices, or comparable allegations

(C) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department including without limitation, actions affecting a license as a real estate broker or sales agent

4 BANKRUPTCY

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the ten year period immediately before the date of the disclosure document (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code (or any comparable foreign law), (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership

17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Provision (d) for the Franchise Disclosure Document is amended by adding the following language in the Summary column

"The Franchisee may terminate the agreement on any grounds available by law "

Provision (w) for the Franchise Disclosure Document is amended by adding the following language in the Summary column

"The foregoing Choice of Law should not be considered a waiver of any right conferred upon the Franchisor or the Franchisee by the General Business Law of the State of New York, Article 33 "

- In Item 17 *Renewal Termination*, etc , section J, *Assignment*, please adjust to state the following

' However no assignment will be made except to an assignee who in good faith and the judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement '

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ____ day of _____ 20__

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

_____
Witness

FRANCHISEE

By _____
Name _____
Title _____

_____
Witness

EXHIBIT H
TO FRANCHISE AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

1 In recognition of the restrictions contained in Section 13 1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Chocolate Works Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows

Additional Disclosure The following statements are added to Item 17 h

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute ' reasonable cause,' as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable

EXHIBIT H
TO FRANCHISE AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19 100 180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration or as determined by the arbitrator

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW shall prevail

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___

ATTEST

_____
Witness

CHOCOLATE WORKS FRANCHISING, LLC
By _____
Name _____
Title _____

FRANCHISEE

_____

_____
Witness

EXHIBIT I
TO FRANCHISE AGREEMENT

ADA CERTIFICATION

Chocolate Works Franchising, LLC ("We" or "Us") and _____ (' You") are parties to a franchise agreement dated _____ for the operation of a Chocolate Works® Store at _____ (the 'Store") In accordance with Section 4 4 2 of the Franchise Agreement, You certify to Us that, to the best of Your knowledge, the Store and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act You acknowledge that You are an independent contractor and the requirement of this certification by You does not constitute ownership, control, leasing or operation of the Store You acknowledge that We have relied on the information contained in this certification Furthermore, You acknowledge Your obligation under this Franchise Agreement to indemnify Us and Our officers, directors, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by such indemnified party(ies) as a result of any matters associated with Your non-compliance with the Americans with Disabilities Act, as well as the costs including attorneys' fees, related to the same

FRANCHISEE

_____

By _____

Name _____

Title _____

EXHIBIT J
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

_____ (Name of Person or Legal Entity)

_____(ID Number)

The undersigned depositor (' Depositor") hereby authorizes Chocolate Works Franchising, LLC (' Franchisor ') to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below to debit or credit such account(s) pursuant to Franchisor's instructions

_____	_____	
Depository	Branch	
_____	_____	_____
City	State	Zip Code
_____	_____	
Bank Transit/ABA Number	Account Number	

_____

This authorization is to remain in full force and effect until sixty (60) days after Franchisor delivers written notice to the depository that it has received written notification from Franchisee of its termination

_____
Depositor

By _____

Name _____

Title _____

Date _____

EXHIBIT K
TO FRANCHISE AGREEMENT

TRANSFER OF FRANCHISE TO
A CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement hereby amends that certain Franchise Agreement dated _____, 20___ between Chocolate Works Franchising, LLC ('Franchisor') and _____ ("Franchisee')

Franchisee is the Owner of a majority of the issued and outstanding voting stock or membership interests of Transferee and is a franchisee of a Chocolate Works® Store under a Franchise Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate a Chocolate Works® Store at the location set forth below Franchisee and the other undersigned Shareholders of the corporation, or the Members of the limited liability company, who together with Franchisee constitute all of the Shareholders of the corporation, or the Members of the limited liability company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Transferee in accordance with the provisions of Article 16 of the Franchise Agreement, agree as follows

1 The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned shareholders or Members of Transferee intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 19 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee's obligations set forth in said Agreement

2 The undersigned agree not to transfer any stock or membership interest in Transferee without the prior written approval of the Franchisor and agree that all certificates representing shares or membership interests in Transferee shall bear the following legend

> The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20___ between _____ and Chocolate Works Franchising, LLC"
>
> or
>
> "The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and Chocolate Works Franchising, LLC"

3 _____ or his or her designee shall devote his or her best effort to the day-to-day operation and development of the Chocolate Works® Store

4 Transferee hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Chocolate Works Franchising, LLC, to the same extent as if it were named as the Franchisee therein

Date of Franchise Agreement _____

Location of Chocolate Works® Store _____

DATED _____

TRANSFEROR

_____
Print Name _____

TRANSFEREE

_____
(Print name above)

By _____
Name
Title

In consideration of the execution of the above Agreement, Chocolate Works Franchising, LLC hereby consents to the above-referenced assignment on this ___ day of _____ 20__

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

EXHIBIT L
TO FRANCHISE AGREEMENT

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Chocolate Works Franchising, LLC (the Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Chocolate Works® Business (the "Franchised Business") The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker"), that have not been authorized or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances made or given during the negotiations for the purchase of the franchise which have not been authorized by Franchisor

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor The questions below do not apply to any communications that you had with the transferring Franchisee Please review each of the following questions and statements carefully and provide honest and complete responses to each

1 Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchise

Yes _____ No _____

2 I had my first face-to-face meeting with a Franchisor representative on _____, 20__

3 Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes ____ No _____

4 Do you understand all of the information contained in the Franchise Agreement, each addendum and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary)

_____
_____
_____
_____
_____
_____

5 Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6 Did you sign a receipt for the Disclosure Document indicating that date you received it?

Yes _____ No _____

7 Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary)

_____
_____
_____
_____
_____
_____

8 Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

9 Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors beyond Franchisor's control?

Yes _____ No _____

10 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12 Has any employee of a Broker of other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13 Has any employee of a Broker of other person speaking on behalf of the Franchisor made any statement or promise regarding the cost you may incur in operating the Franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16 Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17 Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18 Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

_____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines (Attach additional pages, if necessary, and refer to them below) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank

_____

_____

_____

_____

I signed the Franchise Agreement and Addendum (if any) on _____, 20__, and acknowledged that no Agreement or Addendum is effective until signed and dated by the Franchisor

Please understand that your responses to these questions are important to us and that we will rely on them By signing this Questionnaire, you are representing that you have responded truthfully to the above questions In addition, by signing this Questionnaire, you also acknowledge that

A You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates the economy, inflation franchise location, operation costs, lease terms and costs and the marketplace You hereby acknowledge your awareness of and willingness to undertake these business risks

B You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representations, assurances warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write ' None"

_____

_____

_____

C You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the Executive Order") prohibiting transaction with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures") The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is

(i) a person or entity listed in the Annex to the Executive Order,

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism,

(iii) a person or entity who assists, sponsors, or supports terrorist or acts, or

(iv) owned or controlled by terrorists or sponsors of terrorism

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure

Agreed this _____ day of _____, 20__

Sign below if you are taking the franchise as an INDIVIDUAL

_____
Signature

Print Name_____

_____
Signature

Print Name_____

Sign below if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

_____
Print Name of Legal Entity

By _____
Signature

Print Name_____

Title_____

EXHIBIT C
TO DISCLOSURE DOCUMENT

CHOCOLATE WORKS FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

CHOCOLATE WORKS FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

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CHOCOLATE WORKS FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "Agreement") is entered into by and between whose principal office is at ("you" or "your") and CHOCOLATE WORKS FRANCHISING, LLC, a New York limited liability company whose principal office is at 114 Church Street, Freeport, NY 11520 (' we' , "us" or "our")

ARTICLE 1

INTRODUCTION

1 1 We and our Affiliates have developed and continue to develop methods of operating retail Stores specializing, as of the date of this Agreement, in the sale of fine chocolates, including boxed chocolates, custom-packed chocolate assortments, gift baskets and towers, individually wrapped chocolates, chocolate dipped fruit and nuts, hard candies, seasonal items and related products (collectively "Products"), which we authorize for sale Such a business is defined below as a ' Chocolate Works® Store ' Chocolate Works® Stores operate at locations that feature the "System' which consists of a distinctive business format and color scheme and utilize distinctive uniform signs equipment, layouts systems, methods, procedures, designs and marketing and advertising standards and formats, all of which we may modify from time to time We operate and grant to certain qualified persons and entities franchises to own and operate Chocolate Works® Stores using the System and the Marks

1 2 We grant to certain qualified persons or entities who meet our qualifications, and who are willing to undertake the investment and effect, the right to develop a specified number of Chocolate Works Stores within a defined geographic area This Agreement governs the grant of rights to you to develop Chocolate Works® Stores within the Development Area Pursuant to this Agreement, we will grant rights to you or Controlled Affiliates to develop Chocolate Works® Stores in accordance with the Development Schedule set forth in Exhibit B to this Agreement The operation of each Chocolate Works® Store will be governed by a Franchise Agreement

1 3 Certain terms that are capitalized in this Agreement are defined in Section 2 or at the places in this Agreement where they first appear

1 4 This Agreement does not confer upon you the right or license to use any of the Marks, the System, or the Copyrighted Works You acknowledge that the right and license to use such items may only be granted by a Franchise Agreement

ARTICLE 2

DEFINITIONS

2 1 For purposes of this Agreement, the terms listed below have the meaning that follow them Other terms used in this Agreement are defined and construed in the context in which they occur

2 1 1 **"Affiliate"** - Any person, entity or company that directly or indirectly owns or controls a party, that is directly or indirectly owned or controlled by a party, or that is under common

control with a party For purposes of this definition, 'control' means the power to direct or cause the direction of the management and policies of an entity

2 1 2 **"Competitive Business'** — A retail business other than a Chocolate Works® Store that (a) features gourmet chocolate products for sale as primary items, (b) hosts chocolate-making parties or similar events, or (c) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of a retail food service business described in the foregoing clauses (a) and (b)

2 1 3 **'Controlled Affiliate'** - A legal entity in which you own at least seventy-five percent (75%) of the voting equity interests and which meets our then-current standards and requirements for franchisees Furthermore, in order for such an entity to qualify as a Controlled Affiliate, you must establish to our satisfaction that you have and will maintain during the term of the Franchise Agreement for the Store to be owned and operated by such entity the right and power to direct the management, policies and operation of such entity and the sale or other disposition of such Store

2 1 4 **"Development Area"** - The geographic area described on Exhibit A to this Agreement

2 1 5 **'Chocolate Works® Store"** - A Store that (a) offers the Products for sale as well as certain complementary products and services, (b) meets our standards and specifications, (c) operates using the Marks and the System, and (d) is either operated by us or our Affiliates or pursuant to a valid license from us

2 1 6 **'Franchise Agreement'** - The form of franchise agreement that we use for franchises for Chocolate Works® Stores in the Development Area, as we may modify it from time to time

2 1 7 **'Marks"** - The trademarks, service marks, logos and other commercial symbols which we authorize you or a Controlled Affiliate to use pursuant to a valid Franchise Agreement with us to identify the services and/or products offered by Chocolate Works® Stores including the mark 'Chocolate Works® Store" and the Trade Dress (as defined in the Franchise Agreement), provided that such trademarks, service marks, logos, other commercial symbols, and the Trade Dress are subject to modification and discontinuance and may include additional or substitute trademarks, service marks, logos, commercial symbols and trade dress as provided in this Agreement

2 1 8 **"Owners"** - All persons or entities holding direct or indirect legal or beneficial ownership interests in you and all persons who have other direct or indirect property rights in you or this Agreement All current Owners are listed on Exhibit C to this Agreement

2 1 9 **"Ownership Interests"** - In relation to a (a) corporation, the legal or beneficial ownership of shares in the corporation, (b) partnership, the legal or beneficial ownership of a general or limited partnership interest (c) limited liability company, the legal or beneficial ownership of units of membership interests in the limited liability company, or (d) trust, the ownership of a beneficial interest of such trust

2 1 10 **Principal Owners**" - Each Owner having an equity ownership interest in you of five percent (5%) or more (regardless of whether such Owner is entitled to vote thereon) and any other Owner designated as a Principal Owner on Exhibit C to this Agreement

2 1 11 "**Products**' - The proprietary 'Chocolate Works®' gourmet chocolates, premium nuts, hard candies, seasonal novelties, private-label coffee and hot chocolate, and similar items that we authorize from time to time for sale by Chocolate Works® Stores

2 1 12 "**Store**" - A Chocolate Works® Store developed, owned and operated by you or a Controlled Affiliate pursuant to this Agreement and a Franchise Agreement

2 1 13 '**Website**' - An interactive electronic document contained in a network of computers linked by communications software

ARTICLE 3

DEVELOPMENT RIGHTS AN OBLIGATIONS

3 1 Grant of Development Rights

Subject to the provisions of this Agreement, we grant to you the right to develop Chocolate Works® Stores within the Development Area Notwithstanding any other provision of this Agreement, your rights under this Agreement may, in our discretion, include the right to develop Chocolate Works® Stores at any 'Non-Traditional Sites" Non-Traditional Sites means outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts

3 2 Territorial Rights

3 2 1 Provided you are in full compliance with all the terms and conditions of this Agreement, including, without limitation your development obligations described in Section 3 4, and you and all Controlled Affiliates are in full compliance with all of your and their obligations under all Franchise Agreements executed pursuant to this Agreement and subject to the provisions of Section 3 2 2 below, during the term of this Agreement neither we nor any of our Affiliates will develop or operate or grant franchises for the development or operation of Chocolate Works® Stores within the Development Area, except the franchises that are granted to you or Controlled Affiliates pursuant to this Agreement and except as otherwise expressly provided in this Agreement The foregoing will not restrict us or any other Franchisees from advertising or soliciting institutional customers in your Development Area

3 2 2 Upon the termination or expiration of this Agreement or the execution of a Franchise Agreement for the last Store to be developed within the Development Area pursuant to the Development Schedule, we and our Affiliates shall have the right to develop and operate and to grant to others development rights and franchises to develop and operate Chocolate Works® Stores within

the Development Area, provided they do not infringe on the Territory of any franchised Store opened by you in the Development Area

3 3 Rights Retained by Us

Except as expressly limited by Section 3 2 above, we and our Affiliates retain all rights with respect to Chocolate Works® Stores, the Marks and the sale of Products and any other goods and services anywhere in the world, including, without limitation, the right

3 3 1 to own, acquire, establish, and/or operate and license others to establish and operate businesses, including Chocolate Works® Stores, operating under the Marks and the System selling the Products at any location outside your Development Area regardless of their proximity to, or potential impact on, your Development Area or any Store you develop,

3 3 2 to own, acquire, establish and/or operate and license others to establish and operate, other non-competitive businesses under a different Mark, at any location within or outside the Development Area,

3 3 3 to own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Marks, whether such businesses are similar or different from a Chocolate Works® Store, at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales of any of your Stores,

3 3 4 to sell and distribute proprietary products under the Marks at Non-Traditional Sites at any location within or outside the Development Area,

3 3 5 to sell and distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Proprietary distribution and through grocery or convenience stores or through outlets that are primarily retail in nature including but not limited to, any existing outlets which currently sell our Products, or through mail order, toll free numbers, or the Internet, including those products bearing the Marks, provided that distribution within the Development Area shall not be from a Chocolate Works® Store established under the System that is operated from within the Development Area, and

3 3 6 to be acquired (regardless of the form of transaction) by a business identical or similar to Chocolate Works® Stores, even if the other business operates, franchises and/or licenses competitive businesses near your Stores

3 4 Development Obligations

To maintain your rights under this Agreement, you must by the dates set forth in the "Development Schedule" attached hereto as Exhibit B have open and in operation the cumulative number of Stores set forth on the Development Schedule You or a Controlled Affiliate must sign our then-current form of Franchise Agreement for each Store established and operated pursuant to this Agreement, which may be substantially different from the form of Franchise Agreement we use as of the date of this Agreement provided that the royalty fee payable under any Franchise Agreement will be the same as the royalty fee designated in the first Franchise Agreement executed by you hereunder You must at all times after the Store opening date set forth in the Development Schedule

continuously maintain in operation pursuant to a Franchise Agreement the number of Stores to be developed by that date under the Development Schedule If a Store closes during a development period due to casualty or condemnation that is not your fault, we will consider that Store open and operating as of the end of that particular development period for purposes of the Development Schedule, but not thereafter

3 5 Best Efforts, Sole Purpose

3 5 1 You and your Principal Owners agree to use their best efforts to develop and expand the market for products and services offered by the Stores and to cooperate with us to accomplish the purposes of this Agreement

3 5 2 If you are a corporation, partnership or limited liability company or other legal entity, you will not directly or indirectly engage in any business or other activity other than the development and operation of the Stores and other Chocolate Works® Stores developed and operated pursuant to other agreements with us

ARTICLE 4

TERM OF AGREEMENT

Subject to the provisions of this Agreement, the term shall commence on the date first written above and expire on the date for the opening of the last Store set forth in the Development Schedule

ARTICLE 5

RESERVATION FEE INITIAL FRANCHISE FEES

Based upon our financial condition, the Maryland Securities Commissioner requires that we defer the payment of the initial franchise fee and all other initial payments until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating However, you must sign the Franchise Agreement before beginning training

The State of Washington, requires Franchisor to defer payment of the Reservation fee and other initial payments owed by Area Developer to Franchisor under the Area Development Agreement in accordance with this paragraph Only after Franchisor has completed its pre-opening obligations under the franchise agreement for a particular Store being developed under the Area Development Agreement may Franchisor collect from Area Developer a pro-rata, per Restaurant share of the Area Development Agreement.

Based on the number of Stores you agree to develop, the Initial Franchise Fee schedule is as follows

$50,000 for first Store, after it is open and operating
$40,000 for second Store, after it is open and operating
$30,000 for third Store, after it is open and operating
$25,000 for the fourth Store, after it is open and operating
$20,000 for the fifth and subsequent Stores, after it is open and operating

5 1 Reservation Fee

If you sign an Area Development Agreement, you must commit to opening at least two (2) Stores and must pay us a ' Reservation Fee" equal to the amounts shown below The Reservation Fee will be paid immediately upon the signing of the Area Development Agreement The Reservation Fee is not refundable

The Reservation Fee is equal to the Initial Franchise Fee for your first Store, plus fifty percent (50%) of a reduced Initial Franchise Fee for each Store after the first

Based on the number of Stores you agree to develop, the Initial Franchise Fee schedule is as follows

$50,000 for first Store
$40,000 for second Store
$30,000 for third Store
$25,000 for the fourth Store
$20,000 for the fifth and subsequent Stores

Based on the number of Stores you agree to develop, the reservation fee schedule is as follows

$50,000 for first Store
$70,000 ($50,000 + $20,000) for two Stores
$85,000 ($50,000 + $20,000+$15,000) for three Stores
$97,500 ($50,000 + $20,000+$15,000+$12,500) for four Stores
$107,500($50,000 + $20,000 + $15,000 + $12,500 + $10,000) for five Stores

Balance Due when opening subsequent Stores

$20,000- Franchise Fee balance for your second Store
$15,000- Franchise Fee balance for your third Store
$12,500-Franchise Fee balance for your fourth Store
$10,000- Franchise Fee balance for your fifth Store

ARTICLE 6

GRANT OF FRANCHISE

6 1 Approval of Sites

6 1 1 You shall obtain our approval of any proposed site for a Store in accordance with our procedures You will submit to us a complete site report for each proposed site which you reasonably believe to conform to site selection criteria we establish from time to time The site report will contain such demographic, commercial and other information and photographs as we may reasonably require You acknowledge that in approving a proposed site, we may consider such matters as we deem material including, without limitation, demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, competition from Chocolate Works® Stores and other businesses providing similar services within the area, the proximity to other

businesses, the exclusivity granted to our other franchisees or developers, the nature of other businesses in proximity to the site, its size, its appearance, other physical characteristics, the purchase or lease terms for the site and other commercial characteristics

6 1 2 In addition, you agree to furnish to us such pro forma financial statements and other information regarding your or a Controlled Affiliate's development and operation of the proposed Store, as we may reasonably require You understand and agree that we may refuse to grant to you or a Controlled Affiliate a franchise for a proposed Store unless you and/or the Controlled Affiliate have demonstrated to our reasonable satisfaction sufficient financial capabilities to properly develop and operate the proposed Store You or a Controlled Affiliate or the managing owner, if you or Controlled Affiliate are a corporation, partnership, limited liability company or other business entity, must attend and complete to our satisfaction any initial or ongoing training programs that we may establish and we may refuse to grant you or a Controlled Affiliate a franchise for a proposed Store unless you or the Controlled Affiliate have completed these programs or requirements

6 1 3 We will approve or disapprove each site you propose for the operation of a Store by giving written notice to you We agree to use reasonable efforts to deliver such a notice to you within thirty (30) days after we receive the complete site documentation, financial statements and any other materials we request regarding you, the Controlled Affiliate and the proposed site We will not unreasonably withhold our approval of proposed sites that meet our standards and specifications for Stores A proposed site which we have approved is referred to as an "Approved Site "

6 1 4 You hereby acknowledge and agree that our approval of a site will not constitute an express or implied assurance, representation or warranty as to the suitability of the site for a Store or for any other purpose Our approval of a site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for our purposes as of the time of evaluation You and we acknowledge that application of criteria that have been effective with respect to other sites may not be predictive of potential for the Store and that, subsequent to our approval of a site, demographic and/or economic factors included in or excluded from our criteria could change, thereby altering the potential of the site Such factors are unpredictable and are beyond our control

6 1 5 We shall not be responsible for the failure of a site to meet your expectations as to revenue or operational performance or other criteria or for your failure to locate the required number of suitable sites in the Development Area You further acknowledge and agree that your acceptance of a franchise for the operation of a Chocolate Works® Store at the site is based on your own independent investigation of the suitability of the site

6 2 Approval of Lease

6 2 1 Upon our approval of a proposed site, you or Controlled Affiliate will attempt to obtain lawful possession of the Approved Site through purchase, lease or sublease, provided that we must approve any lease, sublease or purchase contract for an Approved Site and such document must contain certain terms and conditions that we designate in our form of Franchise Agreement As soon as practicable, you will deliver to us for review a copy of the lease, sublease or purchase agreement for each Approved Site If we do not disapprove a proposed lease, sublease or purchase agreement within thirty (30) days after we receive it, it shall be deemed approved by us You shall deliver a copy of the signed lease, sublease or purchase agreement to us within fifteen (15) days of its execution You further agree that you will not execute or allow a Controlled Affiliate to execute or

agree to any modification of the lease, sublease or purchase agreement which would affect our rights without our prior written approval If you or a Controlled Affiliate own an Approved Site, the terms of the lease for the Approved Site must be commercially reasonable and comparable in all material respects to the terms of other leases for similar properties in the same area

6 2 2 If you or a Controlled Affiliate shall have failed to obtain lawful possession of an Approved Site within sixty (60) days after our approval thereof, we may, at our sole discretion, withdraw approval of such site

6 3 Execution of Franchise Agreements

Provided that (i) you are then in full compliance with all of the terms and conditions of this Agreement, (ii) you and your Controlled Affiliates are in full compliance with all Franchise Agreements they have entered into, and (iii) you or a Controlled Affiliate has obtained legal possession of an Approved Site, we agree to offer to you or such Controlled Affiliate a Franchise to operate a Chocolate Works® Store at such Approved Site by delivering to you a Franchise Agreement in form for execution by you and your Principal Owners or such Controlled Affiliate and its Principal Owners Such Franchise Agreement shall be executed and returned to us within fifteen (15) days of our delivery thereof, but in any event prior to the commencement of the operation of the Store, with payment of the fees required to be paid upon execution thereof If the Franchise Agreement is not fully executed and returned to us along with payment of such fees within such period, we may terminate our offer to grant a Franchise for a Chocolate Works® Store at such Approved Site and withdraw our approval of such site We reserve the right to require you and your Owners to guarantee all obligations of a Controlled Affiliate under any Franchise Agreement issued to such a Controlled Affiliate pursuant to this Agreement and to require the Owners to guarantee your obligations under any Franchise Agreement

ARTICLE 7

CONFIDENTIAL INFORMATION

7 1 We possess and will further develop and acquire "Confidential Information" (as defined in the Franchise Agreement) We will disclose to you such parts of the Confidential Information as are required for the development of Chocolate Works® Stores We may disclose Confidential Information in providing training and in guidance and assistance furnished to you under this Agreement, and you may learn or otherwise obtain from us additional Confidential Information during the term hereof You acknowledge and agree the neither you nor any other person or entity will acquire any interest in or right to use the Confidential Information other than the right to use it in the development of Stores pursuant to this Agreement and the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with us and with other Chocolate Works® Stores, developers and franchisees You agree to disclose the Confidential Information to your Owners and to your employees only to the extent reasonably necessary for the development of Stores hereunder

7 2 You acknowledge and agree that the Confidential Information is confidential to and a valuable asset of ours and our Affiliates, is proprietary, includes trade secrets of ours and our Affiliates, and is disclosed to you solely on the condition that you, your Owners and your employees who have access to it agree, and you do hereby agree, that during and after the term of this Agreement you, your Owners and such employees

7 2 1 will not use the Confidential Information in any other business or capacity,

7 2 2 will maintain the absolute secrecy and confidentiality of the Confidential Information,

7 2 3 will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form,

7 2 4 will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information, and

7 2 5 will require all Principal Owners and all employees and Owners who will have access to Confidential Information to execute Confidentiality and Non-Competition Agreements in the form attached hereto as Exhibit E We will be a third party beneficiary of each such agreement with the independent right to enforce the agreement's terms You shall provide us, at our request, executed originals of each Confidentiality and Non-Competition Agreement Failure to procure execution of a Confidentialitv and Non-Competition Agreement shall be a material breach of this Agreement

7 3 Notwithstanding anything to the contrary contained in this Agreement and provided you shall have obtained our prior written consent, the restrictions on your disclosure and use of the Confidential Information shall not apply to the following (a) information, methods, procedures, techniques and knowledge which are or become generally known in the business of the offer and sale of Products in the United States, other than through disclosure (whether deliberate or inadvertent) by you, and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided you have notified us prior to disclosure and shall have used your best efforts to obtain and shall have afforded us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed

7 4 You agree to disclose to us all ideas, concepts, methods, techniques and products relating to the development and operation of Chocolate Works® Stores conceived or developed by you, your Affiliates, Owners or employees during the term of this Agreement You hereby grant to us and agree to procure from your Affiliates, Owners or employees a perpetual, non-exclusive and worldwide right to use same We shall have no obligation to make any payment with respect to any such idea, concept, method, technique or product You agree that you will not use nor will you allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval

ARTICLE 8

EXCLUSIVE RELATIONSHIP

8 1 You acknowledge and agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Chocolate Works® Stores if developers, franchisees or their Principal Owners and members of their immediate families were permitted to engage in, hold interests in or perform services for a Competitive Business You further acknowledge and agree that the restrictions contained in this Section will not hinder your activities or the activities of your Principal Owners under this Agreement or in general We have entered into this Agreement with you

on the express condition that with respect to the development and operation of Competitive Businesses, you and your Principal Owners and members of their respective immediate families will deal exclusively with us You therefore agree that during the term of this Agreement neither you nor any of your Principal Owners, nor any member of the immediate family of you or your Principal Owners, shall directly or indirectly

8 1 1 have any interest as a disclosed or beneficial owner in any Competitive Business,

8 1 2 perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business, or

8 1 3 employ or seek to employ any person who is employed by us, our Affiliates or by any other developer or franchisee of Chocolate Works® Stores nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer

8 2 The restrictions of clause (a) of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded in the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding

8 3 The restrictions of this Section shall not be construed to prohibit you, any of your Principal Owners, or any member of the immediate families of you or your Principal Owners from having a direct or indirect ownership interest in any Chocolate Works® Store, Area Development Agreement or Franchise Agreement for the development or operation of any Chocolate Works® Store or in any entity owning, controlling or operating a Chocolate Works® Store or from providing services to any such Chocolate Works® Store pursuant to other agreements with us

ARTICLE 9

YOUR OBLIGATION

9 1 Senior Operating Manager

Concurrently with the execution of this Agreement, you shall designate a person acceptable to us in our sole discretion to act as the "Senior Operating Manager" of the business conducted by you pursuant to this Agreement The Senior Operating Manager shall be identified in Exhibit C of this Agreement The Senior Operating Manager shall have appropriate experience operating multiple retail or food service businesses and may, at your discretion, own at least ten percent (10%) of the voting equity interests in you If the relationship of the Senior Operating Manager with you terminates or if the proposed Senior Operating Manager is unable to satisfactorily complete our management training program, you agree to promptly designate a replacement Senior Operating Manager acceptable to us in our sole discretion who shall, at your expense and subject to our then-current training charges, satisfactorily complete the management training program

9 2 Management Personnel

You shall hire and maintain the number and level of management personnel required for the conduct of your business pursuant to this Agreement and adequate management and supervisory

personnel for all Stores in accordance with guidelines established from time to time by us You shall keep us advised of the identities of such personnel You shall be responsible for ensuring that such personnel are properly trained to perform their duties

9 3 Compliance with Laws and Good Business Practices

You shall secure and maintain in force in your name all required licenses, permits, and certificates relating to the conduct of your business pursuant to this Agreement You shall comply with all applicable laws, ordinances and regulations including, without limitation, laws relating to worker's compensation insurance, unemployment insurance, and withholding and payment of all taxes You shall in all dealings with customers, suppliers, us and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct You agree to refrain from any business practice which may be injurious to our business and the goodwill associated with the Marks and Chocolate Works® Stores You shall notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality which may adversely affect the operation or financial condition of you or your Chocolate Works® Stores

9 4 Insurance

9 4 1 During the term of this Agreement, in addition to insurance required to be maintained in connection with the development and operation of each Store, you shall maintain in force under policies of insurance issued by licensed insurers approved by us the following categories of insurance coverage

(a) broad form comprehensive general liability coverage against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the conduct of business by you pursuant to this Agreement and broad form contractual liability coverage under one or more policies of insurance containing minimum liability coverage prescribed by us from time to time, but in no event in an amount less than One Million Dollars ($1,000,000) aggregate, and such insurance shall not have a deductible or self-insured retention in excess of Five Thousand Dollars ($5,000), and

(b) worker's compensation and employer's liability insurance in statutory amounts, unemployment insurance and state disability insurance as required by governing law for your employees

9 4 2 You shall also maintain such additional insurance as is necessary to comply with all legal requirements concerning insurance We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances

9 4 3 The insurance policies required herein shall

(a) name us as an additional named insured and contain a waiver of all subrogation rights against us, our Affiliates, and our and their successors and assigns,

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

(c) provide that the coverage applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured,

(d) contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the parties indemnified under this Agreement,

(e) be primary to and without right of contribution from any other insurance purchased by the parties indemnified under this Agreement, and

(f) extend to and provide indemnity for all obligations assumed by you hereunder and all other items for which you are required to indemnify us under this Agreement

9 4 4 You shall provide us with evidence of the insurance required hereunder within fifteen (15) days after execution of this Agreement You shall provide us with a complete copy of each insurance policy no more than thirty (30) days after our request for such copy Thereafter, prior to the expiration of the term of each insurance policy, you shall furnish us with evidence of each renewal or replacement insurance policy to be maintained by you for the immediately following term and evidence of the payment of the premium therefor If you fail or refuse to maintain required insurance coverage, or to furnish satisfactory evidence thereof and the payment of the premiums therefor, we may, at our option and in addition to our other rights and remedies hereunder, obtain such insurance coverage on your behalf and you shall fully cooperate with us in our effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, allow any inspections of your operations which are required to obtain or maintain such insurance, and pay to us on demand any costs and premiums incurred by us

9 4 5 The maintenance of sufficient insurance coverage shall be your responsibility Your obligation to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us nor shall the maintenance of such insurance relieve you of any indemnification obligations under this Agreement

9 5 Records and Reports

You agree at your expense to maintain and preserve at your principal office full, complete and accurate records and reports pertaining to the development and operation of Stores and the performance by you of your obligations under this Agreement, including, but not limited to, records and information relating to the following site reports, leases for Stores, supervisory reports relating to operation of Stores, records reflecting the financial condition and performance of you and any Controlled Affiliate and such other records and reports as may be prescribed by us from time to time To determine whether you are complying with this Agreement, we or our agents shall have the right at any reasonable time to inspect, audit and copy any books, records, reports and documents pertaining to your obligations hereunder You agree to cooperate fully with us in connection with any such inspection or audit

9 6 Operating Manual

We will loan to you for your sole use during the term of this Agreement one (1) copy of an Operating Manual which may consist of one or more handbooks or manuals, as may be added, replaced or supplemented by us from time to time in our sole discretion and which we may provide to you electronically (collectively the 'Operating Manual") The Operating Manual shall contain specifications, standards, policies and procedures prescribed from time to time by us for Chocolate Works® Store developers and franchisees and information relative to your other obligations hereunder and the operation of a Chocolate Works® Store The Operating Manual may be modified from time to time to reflect changes in the System or specifications, standards, policies and procedures You shall keep your copy of the Operating Manual current by immediately inserting all modified pages furnished by us In the event of a dispute about the contents of the Operating Manual, the master copies maintained by us at our principal office shall be controlling You acknowledge that the Operating Manual is proprietary and confidential and constitutes part of the Confidential Information and, therefore, agree that you will not, at any time, copy or distribute any part of the Operating Manual

ARTICLE 10

TRANSFER

10 1 By Us

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations, and (ii) the assignee shall expressly assume and agree to perform such obligations

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party, may go public, may engage in a private placement of some or all of our securities, may merge, acquire other corporations, or be acquired by another corporation, may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring, and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of 'Chocolate Works Franchising, LLC" as Franchisor Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement

10 2 By You

10 2 1 You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have entered into this Agreement because of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and the Owners Therefore, neither this Agreement nor any part of your interest in it, nor any ownership interest in you, may be voluntarily, involuntarily, directly or indirectly assigned, sold, subdivided, subfranchised or otherwise transferred by you or the Owners

10 2 2 For purposes of the foregoing provision an assignment, sale or other transfer shall include the following events

(a) the transfer of ownership of shares, partnership interest, or other Ownership Interests,

(b) merger or consolidation or issuance of additional securities representing Ownership Interests,

(c) any sale of Ownership Interests carrying voting rights of you or any security convertible to voting Ownership Interests of you or any agreement granting the right to exercise or control the exercise of the voting rights of any holder of an Ownership Interest or

(d) transfer in a divorce, insolvency, corporate or partnership dissolution proceeding or in the event of the death of you or one of your Owners by will, declaration of or transfer in trust, or under the laws of intestate succession or otherwise by operation of law

10 3 Ownership Structure and Initial Capitalization

You represent and warrant that your ownership structure and initial capitalization are as set forth on Exhibit C hereto and covenant that you will not vary from that structure without our prior written approval

10 4 Your Death or Incapacity

Upon your death or disability, or if you are a corporation, limited liability company, partnership, or other legal entity upon the death or disability of a Principal Owner of you, all of such person's interest in this Agreement or such interest in you shall be transferred to a transferee approved by us Such disposition of this Agreement or such interest in you, including, without limitation, transfer by bequest or inheritance, shall be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and shall be subject to terms and conditions substantially similar to those applicable to transfers contained in the Franchise Agreement Failure to so transfer the interest in this Agreement or such interest in you within said period of time shall constitute a breach of this Agreement

ARTICLE 11

TERMINATION

11 1 Termination Upon Notice — Right to Cure

If you or any of your Owners fail to comply with any provision of this Agreement, we may terminate this Agreement and your rights to develop Stores effective immediately upon delivery of written notice of termination to you, if we give written notice of such breach to you and you do not

11 1 1 correct such breach within thirty (30) days after delivery to you of such notice of breach, or

11 1 2 if such breach cannot reasonably be corrected within thirty (30) days after delivery of notice of breach, undertake within ten (10) days after delivery of such notice of breach

and continue until completion diligent efforts to cure such breach and furnish proof acceptable to us upon our request of such diligent efforts and the date full compliance will be achieved

11 2 Missed Deadline

Your failure to meet a deadline under the Development Schedule (a "Missed Deadline") shall constitute a default under this Agreement We shall, for one (1) Missed Deadline, provide you with a reasonable opportunity to cure such default by notifying you in writing of a new date for the Missed Deadline (without change to any other deadline in the Development Schedule) If you fail to come into compliance with the Development Schedule by such new deadline, and/or upon the occurrence of another Missed Deadline, we in our discretion may terminate this Agreement and all rights granted hereunder without affording you any further opportunity to cure the default, effective immediately upon the delivery of written notice to you (in the manner set forth in Article 15 of this Agreement) or we, in our discretion, may elect, in lieu of terminating this Agreement, to take any of the following actions

11 2 1 loss of the limited exclusivity or reduction in the scope of protections granted to you for the Development Area,

11 2 2 reduction in the scope of the Development Area, and/or

11 2 3 reduction in the number of Chocolate Works® Stores to be developed by you

If we elect to take one or more of these actions, we will provide you with written notice of such action, and this Agreement will be amended to reflect the changes If we exercise said right, we shall not have waived our right in the case of future defaults, to exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement

11 3 Termination Upon Notice — No Right to Cure

Notwithstanding the above, we may terminate this Agreement and your rights to develop Stores upon delivery of notice of termination to you without opportunity to cure if you commit any of the following breaches

(a) you fail to open and operate Stores in compliance with the Development Schedule,

(b) you or a Controlled Affiliate have failed to make any payments due us under this Agreement (including the payment of the balance of the initial franchise fee due under any Franchise Agreement) and do not correct such failure within ten (10) days after written notice of that failure is delivered to you,

(c) you or your Owners become insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due or a receiver or custodian is appointed for your or your Owners' assets or the assets of any Store or if a final judgment against you remains outstanding or of record for longer than fifteen (15) days unless a supersedeas bond is filed,

(d) you or any of your Owners have made any material misrepresentation or omission in your application for the development rights conferred by this Agreements,

(e) you or any of your Owners (i) are convicted by a trial court of or plead guilty or no contest to a felony or other crime or offense that may adversely affect the reputation of you, the Stores or the goodwill associated with the Marks, or (ii) engage in any conduct which is injurious or prejudicial to the goodwill associated with the Marks or the System or which adversely affects the reputation of us or any Chocolate Works® Store,

(f) you make a direct or indirect transfer of this Agreement or an ownership interest in you,

(g) we have delivered to you or any Controlled Affiliate a notice of termination of a Franchise Agreement in accordance with its terms and conditions or you or any Controlled Affiliate shall terminate a Franchise Agreement without cause,

(h) you or any of your Affiliates or Owners shall interfere or attempt to interfere with our ability to franchise or license others to use and employ the Marks or System,

(i) you or any of your Affiliates or Owners shall interfere or attempt to interfere with our contractual relations with other franchisees, area developers, customers, suppliers, employees, advertising agencies or other third parties,

(j) you or any of your Affiliates or Owners make any unauthorized use or disclosure of or duplicate any copy of any Confidential Information, make any unauthorized use of the Marks or "Copyrighted Works' (as defined in the Franchise Agreement), or use, duplicate, or disclose any portion of the Operating Manual or challenge or seek to challenge the validity of the Marks or Copyrighted Works,

(k) you, your Principal Owners, or members of their immediate families violate the restrictions of Article 8 entitled "Exclusive Relationship" hereof or of any Confidentiality and Non-Competition Agreement, or

(l) you or any of your Owners fail on three (3) or more separate occasions during any twelve (12) consecutive months to comply with this Agreement, whether or not such failures to comply are corrected and whether or not notice of such default is given, or fail on two (2) or more separate occasions within any period of twelve (12) consecutive months to comply with the same requirement under this Agreement, whether or not such failures to comply are corrected and whether or not notice of such default is given

ARTICLE 12

RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT

12 1 Payment of Amounts Owed to Us

You shall immediately pay to us upon termination or expiration of this Agreement any amounts owed by you to us or our Affiliates which are then unpaid plus interest due on any of the foregoing

12 2 Marks and Copyrights

Upon the termination or expiration of this Agreement, you shall (1) not thereafter directly or indirectly at any time or in any manner identify yourself or any business as a current or former developer of ours or as otherwise associated with us, or use any Mark, any colorable imitation thereof or any mark substantially identical to or deceptively similar to any Mark in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol or trade dress that suggests or indicates a connection or association with us, (2) remove all signs containing any Mark, and return to us or destroy all forms and materials containing any Mark or otherwise identifying or relating to the Marks, (3) take such action as may be required to cancel or, at our option, to transfer to us or our designee all fictitious or assumed name or equivalent registrations relating to your use of any Mark, and (4) immediately cease use of all Copyrighted Works which were furnished to you by us and return to us or destroy all forms, advertising and promotional materials or other materials containing such copyrighted works You shall furnish to us within thirty (30) days after the effective date of termination or expiration evidence satisfactory to us of your compliance with the foregoing obligations Notwithstanding the foregoing, you shall continue to have the right to use the Marks pursuant to any Franchise Agreements you have entered into pursuant to this Agreement which are then still in effect

12 3 Confidential Information

You agree that upon termination or expiration of this Agreement (1) you will immediately cease to use any of our Confidential Information disclosed to or otherwise learned or acquired by you in any business or otherwise, and (2) you will return to us all copies of the Operating Manual and any other confidential materials which have been loaned or made available to you by us pursuant to this Agreement Notwithstanding the foregoing, you shall continue to have the right to use the Confidential Information and the Operating Manual pursuant to any Franchise Agreements you have entered into pursuant to this Agreement which are then still in effect

12 4 Covenant Not to Compete

12 4 1 Upon termination of this Agreement by us in accordance with its terms and conditions or by you without good cause or upon expiration of this Agreement, neither you nor any of your Principal Owners shall, directly or indirectly, through a member of the immediate family of yours or of a Principal Owner of yours, or otherwise for a period of two (2) years commencing on the effective date of such termination or expiration or the date on which you cease to conduct your activities hereunder, whichever is later

(a) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within a twenty-five (25) mile radius of any Chocolate Works® Store, or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a twenty-five (25) mile radius of any Chocolate Works® Store in operation or under construction on the effective date of such termination or expiration, or

(c) employ or seek to employ any person who is employed by us, our Affiliates or by any other developer or franchisee of ours nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer

12 4 2 The restrictions of clause (a) of Section 12 4 1 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the total number of issued and outstanding shares of that class of securities

12 4 3 The restrictions of Section 12 4 1 shall not be construed to prohibit you, any Principal Owner of yours or any member of the immediate families of you or your Principal Owners from having a direct or indirect ownership interest in any Chocolate Works® Store, Area Development Agreement or Franchise Agreement for the development or operation of any Chocolate Works® Store or in any entity owning, controlling or operating a Chocolate Works® Store or from providing services to a Chocolate Works® Store

12 5 Continuing Obligations

All obligations of ours and yours under this Agreement which expressly or by their nature survive or are intended to survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire

ARTICLE 13

INDEPENDENT CONTRACTORS INDEMNIFICATION

13 1 Independent Contractors

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that we and you are and shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose You shall conspicuously identify yourself in all dealings with customers, suppliers, public officials, developer personnel and others as the independent developer of the Stores under this Agreement and shall conspicuously and prominently display such other notices of independent ownership in the business premises and on such forms, business cards, stationery, advertising, and other materials as we may require from time to time

13 2 No Liability for Acts of Other Party

You shall not employ any of the Marks in signing any contract, application for any license or permit or in a manner that may result in liability of us or our Affiliates for any indebtedness or obligation of yours Except as expressly authorized in writing, neither we nor you shall make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other or represent that their relationship is other than franchisor and area developer or franchisee and neither we nor you shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing, nor shall we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Stores or your business authorized by or conducted pursuant to this Agreement

13 3 Taxes

We shall have no liability for any sales, value added, use, service, occupation, excise, gross receipts, income, property, payroll or other taxes, whether levied upon this Agreement, you, the Stores or your property or upon us in connection with the sales made or business conducted by you Payment of all such taxes shall be your responsibility

13 4 Indemnification

You agree to indemnify, defend and hold us, our Affiliates, and our respective shareholders, directors, officers, employees, agents, successors and assignees harmless against and to reimburse them for (a) all claims, obligations and damages described in this Section, (b) any and all taxes described above, and (c) any and all claims and liabilities directly or indirectly arising out of the development or operation of the Stores, the unauthorized use of the Marks, or the transfer of any interest in you, this Agreement, the Franchises, the Stores, some or all of the assets of the Stores, other than the sale of inventory items in the ordinary course of business, or some or all of the assets of yours in any manner not in accordance with this Agreement to the extent that such claims, obligations, damages, taxes, losses or liabilities do not arise from our negligence or wrongful conduct For purposes of this indemnification, "claims ' shall mean and include all obligations, actual and consequential damages and costs incurred in the defense of any claim against us including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses We shall have the right to defend any such claim against us in such manner as we deem appropriate or desirable in our sole discretion This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

ARTICLE 14

MISCELLANEOUS

14 1 Severability and Substitution of Valid Provisions

14 1 1 If any provision of this Agreement relating to the covenants to refrain from operating, owning or assisting a Competitive Business during the term of this Agreement is declared or made invalid or unenforceable by judicial action, legislation or other government action, we may in our sole discretion, if we believe that the continuation of this Agreement would not be in our best interests, terminate this Agreement upon sixty (60) days' written notice to you

14 1 2 All other provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable To the extent the post-transfer restrictive covenants or post-termination restrictive covenants contained herein are deemed unenforceable by virtue of their scope in terms of geographic area, business activity prohibited and/or length of time, but may be made enforceable by reductions of either or any thereof, you and we agree that the same shall automatically be deemed amended to the minimum extent necessary to render the affected provisions valid and enforceable and as so amended such provisions shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any

applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof and we shall have the right in our sole discretion to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable Such modifications to this Agreement shall be effective only in such jurisdiction and this Agreement shall be enforced as originally made and entered into in all other jurisdictions

14 2 Waiver of Obligations

14 2 1 We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor and such approval shall be obtained in writing

14 2 2 Except as may be expressly set forth in this Agreement or in the Disclosure Document provided to you, we make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you by granting any waiver, approval, or consent to you or by reason of any neglect, delay, or denial of any request therefor Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked in our sole discretion at any time and for any reason effective upon delivery to you of ten (10) days' prior written notice

14 2 3 We and you shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement including, without limitation, the right to demand exact compliance with every term, condition, and covenant herein or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term by virtue of any (a) custom or practice of the parties at variance with the terms hereof, (b) any failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure, (c) any waiver, forbearance, delay, failure, or omission by us to exercise any right, power or option whether of the same, similar or different nature with respect to any other Chocolate Works® Chocolate Works® Store or any development or franchise agreement therefor, or (d) the acceptance by us of any payments from you after any breach by you of this Agreement

14 3 Rights of Parties are Cumulative

Both our and your rights hereunder are cumulative and no exercise or enforcement by either us or you of any right or remedy hereunder shall preclude either our or your exercise or enforcement of any other right or remedy hereunder or which either we or you are entitled by law to enforce

14 4 Costs and Legal Fees

If we assert a claim for amounts you owe to us in any judicial proceeding or appeal thereof or if we are required to enforce this Agreement in a judicial or arbitration proceeding or appeal thereof, we shall be reimbursed by you for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation

and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding, If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us

14 5 Governing Law, Consent to Jurisdiction, Dispute Resolution

14 5 1 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C §§ 1051 et seq) or other federal law, this Agreement and the relationship between the parties hereto shall be governed by the internal laws of the State of New York without regard to its conflicts of law principles No New York law regulating the sale of franchises or governing the franchise relationship and the regulations thereunder shall apply unless its jurisdictional requirements are met independently without reference to this Section

14 5 2 Subject to the provisions of Section 14 5 3 below, you agree that you and your Owners shall institute any action and that we may institute any action against you or your Owners only in state or federal court of general jurisdiction located in Nassau County, New York or the state court of general jurisdiction or the Federal District Court nearest to our executive office at the time such action is filed You and each Owner irrevocably submit to the jurisdiction of such courts and waive any objection you/he/she/it may have to either the jurisdiction or venue of such courts

14 5 3 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in New York under the authority of New York Statutes The arbitrator(s) will have a minimum of five (5) years experience in franchising or distribution law and will have the right to award specific performance of this Agreement If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the New York Statutes The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the New York Statutes The decision of the arbitrator(s) will be final and binding on all parties This Section will survive termination or non-renewal of this Agreement under any circumstances Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement

14 6 Force Majeure

Neither we nor you shall be liable for loss or damage or deemed in breach of this Agreement if our or your failure to perform our or your obligations results from any of the following and is not caused or exacerbated by the non-performing party (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary forgoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any national, state, provincial, municipal or other government or any department or agency thereof, (b) compliance with any law, ruling, order, regulation, requirement, or instruction of any national, state, provincial, municipal or other

government or any department or agency thereof, (c) acts of God, (d) acts of war or insurrection, (e) strikes, lockouts, boycotts, fire and other casualties, or (f) any other similar event or cause beyond the reasonable control of the affected party Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of amounts or fees thereafter, and as soon as performance is possible the non-performing party shall immediately resume performance, provided that in no event shall such period of excused non-performance exceed six (6) months

14 7 Limitations of Claims

Except with regard to claims arising from your obligations to pay monies to us or our Affiliates, any and all claims arising out of or relating to this Agreement or the relationship of you or a Controlled Affiliate and us shall be barred unless an action or proceeding is commenced within one (1) year from the date on which the party knew or should have known in the exercise of reasonable diligence of the facts giving rise to such claims

14 8 Waiver of Punitive Damages and Jury Trial

We and you and your Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, except as otherwise provided herein, in the event of a dispute between us and you or your Owners, the party making a claim shall be limited to equitable relief and to recovery of any actual damages it sustains We and you and your Owners irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party

14 9 Binding Effect

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and shall not be modified except by written agreement signed by both you and us

14 10 Construction

14 10 1 The preambles and exhibits to this Agreement are a part of this Agreement, which together with all Franchise Agreements executed pursuant hereto constitute the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement, provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us Except as expressly stated herein, nothing in this Agreement is intended nor shall be deemed to confer any rights or remedies upon any person or legal entity not a party hereto The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any action or request by you, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you This Agreement shall be executed in multiple copies, each of which shall be deemed an original

14 10 2 We and you acknowledge and agree that we are both sophisticated in business matters and represented by counsel and, therefore, this Agreement shall not be construed against us as the author of this Agreement

14 10 3 The term "you" as used herein is applicable to one (1) or more persons, a corporation, a partnership, a limited liability company or another business entity, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine If you consist of two (2) or more persons at any time hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us shall be joint and several References to 'ownership interests' shall include (a) in relation to a corporation or limited liability company, the ownership of shares or membership interests, (b) in relation to a partnership, the ownership of a general or limited partnership interest or (c) in relation to a trust, the ownership of a beneficial interest of such trust References to 'immediate family' as used herein shall mean parents, spouses, natural and adopted children and siblings and their spouses, and the parents, children and siblings of spouses References to a controlling interest in you shall mean fifty-one percent (51%) or more of the voting shares, membership interests or other interests in you

14 11 Reasonableness

We and you agree to act reasonably in all dealings with each other pursuant to this Agreement Whenever the consent or approval of either party is required or contemplated hereunder, the party whose consent is required agrees not to unreasonably withhold the same, unless otherwise permitted in this Agreement to do so

14 12 Injunctive Relief

14 12 1 We and you each have the right, in a proper case, to seek injunctions, restraining orders and orders of specific performance from a court of competent jurisdiction, provided that we agree to contemporaneously submit our dispute for arbitration on the merits as provided herein

14 12 2 You agree that we will not be required to post a bond to obtain any injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction if warranted upon due hearing All claims for damages by reason of the wrongful issuance of such injunction are hereby expressly waived If we secure any such injunction or order of specific performance, you agree to pay to us an amount equal to the aggregate of our costs of obtaining such relief including, without limitation, reasonable legal fees, costs and expenses as provided in this Section and any damages incurred by us as a result of the breach of any such provision

14 13 Atypical Arrangements

You acknowledge and agree that we may modify the offer of our franchises and area development opportunities to other Franchisees or Developers in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement You further acknowledge and agree that we have made no warranty or representation that all Area Development or Franchise Agreements previously issued or issued after this Agreement by us in other states do or will contain terms substantially similar to those contained in this Agreement We may, in our reasonable business judgment and in our sole and absolute discretion, due to the local business conditions or otherwise, waive or modify comparable

provisions of other Area Development or Franchise Agreements previously executed or executed after the date of this Agreement with other Chocolate Works® Store franchisees in a non-uniform manner

ARTICLE 15

NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operating Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by facsimile with machine-generated evidence of receipt, one (I) business day after being placed in the hands of a commercial courier service for overnight delivery, one (1) business day after transmission by electronic mail provided that a hard copy is sent by another method provided in this Article, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows

If to us	Chocolate Works Franchising, LLC 114 Church Street, Freeport, NY 11520 Fax 516-561-1573
With a copy to	Harold L Kestenbaum, Esq 175 Broad Hollow Road Suite 175 Meville, NY 11554 Fax (516) 745-0293 hkestenbaum@hlkpc com
If to you	_____ _____ _____ Fax _____

Any required payment or report not actually received by us during regular business hours on the date due or postmarked by postal authorities at least two (2) days prior thereto shall be deemed delinquent

[Balance of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in multiple counterparts on the day and year first above written

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

DEVELOPER

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____

_____
[Print Name]

_____

_____
[Print Name]

JOINDER

The undersigned Owners and Principal Owners of you hereby agree to be bound by the restrictions on transfers of interests in the ownership of you contained in the foregoing Area Development Agreement

COMPANIES

_____
(Name of Company)

By _____
Name _____
Title _____

_____
(Name of Company)

By _____
Name _____
Title _____

_____
(Name of Company)

By _____
Name _____
Title _____

INDIVIDUALS

_____
(Name)

_____
(Signature)

_____
(Name)

_____
(Signature)

_____
(Name)

_____
(Signature)

EXHIBIT A
TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AREA

The Development Area shall be

_____
_____
_____
_____

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

DEVELOPER

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____

_____
[Print Name]

_____

_____
[Print Name]

EXHIBIT B
TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

The Agreement authorizes and obliges Developer to establish and operate _____ (____) Chocolate Works® Stores pursuant to a Franchise Agreement for each Store The following is Developer's minimum performance schedule

Store Number	Open & Operating On or Before	Payments Made/Applied	Fee Due For Stores	Due Date
Franchise Fee & Reservation Fees for Unit 1-		$	See Below	Upon simultaneous Execution of Franchise Agreement and Area Development Agreement
1			$	Upon execution of the Franchise Agreement
Reservation Fee for Unit #1			$	Upon simultaneous Execution of Franchise Agreement and Area Development Agreement
2			$	Upon execution of the Franchise Agreement
Reservation Fee for Unit #2			$	Upon execution of Area Development Agreement
3			$	Upon execution of the Franchise Agreement
Reservation Fee for Unit #3			$	Upon execution of Area Development Agreement

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

_____
[Print Name]

DEVELOPER

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____
[Print Name]

EXHIBIT C
TO AREA DEVELOPMENT AGREEMENT

OWNERS

1 **Owners** List the full name and mailing address of each person or entity who directly or indirectly owns an equity or voting interest in you and describe the nature of the interest

Name _____
Address _____
_____
_____
_____
_____

Number of Ownership Interests Owned _____
% of Total Ownership Interests _____
Number of Ownership Interests Owner is Entitled to Vote _____
Other Interests (Describe) _____
_____

Name _____
Address _____
_____
_____
_____
_____

Number of Ownership Interests Owned _____
% of Total Ownership Interests _____
Number of Ownership Interests Owner is Entitled to Vote _____
Other Interests (Describe) _____
_____

Name _____
Address _____
_____
_____
_____
_____

Number of Ownership Interests Owned _____
% of Total Ownership Interests _____
Number of Ownership Interests Owner is Entitled to Vote _____
Other Interests (Describe) _____
_____

Name _____
Address _____
_____
_____
_____
_____

Number of Ownership Interests Owned _____
% of Total Ownership Interests _____
Number of Ownership Interests Owner is Entitled to Vote _____
Other Interests (Describe) _____
_____

2 **Designated Principal Owners** The following individuals named in Paragraph 1 are designated as Principal Owners, although they do not hold five percent (5%) or more of the equity ownership interests in you

Name _____
Name _____
Name _____
Name _____

3 **Management** As required pursuant to Section 11 1 of this Agreement, the following person shall serve as your Senior Operating Manager

Name _____

4 **Ownership Structure** You and your Owners represent and warrant that the ownership structure and initial capitalization of you is a follows

Owner	Number of Ownership Interests	Percentage Ownership

As of the date hereof there are _____ (_____) Ownership Interests authorized and there are _____ (_____) Ownership Interests which are issued and outstanding There are no other authorized classes of Ownership Interests

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

_____
[Print Name]

DEVELOPER

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____

_____
[Print Name]

EXHIBIT D
TO AREA DEVELOPMENT AGREEMENT

ACKNOWLEDGMENTS AND REPRESENTATIONS

1 You acknowledge that you have read the Franchise Agreement and our Disclosure Document and that you understand and accept the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Chocolate Works® Stores and thereby to protect and preserve the goodwill of the Marks and the System

2 You acknowledge that you have conducted an independent investigation of the business venture contemplated by the Franchise Agreement and recognize that like any other business, the nature of the business conducted by Chocolate Works® Stores may evolve and change over time, that an investment in a Chocolate Works® Store involves business risks and that the success of the Chocolate Works® Store franchises make their own investigations and determine whether or not a Chocolate Works® Store is profitable We recommend that each applicant for a Chocolate Works® Store franchise consult with an attorney of its choosing and further be represented by legal counsel at the time of its closing

3 You acknowledge that no representations or statements of actual, average, projected or forecasted sales, profits or earnings have been made with respect to Chocolate Works® Stores, other than information, if any, disclosed in Item 19 Chocolate Works® of our Disclosure Document or in an authorized, written supplemental earnings claim which supplements our Disclosure Document None of our sales personnel or brokers nor any of our employees or officers is authorized to make any other claims or statements as to the earnings, sales or profits or prospects or chances of success that any developer or franchise owner can expect or that present or past franchise owners have had We specifically instruct our sales personnel, brokers, agents, employees and officers that they are not permitted to make such other claims or statements, nor are they authorized to represent or estimate dollar figures as to Chocolate Works® Stores We will not be bound by any unauthorized representations as to your earnings, sales, profits or prospects or chances of success You acknowledge that you have not received or relied on any representations by us, or by our officers, directors, shareholders, employees, brokers or agents that are contrary to the statements made in our Disclosure Document or the terms hereof

4 You acknowledge that in all of your dealings with our officers, directors, employees, Affiliates, representatives, brokers and agents, they have acted only in a representative capacity and not in an individual capacity You further acknowledge that the Franchise Agreement and all business dealings between you and such individuals as a result of this Agreement are solely between you and us You further represent to us as an inducement to our entry into the Franchise Agreement that neither you nor your Owners have made misrepresentations in obtaining the rights granted under the Franchise Agreement

5 If you are a legal entity, you (a) represent that you are duly organized and validly existing in good standing under the laws of the jurisdiction of you organization, you are qualified to do business in all jurisdictions in which your business activities or the nature of properties owned by you requires such qualification and you have the authority to execute, deliver and carry out all the terms of the Franchise Agreement and (b) agree and warrant that all certificates representing ownership interests in you now outstanding or hereafter issued will be endorsed with a legend in

form approved by us reciting that the transfer of ownership interests in you is subject to restrictions contained in this Agreement You further represent and warrant that all Owners of you and their interests therein are completely and accurately listed in Exhibit C to the Franchise Agreement and that you will execute such revised versions of Exhibit C as may be necessary during the term of the Franchise Agreement to reflect any changes in the information contained therein

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC
a New York limited liability company

By _____
Name _____
Title _____

DEVELOPER

[CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP]

By _____
Name _____
Title _____

INDIVIDUALS

_____

_____
[Print Name]

_____

_____
[Print Name]

EXHIBIT E
TO AREA DEVELOPMENT AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS AGREEMENT (the ' Agreement') is made and entered into as of this ____ day of _____, 20__, by and among the Franchisee, _____ ('you"), COVENANTOR (defined below) and CHOCOLATE WORKS FRANCHISING, LLC, a New York limited liability company (' We", Us ' or ' Our")

FRANCHISEE _____

COVENANTOR _____, being [a Principal Owner, as defined in the Area Development Agreement] [an Owner, as defined in the Area Development Agreement, who will have access to Confidential Information], [an employee of You who will have access to Confidential Information], [an officer] or [a director] of You

Home Address of Covenantor _____

1 PREAMBLES

We have executed or intend to execute an area development agreement with You (the 'Area Development Agreement), under which We grant to You certain rights with regard to Chocolate Works® Stores We and You require that COVENANTOR enter into this Agreement before allowing COVENANTOR to have access to the Confidential Information and as a material term of the Area Development Agreement necessary to protect Our "System' , which consists of confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or reasonably required by Us from time to time for use in the operation of the Chocolate Works® Stores and to protect Our proprietary rights in and Your right to use the Confidential Information

To induce Us to enter into the Area Development Agreement and/or to avoid a material breach thereof, as the case may be, We, You and COVENANTOR desire and consider it to be in COVENANTOR'S best interests that COVENANTOR enter into this Agreement Furthermore, due to the nature of Our and Your business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause Us and You substantial harm

2 DEFINITIONS

The following terms shall have the meanings set forth below

(a) ' Competitive Business ' A retail food service business other than a Chocolate Works® Store that (i) features high-end chocolates for sale as primary items, or (ii) hosts chocolate making parties or similar events, or (iii) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of a retail business described in the foregoing clauses (i) and (ii)

(b) **"Confidential Information"** Certain confidential and proprietary information and trade secrets including but not limited to the following categories of information, methods, techniques, procedures and knowledge developed or to be developed by Us, Our Affiliates and/or franchisees and developers of Chocolate Works® Stores (i) recipes, methods, techniques, specifications, standards, policies, procedures, information, concepts and systems relating to and knowledge of and experience in the development, operation and franchising of Chocolate Works® Stores, (ii) marketing and promotional programs for Chocolate Works® Stores, (iii) knowledge of, specifications for and suppliers of certain materials, equipment and fixtures for Chocolate Works® Stores, (iv) knowledge concerning operating results and financial performance of Chocolate Works® Stores, (v) Our operating manuals for use in Chocolate Works® Stores as modified from time to time, and (vi) the terms of the Franchise Agreement and each agreement entered into pursuant to the Franchise Agreement

3 PROTECTION OF CONFIDENTIAL INFORMATION

COVENANTOR agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on Your behalf, taking into consideration the confidential nature of the Confidential Information COVENANTOR may disclose the Confidential Information only as agent for You COVENANTOR acknowledges and agrees that neither COVENANTOR nor any other person or entity will acquire any interest in or right to use the Confidential Information under the Franchise Agreement or otherwise, other than the right to utilize it as authorized in this Agreement, and that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business, would be detrimental to Us and You and would constitute a breach of COVENANTOR'S obligations of confidentiality and an unfair method of competition with Us and/or passing off You and other Chocolate Works® Stores owned by Us or franchisees

COVENANTOR acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Us The Confidential Information will be disclosed to COVENANTOR solely on the condition that COVENANTOR agrees to the terms and conditions of this Agreement COVENANTOR therefore agrees that, during the term of the Area Development Agreement and thereafter, he or she (a) will not use the Confidential Information in any other business or capacity, (b) will maintain the absolute confidentiality of the Confidential Information, (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form, and (d) will adopt and implement all reasonable procedures prescribed from time to time by Us and You to prevent unauthorized use or disclosure of or access to the Confidential Information

Notwithstanding anything to the contrary contained in this Agreement, the restrictions on COVENANTOR'S disclosure and use of the Confidential Information shall not apply to the following (a) information, methods, procedures, techniques and knowledge which are or become generally known or easily accessible, other than by COVENANTOR'S breach of an obligation of confidentiality, and (b) the disclosure of the Confidential Information pursuant to applicable law or in judicial or administrative proceedings to the extent that COVENANTOR is legally compelled or required by a regulatory body to disclose such information, provided COVENANTOR has notified Us and You prior to disclosure and shall have used his or her best efforts to obtain and shall have afforded Us and You the opportunity to obtain an appropriate assurance reasonably satisfactory to Us of confidential treatment for the information required to be so disclosed

4 IN-TERM RESTRICTIVE COVENANT

COVENANTOR acknowledges and agrees that We and You would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to achieve a free exchange of ideas and information among Chocolate Works® Stores if persons authorized to use the Confidential Information were permitted to engage in, have ownership interests in or perform services for Competitive Businesses COVENANTOR therefore agrees that for as long as COVENANTOR is a Principal Owner as defined in the Area Development Agreement, an Owner as defined in the Area Development Agreement who will have access to Confidential Information, an employee of You who will have access to Confidential Information, or an officer or a director of You, COVENANTOR shall not directly or indirectly through members of COVENANTOR'S immediate family or otherwise

(a) have any interest as a disclosed or beneficial owner in any Competitive Business, or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business, or

(c) employ or seek to employ any person who is employed by Us, Our Affiliates or any developer or franchisee of Us nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer

COVENANTOR acknowledges that the restrictions contained in this Section will not hinder his or her activities or those of members of his or her immediate family under this Agreement or in general The restrictions of clause (a) of this Section are not applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the total number of issued and outstanding shares of that class of securities The restrictions of this Section shall not be construed to prohibit a direct or indirect ownership interest in any Chocolate Works® Store or any area development agreement or franchise agreement for the development or operation of any Chocolate Works® Store or the providing of services to a Chocolate Works® Store

5 RESTRICTIVE COVENANT UPON TERMINATION OR EXPIRATION OF THE FRANCHISE AGREEMENT OR COVENANTOR'S ASSOCIATION WITH YOU

Upon the first to occur of (a) termination or expiration without renewal of the Area Development Agreement or (b) the date as of which COVENANTOR is neither a Principal Owner as defined in the Area Development Agreement, an Owner as defined in the Area Development Agreement who will have access to Confidential Information, an employee of You who will have access to Confidential Information, or an officer or a director of You (each of these events is referred to as a 'Termination Event), COVENANTOR agrees that for a period of two (2) years commencing on the effective date of a Termination Event, COVENANTOR shall not directly or indirectly through members of COVENANTOR'S immediate family or otherwise

(a) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within a twenty-five (25) mile radius of any other Chocolate Works® Store, or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a twenty-five (25) mile radius of any Chocolate Works® Store, or

(c) employ or seek to employ, any person who is employed by Us, Our Affiliates or any developer or franchisee of Us nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer

The restrictions of clause (a) of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the number of shares of that class of securities issued and outstanding The restrictions of this Section shall not be constructed to prohibit ownership in any Chocolate Works® Store, area development agreement or franchise agreement for the development or operation of any Chocolate Works® Store, or any entity owning, controlling, or operating a Chocolate Works® Store, or from providing services to a Chocolate Works® Store COVENANTOR recognizes the broad scope of the restrictive covenants set forth in Sections 4 and 5 of this Agreement, but agrees that they are reasonable If any court or tribunal of competent jurisdiction shall refuse to enforce any such covenant because it is more extensive as to time limit, geographic area, scope of business or otherwise than is deemed reasonable, it is expressly understood and agreed that such covenants shall not be void, but that the restrictions contained therein as to time limit, geographic area, scope of business or otherwise shall be deemed reduced to the extent necessary to permit the enforcement of such covenants COVENANTOR expressly acknowledges and agrees that COVENANTOR possesses skills and abilities of a general nature and has opportunities for exploiting such skills Consequently, enforcement of the covenants made in Sections 4 and 5 of this Agreement will not deprive COVENANTOR of the ability to earn a living

6 SURRENDER OF DOCUMENTS

COVENANTOR agrees that as of the effective date of a Termination Event COVENANTOR shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by COVENANTOR and return to You or to Us, if so directed by Us, all copies of the Confidential Information loaned or made available to COVENANTOR

7 COSTS AND ATTORNEYS' FEES

In the event that We or You bring an action against COVENANTOR arising out of the terms or provisions of this Agreement, the prevailing party in whose favor judgment is entered or in whose favor a decision is rendered shall be entitled to receive from the other party full reimbursement of its reasonable attorneys' fees, whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal

8 WAIVER

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition nor shall any waiver or relinquishment of any right or remedy hereunder al any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times

9 SEVERABILITY

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which We are a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto Any portion held to be invalid or unenforceable as to scope or duration shall automatically be deemed amended to the minimum extent necessary to render it valid and enforceable If such amendment is impossible or impractical, the offending provision shall be deemed not to be a part of this Agreement from the date the time for appeal expires if COVENANTOR is a party thereto, otherwise upon COVENANTOR'S receipt of a notice from Us that We will not enforce the section, paragraph, term or provision in question

10 RIGHTS OF PARTIES ARE CUMULATIVE

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce

11 BENEFIT

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns In the event that for any reason We do not execute this Agreement, We shall be deemed a third party beneficiary of this Agreement and shall have the right to enforce this Agreement directly

12 EFFECTIVENESS

This Agreement shall be enforceable and effective when signed by COVENANTOR regardless of whether and when We or You sign this Agreement

13 GOVERNING LAW

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the State of New York, except that its choice of law rules shall not apply COVENANTOR and You agree that they shall institute and that We may institute any action against any of the parties hereto in any state or federal court of general jurisdiction in Nassau County, New York or the state court of general jurisdiction or the Federal District Court nearest to Our executive office at the time such action is filed COVENANTOR and You irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction or venue of such court

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written

COVENANTOR **DEVELOPER**

_____

Print Name

Signature _____

Print Name _____

By _____
Name _____
Its _____

FRANCHISOR

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

EXHIBIT F
TO AREA DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of and as an inducement to the execution of the foregoing Area Development Agreement (the 'Agreement') by CHOCOLATE WORKS FRANCHISING, LLC, a New York limited liability company ('We", "Us' or 'Our"), each of the undersigned hereby personally and unconditionally (1) guarantees to Us and Our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("You") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement

Each of the undersigned waives

(1) acceptance and notice of acceptance by Us of the foregoing undertakings,

(2) notice of demand for payment of any indebtedness or of nonperformance of any obligations hereby guaranteed,

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed,

(4) any right he, she or it may have to require that an action be brought against You or any other person as a condition of liability,

(5) all right to payment or reimbursement from, or subrogation against, You that the undersigned may have arising out of his or her guaranty of Your obligations, and

(6) any and all other notices and legal or equitable defenses to which he or she may be entitled

Each of the undersigned consents and agrees that

(1) his, her or its direct and immediate liability under this guaranty shall be joint and several with all other Guarantors and with You,

(2) he, she or it shall render any payment or performance required under the Agreement upon demand if You fail or refuse punctually to do so,

(3) such liability shall not be contingent or conditioned upon pursuit by Us of any remedies against You or any other person, and

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which We may from time to time grant to You or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty which shall be continuing and irrevocable during the term of the Agreement

If We are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, the undersigned shall reimburse Us for Our costs and expenses including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred during, prior to, in preparation for or in contemplation of the filing of any such proceeding If We are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Us for any of the above-listed costs and expenses incurred by Us

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Agreement was executed

WITNESS	GUARANTOR(S)
_____	_____
	Name
_____	_____
	Name
_____	_____
	Name

EXHIBIT G
TO AREA DEVELOPMENT AGREEMENT

TRANSFER OF AGREEMENT TO
A CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement hereby amends that certain Area Development Agreement dated _____ , 20___ between Chocolate Works Franchising, LLC (' Franchisor") and ("Franchisee ')

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or a Manager and Member holding a majority of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Area Developer of the Chocolate Works® Store, under an Area Development Agreement executed on the date set forth below, between himself or herself and Chocolate Works Franchising, LLC, as Franchisor, granting him/her a franchise to operate in the territory set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Area Developer constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Area Development Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Article 10 of the Area Development Agreement, agree as follows

1 The undersigned Area Developer shall remain personally liable in all respects under the Area Development Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Area Development Agreement including the restrictive covenants contained in Article 12 thereof, to the same extent as if each of them were the Area Developer set forth in the Area Development Agreement and they jointly and severally personally guarantee all of the Area Developer's obligations set forth in said Agreement

2 The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend

> "The shares of stock represented by this certificate are subject to the terms and conditions set forth in an Area Development Agreement dated _____ 20___ between _____ and Chocolate Works Franchising, LLC"
>
> or
>
> "The ownership interests represented by this certificate are subject to the terms and conditions set forth in an Area Development Agreement dated _____, 20___ between _____ and Chocolate Works Franchising, LLC"

3 _____ or his designee shall devote his best efforts to the day-to-day operation and development of the Chocolate Works® Store

4 _____ hereby agrees to become a party to and to be bound by all of the provisions of the Area Development Agreement executed on the date set forth below between Area Developer and Chocolate Works Franchising, LLC, to the same extent as if it were named as the Area Developer therein

Date of Area Development Agreement _____

Territory _____

DATED _____

TRANSFEROR

_____
Print Name _____

TRANSFEREE

_____
(Print name above)

By _____
Name
Title

In consideration of the execution of the above Agreement, Chocolate Works Franchising, LLC hereby consents to the above-referenced assignment on this ___ day of _____ 20__

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

EXHIBIT H

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC AREA DEVELOPMENT AGREEMENT

REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void However, a franchise agreement may provide for arbitration outside of Illinois

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___

ATTEST

CHOCOLATE WORKS FRANCHISING, LLC

_____
Witness

By _____
Name _____
Title _____

FRANCHISEE

_____
Witness

_____

EXHIBIT H

TO AREA DEVELOPMEMNT AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for Chocolate Works Franchising, LLC's Franchise Disclosure Document and for its Franchise Agreement The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties

1 Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

2 Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

3 Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise

4 Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101 et seq)

5 The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

6 The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise

7 The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

8 The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement "All representations requiring prospective Area Developer to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law "

CHOCOLATE WORKS FRANCHISING,

LLC

By _____
Name _____
Title _____

_____
Witness

FRANCHISEE

EXHIBIT H
TO AREA DEVELOPMEMNT AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC
BY
THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself

3 LITIGATION

Neither the Franchisor, its Predecessor nor any person listed under Item 2 or an affiliate offering franchises under Franchisor's principal trademark

(A) has an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations

(B) has been convicted of a felony or pleaded nolo contendere to a felony charge or, the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, anti-fraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices, or comparable allegations

(C) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934 suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent

4 BANKRUPTCY

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the ten year period immediately before the date of the disclosure document (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code (or any comparable foreign law), (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership

17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Provision (d) for the Franchise Disclosure Document is amended by adding the following language in the Summary column

"The Franchisee may terminate the agreement on any grounds available by law "

Provision (w) for the Franchise Disclosure Document is amended by adding the following language in the Summary column

"The foregoing Choice of Law should not be considered a waiver of any right conferred upon the Franchisor or the Franchisee by the General Business Law of the State of New York, Article 33 "

- In Item 17 *Renewal Termination*, etc , section J, *Assignment*, please adjust to state the following

"However, no assignment will be made except to an assignee who in good faith and the judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement "

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ____ day of _____ 20__

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

_____
Witness

FRANCHISEE

By _____
Name _____
Title _____

_____
Witness

EXHIBIT H
TO AREA DEVELOPMEMNT AGREEMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

1 In recognition of the restrictions contained in Section 13 1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Chocolate Works Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows

Additional Disclosure The following statements are added to Item 17 h

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute ' reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable

EXHIBIT D
TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES AND AREA DEVELOPERS
(as of December 31, 2017)

Connecticut

Merideth Scheine
25 Old Kings Highway
Darien, CT 06820

New Jersey

Eugene Ra
1170 Town Center Way
Livingston, N J 07039
973-740-9090

Rob Weiss
321 Millburn Ave
Millburn, N J 07041
973-218-9222

Marcia Lemberg
42 South Park St
Montclair, N J 07042
973-744-3344

Randi Garfinkel
36 Broad St
Red Bank, N J 07701
732-383-5915

Michelle Pak
335 Princeton-
Hightstown
W Windsor, N J 08550
609-785-5976 sold from
M Jeshion in 2016

New York

Kim Ferarri
6401 Jericho Tpke
Commack, N Y 11725
631-486-8888
Sold from Chris Daniels
in 2016

Rich Penchuk
916 Old Country Rd
Garden City, N Y 11530
516-860-4442

Stephanie Solomon
346 Plandome Rd
Manhasset, N Y 11030
516-627-2340

Shlomi Avdoo
641 Amsterdam Ave
New York, N Y 10025
212-799-3630

Stephanie Solomon
191B N Long Beach Rd
Rockville Centre, N Y
11570
516-665-3241

Ben Lou
450 Central Park Ave
Scarsdale, N Y 10583
914-713-8879

Chris Daniels
143B Main St
Stoney Brook, N Y
11790
631-675-9366

Joe Whaley
396 Rockaway Ave
Valley Stream, N Y
11591
516-561-1570

Pennsylvania

Kelly Messman
4773 Freemansburg Ave
Space D103
Bethlehem, PA 18020
610-419-1132

Area Developers

Shlomi Avdoo
641 Amsterdam Ave
New York, N Y 10025
212-799-3630

New York

Shlomi Avdoo
110 Montague St
Brooklyn, N Y 11201
718-564-6565

Mike Cave
437 S Oyster Bay Rd
Plainview, N Y 11803
516-805-6000

Signed but not yet Opened

California

Umang and Ruchi Saini
3515 York Lane
San Ramon CA 94582
925-361-5066
Sign on 10/14/2016 not yet opened

EXHIBIT E
TO DISCLOSURE DOCUMENT

FRANCHISEES AND AREA DEVELOPERS WHO HAVE
LEFT THE SYSTEM IN THE LAST FISCAL YEAR
(as of December 31, 2017)

Tim Collins
3120 Promenade Blvd
Fair Lawn, N J 07410
201-475-5679

Area Developer

None

EXHIBIT H
TO THE DISCLOSURE DOCUMENT

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC DISCLOSURE DOCUMENT REQUIRED BY THE COMMONWEALTH OF VIRGINIA

1 In recognition of the restrictions contained in Section 13 1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Chocolate Works Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows

Additional Disclosure The following statements are added to Item 17 h

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute ' reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable

Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___

ATTEST

_____
Witness

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

FRANCHISEE

_____

_____
Witness

EXHIBIT H

ADDENDUM TO THE CHOCOLATE WORKS FRANCHISING, LLC DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19 100 180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration or as determined by the arbitrator

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW shall prevail

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___

ATTEST

_____
Witness

CHOCOLATE WORKS FRANCHISING, LLC

By _____
Name _____
Title _____

FRANCHISEE

_____

_____
Witness

EXHIBIT I

TO DISCLOSURE DOCUMENT

FORM OF GENERAL RELEASE

CHOCOLATE WORKS FRANCHISING, LLC
GENERAL RELEASE AGREEMENT

THIS AGREEMENT ("Agreement ') is made and entered into this ___day of _____ 20__ by and between Chocolate Works Franchising, LLC, a New York limited liability company, having its principal place of business located at 114 Church Street, Freeport, NY 11520 (the "Franchisor"), and _____, an individual residing at (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows

1 Release by Releaser

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries agreements and contracts, actions, causes of action, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, , securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees

2 Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, agreement, guarantee, action or cause of action released hereby, or any interest in any thereof, has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph

3 Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary

4 New York law shall govern the validity and interpretation of this Agreement, as well as the performance due hereunder This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto

5 In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of New York

6 This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above

Witness **RELEASOR**

_____ _____

(Name)

Witness **CHOCOLATE WORKS FRANCHISING, LLC**

_____ **By** _____

Name _____

Title _____

EXHIBIT J
TO DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Chocolate Works Franchising, LLC (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Chocolate Works® Business (the "Franchised Business ') The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (' Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor

In the event that you are intending to purchase an existing Franchised Business from a Franchisee, you may have received information from the transferring Franchisee who is not an employee or representative of the Franchisor The questions below do not apply to any communications that you had with the transferring Franchisee Please review each of the following questions and statements carefully and provide honest and complete responses to each

1 Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from a Franchisee?

Yes _____ No _____

2 I had my first face-to-face meeting with a Franchisor representative on _____, 20__

3 Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4 Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, and Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary)

_____
_____
_____
_____
_____
_____

5 Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6 Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7 Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary)

_____
_____
_____
_____
_____

8 Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

9 Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such business), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary from the information contained in the Disclosure Document?

Yes _____ No _____

12 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate that is contrary to or different from the information contained in the Disclosure Statement?

Yes _____ No _____

13 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the cost you may incur in operating the Franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15 Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to or different from the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16 Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17 Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18 Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

_____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines (Attach additional pages, if necessary, and refer to them below) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank

_____

_____

_____

_____

I have signed the Franchise Agreement and Addendum (if any) on _____, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor

Please understand that your responses to these questions are important to us and that we will rely on them By signing this Questionnaire, you are representing that you have responded truthfully to the above questions In addition, by signing this Questionnaire, you also acknowledge that

A You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace You hereby acknowledge your awareness of and willingness to undertake these business risks

B You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representations, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those, if any, contained in the Disclosure Document, please describe those in the space provided below or write "None"

_____

_____

_____

C You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the 'Anti-Terrorism Measures') The Franchiser therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is

(i) a person or entity listed in the Annex to the Executive Order,

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism,

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or

(iv) owned or controlled by terrorists or sponsors of terrorism

You further covenant that neither you nor any of your employees agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure

Sign here if you are taking the franchise as an

INDIVIDUAL

_____

Signature

Print Name_____

_____

Signature

_____

Signature

Print Name_____

_____

Signature

_____

Signature

Print Name_____

_____

Signature

Sign here if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

_____

Print Name of Legal Entity

By _____

Signature

Print Name_____

Title_____

FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT, OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT

RECEIPT

(RETURN ONE COPY TO US)

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 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 we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first

If Chocolate Work 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 the appropriate state agency listed on Exhibit A to the disclosure document

The franchisor is Chocolate Works Franchising, LLC, located at 114 Church Street, Freeport, NY 11520 Its telephone number is 516-868 8070

Issuance date April 9, 2018

The authorized franchise sellers for the Franchisor are

Joseph Whaley at 114 Church Street, Freeport, NY 11520 and 516-868-8070

Chocolate Works Franchising, LLC authorizes the agents listed in Exhibit A to receive service of process for it

I have received a disclosure document dated _____ that included the following Exhibits

A – LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS
B – FRANCHISE AGREEMENT
C – AREA DEVELOPMENT AGREEMENT
D- LIST OF FRANCHISEES AND AREA DEVELOPERS
E – FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM IN THE LAST FISCAL YEAR
F – FINANCIAL STATEMENTS
G– OPERATIONS MANUAL TABLE OF CONTENTS
H – STATE SPECIFIC ADDENDUM
I – FORM OF GENERAL RELEASE
J – FRANCHISEE DISCLOSURE ACKNOWLEDGEMENT STATEMENT

Date _____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

You may return the signed receipt by either signing, dating and mailing it to Chocolate Works Franchising, LLC, at 114 Church Street, Freeport, NY 11520, or by faxing a copy of the signed and dated receipt to Chocolate Works Franchising, LLC at 516-868-8070

(RETURN ONE COPY TO US)

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 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 we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first

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Issuance date April 9, 2018

The authorized franchise sellers for the Franchisor are

Joseph Whaley at 114 Church Street, Freeport, NY 11520 and 516-868-8070

Chocolate Works Franchising, LLC authorizes the agents listed in Exhibit A to receive service of process for it

I have received a disclosure document dated _____ that included the following Exhibits

A – LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS
B – FRANCHISE AGREEMENT
C – AREA DEVELOPMENT AGREEMENT
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Date _____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

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