



Dear Prospective Franchise Owner,

Thank you for your interest about franchise opportunities with The South Bend Chocolate Company. We have developed what we believe is the most competitive chocolate franchise program on the market. Please compare us with other companies.

When you buy a South Bend Chocolate Company franchise you get an up-scale Chocolate Café, Chocolate Kiosk or Café Express complete and ready to go. We also train you at a four-day school in South Bend, Indiana and to insure your business starts okay, we give you an employee for your first week or the first 80 hours of operation.

We hope you understand the care we must take in selecting franchisees. You will be an important part of the future success of our business, so we need and want the best people. On the other hand, we will do our best to supply you with great product, train you and provide you with price and marketing advantages.

We look forward to a healthy and profitable relationship with you. A few days after you return your franchisee information form and application fee, I will be in contact with you. If you have any questions, please contact me at 574/233-2577.

Thanks again,

Milt Lee

Milt Lee
Franchising

■
Corporate Office and Factory
Post Office Box 4104
South Bend, Indiana 46634
800/301-4961
574/233-2577
Fax: 574/233-3150
www.sbchocolate.com
■

The South Bend Chocolate Company Story

The South Bend Chocolate Company was founded in 1991 by Mark Turner, a second-generation chocolate maker. Mark worked for his father's chocolate company where he developed his skills as a manufacturer manager and marketer. The company got its' start by producing chocolates under a license from the University of Notre Dame. The company's first three products were the Domer, Rockne and Nuts for ND. Today, the company manufactures nearly 200 items.

In 1994 the South Bend Chocolate Company opened its first chocolate kiosk store at a suburban shopping mall near South Bend, Indiana.

In 1997, the company began selling franchises and by 2000 the South Bend Chocolate Company was recognized as the state's Small Business of the Year and by Entrepreneur Magazine as one of the top franchise investments in the country.

Today, there are over 20 stores operating in the United States. The company also has a thriving wholesale and corporate gift giving business.

The South Bend Chocolate Company Success Story

The South Bend Tribune

"... candymaker sweet on Notre Dame."

Preservationist Magazine

"...a very unique use for a historic space."

The South Bend Tribune

"...Chocolate Café will add to any downtown's appeal."

Indiana Business Magazine

"...Small business person of the year for Indiana..."

Entrepreneur Magazine's Top 500 Franchises

The South Bend Chocolate Company; Chocolate Café & Kiosk

Inc. Magazine's Top 100 Inner City Businesses

The South Bend Chocolate Company wins 3 consecutive years – 2001, 2002, 2003.

Chocolate Café Franchise Opportunity

The South Bend Chocolate Company Chocolate Café is an innovative dessert restaurant that provides a unique social gathering place for the community. The Chocolate Café features a vast selection of fine chocolates, rich espresso and coffees that are roasted in each store, premium ice creams and other decadent desserts and pastries.

A wide variety of homemade fudge and chocolate gifts complete our selection of products. The Chocolate Café satisfies every sweet tooth from early morning to late evening in large and small markets alike.

In addition, The South Bend Chocolate Company manufactures each high quality item offered to the customer, enabling the company to offer products to franchisees well below wholesale. This means a higher percentage of profit. In fact, the system is designed to maximize potential profitability quickly, differentiating the Chocolate Café from its competitors.

The primary market for The South Bend Chocolate Company kiosk and Chocolate Café is shopping malls in high-density markets, central downtown business districts and suburban town centers. However, other market segments like toll plazas have been successful as well.

Locating within other large retail venues such as bookstores represents viable opportunities for business expansion as well.

The South Bend Chocolate Company provides franchisees with a complete range of services which include site selection assistance, store design and construction, formal classroom and on-site training, extensive operations manual, marketing, store merchandising and grand opening support. Moreover, our support doesn't end there. We offer on-going support in the form of weekly conversations, newsletters, annual meetings and training sessions for the duration of our relationship.

The Next Step

1. Review the information enclosed and be honest with yourself.

Are you willing to work hard within a proven, long-term concept and system?

Can you make the required financial and time investment?

Are you ready to be the boss?

2. Complete and return the Franchise Application Form with Application Fee.

3. Make a list of questions to discuss with a South Bend Chocolate Company chocolate café representative.

4. Upon receiving your Franchise Application The South Bend Chocolate Company will review your request for our basic requirements. At this stage we will schedule a personal interview at our corporate offices if you meet our standards.

5. A South Bend Chocolate Company representative will give you a copy of our Uniform Franchise Offering Circular (UFOC). This is a federally mandated document that explains our opportunity.

6. Call and speak with some other South Bend Chocolate Company franchisees.

7. Formulate a list of final questions for our team of franchise representatives. If we are satisfied with each other we then schedule an appointment to sign the Franchise Agreement.

8. The site selection and store design process begins and is completed.

9. Attend a 4-day classroom training session and a one-week (40 hours) training at your own store.

10. The Grand Opening of your South Bend Chocolate Company Chocolate Café or kiosk is scheduled and implemented.

The Investment

Listed below are the projected estimated expenses for opening a South Bend Chocolate Company kiosk or café.

| Kiosk | | | Chocolate Café | | |
|--|-------------------|-----------|---|-------------------|-----------|
| Initial Cost | From | To | Initial Cost | From | To |
| Franchise Fee | \$37,000 | \$37,000 | Franchise Fee | \$37,000 | \$37,000 |
| Lease/Security Deposit | 1,650 | 3,500 | Architectural Fee | 1,500 | 8,000 |
| Fixtures/Furniture | 15,000 | 20,000 | Consulting Fee | 0 | 10,000 |
| Equipment | 1,800 | 2,500 | Legal Fee | 2,000 | 4,000 |
| Supplies and Packaging | 1,000 | 2,500 | Rent/Real Property | NA | NA |
| Inventory (Products) | 5,000 | 10,000 | Leasehold Improvement | 75,000 | 256,000 |
| Initial Training | 500 | 1,000 | Equipment | 25,064 | 160,000 |
| Additional Funds (working capital) | 15,000 | 35,000 | Training Expenses | 500 | 500 |
| | \$76,950 | \$111,500 | Initial Inventory | 8,150 | 16,376 |
| | | | Supplies | 141 | 310 |
| | | | Working Capital | 20,000 | 50,000 |
| | | | Fixtures/Art | 3,000 | 16,000 |
| | | | Other Collateral | 300 | 1,100 |
| | | | | \$172,655 | \$559,286 |
| <p>Figures could vary based on store location, time or season of set-up and other circumstances.</p> | | | <p>All figures are estimates and will vary depending upon size of space and condition, ability to acquire used equipment, perform some leasehold improvements, etc.</p> | | |
| Advertising Fund | 2% of Gross Sales | | Advertising Fund | 2% of Gross Sales | |
| Royalty Fee | 4% of Gross Sales | | Royalty Fee | 4% of Gross Sales | |

The Franchise Application



P.O. Box 4104
 South Bend, IN 46634
 574/233-2577 Fax 574/233-3150

Franchisee Information

Because this franchised business requires a considerable cash investment and in order to properly evaluate your application it is necessary to establish your net worth. This information will be held in absolute confidence and does not obligate either party. The South Bend Chocolate Company reserves the right to check credit and personal references.

| Section 1 Personal Information <i>(please print)</i> | |
|---|-------------------------------|
| Applicant's Name | Date of Birth |
| Spouse's Name | Date of Birth |
| SS/S.I.N. # | Spouse's SS/S.I.N.# |
| Residence Address | |
| City | State/Province |
| Zip Code | County |
| Telephone Number () | Fax Number () |
| Previous Address | |
| City | State/Province |
| Zip Code | County |
| I am a citizen of: | E-mail Address |
| Section 2 Employment Information <i>(please print)</i> | |
| Applicant's Current Employment Status <input type="checkbox"/> Full-Time <input type="checkbox"/> Part-Time <input type="checkbox"/> Self-Employed <input type="checkbox"/> Unemployed | |
| Employer/Business Name (if unemployed, state most recent employer) | |
| Employer/Business Address | |
| Position held | How long there? Annual Salary |
| Telephone Number () | Fax Number () |
| May we contact your employer? <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Spouse's Current Employment Status <input type="checkbox"/> Full-Time <input type="checkbox"/> Part-Time <input type="checkbox"/> Self-Employed <input type="checkbox"/> Unemployed | |
| Employer/Business Name (if unemployed, state most recent employer) | |
| Position held | How long there? Annual Salary |
| Telephone Number () | Fax Number () |
| May we contact your employer? <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Section 3 Education and Experience <i>(please print)</i> | |
| Your Education: High School Graduate? <input type="checkbox"/> Yes <input type="checkbox"/> No College: # of Years | |
| Degree: | Other special skills: |
| Your spouse's education: High School Graduate? <input type="checkbox"/> Yes <input type="checkbox"/> No College: # of Years | |
| Degree: | Other special skills: |
| In which of the following areas do you have experience? <i>(check all that apply)</i> | |
| <input type="checkbox"/> Management <input type="checkbox"/> Bookkeeping <input type="checkbox"/> Retail <input type="checkbox"/> Marketing <input type="checkbox"/> Other Service Industry (explain) _____ | |
| Section 4 Business Information <i>(please print)</i> | |
| Where did you hear about the South Bend Chocolate Company? | |
| Have you ever owned your own business? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please describe the business. | |
| How long have you been looking for a business? | |
| Can you devote your full time to the business? <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| If approved, how do you propose to finance the purchase and development of your South Bend Chocolate Company franchise? | |
| Which family members would work in your South Bend Chocolate Company business? | |
| If you are awarded a South Bend Chocolate Company franchise, when would you be available for training? | |

Section 5 Legal (please print)

Have you ever been refused a bond? Yes No If yes, please explain.

Are you a plaintiff or defendant in any legal action? Yes No If yes, please explain.

Have you ever had any judgments against you? Yes No If yes, please explain.

Have you ever gone through a bankruptcy? Yes No If yes, please explain when and for what amount.

Section 6 Personal References (please print)

Please provide us with two personal references that can vouch for your character. (Do not list relatives.)

| | |
|-----------|---|
| 1. Name | Address |
| City | State/Zip |
| Telephone | May we contact this reference? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 2. Name | Address |
| City | State/Zip |
| Telephone | May we contact this reference? <input type="checkbox"/> Yes <input type="checkbox"/> No |

Section 7 Previous Employment References (please print)

Please provide us with two employer references that can vouch for your character. (Do not list relatives.)

| | |
|-----------------------------|---|
| 1. Employer/Supervisor Name | |
| Company | |
| Address | |
| City | State/Zip |
| Telephone | May we contact this reference? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Length of Employment? | Reason for leaving? |
| 2. Employer/Supervisor Name | |
| Company | |
| Address | |
| City | State/Zip |
| Telephone | May we contact this reference? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Length of Employment? | Reason for leaving? |

Section 8 Specific Data (please print)

Estimated minimum income required for your current living expenses? \$

Would this business be your sole source of income?

Own Home Rent If Own, Current value? Mortgage \$

Your Total Assets \$ Your Total Liabilities \$ Net Worth \$

Amount of cash available for investment \$ Do you have a finance source?

Amount of financing available?

Do you intend to run this business yourself? Yes No If no, who will be responsible for daily operation of your unit?

Section 9 Confirmation and Signature

If other individuals will be helping you financially, please have these individuals complete a separate application and return all applications together.

We appreciate your interest in The South Bend Chocolate Company. None of the information you have received should be construed as solicitation to enter into a franchise agreement, but merely an exchange of information, which does not obligate you or The South Bend Chocolate Company.

I certify that the above information supplied by me is true and correct. I authorize release of any information deemed necessary by The South Bend Chocolate Company to verify any and all of the above information. I hold The South Bend Chocolate Company harmless for any damages arising from verification of the information contained herein.

Upon receipt of your **franchise application, and a \$50.00 application fee**, and upon approval of your application, The South Bend Chocolate company will forward to you a copy of its Franchise Offering Circular. The South Bend Chocolate Company requests that you send a copy of your financial statement with the application.

The undersigned agrees: 1) that the information will be used only for the purpose of evaluating the possible purchase of a South Bend Chocolate Company franchise; 2) that the information will not be copied or used for any other purpose; 3) that they will not replicate or reproduce any similar type store or home-based business of candy arrangements; and 4) If I do not choose to buy a South Bend Chocolate Company franchise the information will not be disclosed to any third party, except for legal, accounting and business advice.

The undersigned authorizes The South Bend Chocolate Company to obtain credit information on me and my spouse.

Signature/Legal Name

Date

The Franchise Application



Financial Information (Please attach prepared financial statement, if available.)

ASSETS

Cash in checking accounts \$ _____

Cash in savings accounts \$ _____

Stocks and bonds \$ _____

IRA's, retirement plans, 401K's \$ _____

Cash surrender of life insurance \$ _____

Real estate, home \$ _____

Real estate, other \$ _____

Automobile(s) \$ _____

Your own business \$ _____

Appraised collectibles \$ _____

Money due you \$ _____

Other assets (describe): \$ _____

_____ \$ _____

TOTAL \$ _____

LIABILITIES

Notes payable to banks \$ _____

Notes payable to finance companies \$ _____

Real estate indebtedness \$ _____

Automobile(s) indebtedness \$ _____

Owing on life insurance \$ _____

Charge accounts \$ _____

Credit cards \$ _____

Taxes payable \$ _____

Other liabilities (describe): \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

TOTAL \$ _____

NET WORTH (total assets minus total liabilities): \$ _____ LIQUID CAPITAL \$ _____

AMOUNT TO FINANCE \$ _____

TOTAL INVESTMENT \$ _____

Do you have a financial partner or any other personal source of investment capital? Yes No If yes, please explain:

Do you have additional income sources? Yes No If yes, please explain:

Income Expectations: After 1st year (i.e., second year) \$ _____ After 2nd year (i.e., third year) \$ _____

All the information stated herein is a true and correct representation of my personal and financial condition. It is understood that the purpose of this questionnaire is to compile general information and that it is in no way binding upon either the franchisor or the franchisee candidate. THIS IS NOT A CONTRACT.

Signature _____

Date _____

**Mail completed Application, along with \$50.00 Application Fee, to:
The South Bend Chocolate Company, Attn: Franchise Department, P.O. Box 4104, South Bend, IN 46634.**