

FRANCHISE DISCLOSURE DOCUMENT

Chocolate Works Franchising, LLC
a New York limited liability company
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www.chocolateworks.com

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BUSINESS OVERSIGHT
SAN FRANCISCO

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 \$102,300 to \$115,300 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.

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 516-551-2976.

You may have elected to receive an electronic version of your disclosure document. If so, you may wish to print or download the disclosure document for future reference. You have the right to receive a paper copy of the disclosure document until the time of sale. To obtain a paper copy, contact Joseph Whaley at 114 Church Street, Freeport, NY 11520 and 516-551-2976.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as *A Consumer's Guide to Buying a Franchise*, which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov 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: January 27, 2016

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. **REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DEPARTMENT OF LAW. NOR DOES IT MEAN THAT THE DEPARTMENT OF LAW HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

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

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

Please consider the following **RISK FACTORS** before you buy this franchise.

1 THE FRANCHISE AND AREA DEVELOPMENT AGREEMENTS REQUIRE YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR, AT FRANCHISOR'S DISCRETION, LITIGATION, ONLY IN NEW YORK. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE OR LITIGATE WITH US IN NEW YORK THAN IN YOUR OWN STATE.

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

3 THE FRANCHISOR MAY TERMINATE THE FRANCHISE AGREEMENT AND RETAIN THE INITIAL FRANCHISE FEE IF A LOCATION IS NOT FOUND WITHIN 90 DAYS OF SIGNING THE AGREEMENT. THE FRANCHISOR MAY ALSO TERMINATE THE FRANCHISE AGREEMENT AND RETAIN THE FEE IF THE LOCATION IS NOT OPENED WITHIN 4 MONTHS OF APPROVING THE LOCATION OR 7 MONTHS AFTER SIGNING.

4 IF FRANCHISOR TERMINATES THE FRANCHISE AGREEMENT WITH CAUSE, YOU MUST PAY FRANCHISOR LIQUIDATED DAMAGES EQUAL TO THE ROYALTIES EARNED FROM YOUR STORE DURING THE 12 MONTHS OF OPERATION BEFORE THE TERMINATION MULTIPLIED BY (A) 24, BEING THE NUMBER OF MONTHS IN TWO FULL YEARS, OR (B) THE NUMBER OF MONTHS REMAINING IN THE FRANCHISE AGREEMENT HAD WE NOT TERMINATED IT, WHICHEVER IS HIGHER.

5 THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

6 THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT CONTAIN PROVISIONS THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA INCLUDING BUT NOT LIMITED TO A TIME LIMIT OR RAISE CLAIMS AGAINST THE FRANCHISOR, LIMITATION OF DAMAGES AND WAIVER OF JURY TRIAL.

7 YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR

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