



becoming a

FRANCHISEE



*A Guide to
Franchising with
Rocky Mountain
Chocolate Factory*



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BACKGROUND

OBJECTIVES

Rocky Mountain Chocolate Factory, Inc. is dedicated to becoming the premier Chocolatier in the United States and the world through a strong commitment to product excellence and the expansion of its franchise system, which can create an exciting business opportunity for the would-be entrepreneur. Rocky Mountain Chocolate Factory, Inc. is a publicly held corporation (symbol: RMCF) that was founded in 1981 and has been franchising since 1982.

THE PRODUCTS

We at Rocky Mountain Chocolate Factory, Inc. take a special pride in the production of our chocolates. We use only the finest and freshest ingredients in the production of our high quality products. Our factory, located in Durango, Colorado, supplies over 300 different assorted chocolates, both in bulk and packaged, as well as a variety of confectionery products such as Rocky Pop™, nut brittles and gourmet chocolate sauces. All recipes are prepared by hand and are subject to stringent quality control procedures. For the quality products we provide our retail prices are reasonable and competitive, averaging \$18.50 per pound.

OWNING AND MANAGING A RETAIL STORE

TIME INVOLVED

A Rocky Mountain Chocolate Factory store is like any other retail business: it requires a substantial amount of time to make it successful. Be prepared to work long hours, especially at first, learning the business. The best performing stores in our system are run by dedicated owner-operators who spend their time in the store.

MERCHANDISING

A typical store will purchase approximately 50% of its merchandise from our factory in Durango. The remaining items, such as fudge, caramel apples, dipped fruit, ice cream, and hard and soft non-chocolate candies, are produced in your store or purchased from authorized suppliers. The cooking presentation attracts and entertains your customer providing a memorable experience they will want to



share with others. A very important ingredient in the operation of your store is the way products are displayed, merchandised, and sold. The Rocky Mountain Chocolate Factory Field Team will work closely with you during the initial training period and give ongoing support to ensure a complete understanding of this critical area.

In addition to retail in-store sales, you have the ability as a franchisee to utilize mail order, corporate sales, and fund raising programs to increase the profitability of your store. These three areas have proven to have tremendous potential for the future.

RECORD KEEPING

We provide you with a business format to maintain proper control of your operation. Some of the forms provided include: daily sales, inventory control, accounting format to generate income statements and balance sheets, and payroll control forms. With our help, you will have the opportunity to run your operation efficiently and effectively from the beginning.

STAFFING

The number of sales people in your store will vary depending upon your store and the season. An average store consists of one full-time employee and one to three part-time employees in addition to yourself.

F R A N C H I S I N G

TYPES OF FRANCHISES AVAILABLE

Single unit franchises are available to owner-operators or, if appropriate, to owners intending to have a manager operate the store. Rocky Mountain Chocolate Factory, Inc. offers to franchisees the opportunity to pursue a Full-Store design, a Kiosk or a Lease-Line store configuration, depending on the retail environment you are interested in.

FRANCHISE FEE

The franchise fee is \$24,500, which is due and payable when the *Franchise Agreement* is signed. The initial term is ten years with an option to renew for an additional ten year term. There is no



additional franchise fee due upon renewal, however a renewal fee is required.

TOTAL INVESTMENT

The total investment required to obtain a Rocky Mountain Chocolate Factory franchise and open a retail store is between \$114,700 and \$514,590, depending upon store size and location. These figures are based on past history and include the franchise fee, leasehold improvements, furniture, fixtures, equipment, inventory and cooking supplies, insurance, lease deposits, first month's rent, working capital, and travel and living expenses for training in Durango. More information is contained in the *Rocky Mountain Chocolate Factory, Inc. Uniform Franchise Offering Circular*.

FINANCING

Rocky Mountain Chocolate Factory, Inc. does not provide any financing, but we will assist you in putting together a financial package and work closely with you and your bank. The *Rocky Mountain Chocolate Factory Business Analysis Guide* assists you in preparing a business plan and obtaining financing.

ROYALTIES/MARKETING & PROMOTION FEE

Each store pays a **monthly** 5% (five percent) royalty and 1% (one percent) marketing and promotion fee. At the end of each quarter an adjustment is made based on the store's actual product mix sales for the previous quarter. *There is no royalty charged by RMCF, Inc. for Rocky Mountain Chocolate Factory, Inc. manufactured products sold in the store.* However, a 10% (ten percent) royalty is charged on products purchased from outside vendors or products produced in the store. After the **quarterly** adjustment is made, a store may receive either a credit or an additional charge to its account. We believe this structure encourages franchisees to have a well-balanced product mix and consistent purchases from Rocky Mountain Chocolate Factory, Inc.

The funds from the marketing and promotion fee are used to develop in-store promotions and point of purchase materials, and other projects designed to enhance revenues for the Rocky Mountain Chocolate Factory store system.



SUPPORT AND TRAINING

We at Rocky Mountain Chocolate Factory, Inc. firmly believe that your ability as an owner will be greatly enhanced by the training you receive. You and your manager (when applicable) will be required to successfully complete a comprehensive seven-day training program at the corporate headquarters in Durango, Colorado. This training program will cover all of the areas that are vital to your store's operation, including a step-by-step understanding of the *Rocky Mountain Chocolate Factory Operations Manual*, inventory and cost control, techniques, quality standards, and personnel management. You will learn in both a classroom setting and by working in our retail store.

Training continues with the opening of your store where our experienced Support Team will assist and guide you in all areas of operation to ensure a smooth opening. All training expenses for this period are covered in the franchise fee. You are responsible, however, for expenses for transportation, lodging, and meals while in Durango for training.

After your store has opened, our Support Team will continue their support by making visits to stores and by staying in contact by phone. Conferences are held each year to concentrate on holiday marketing and merchandising techniques. In addition, our National Franchisee Convention is held every other year. Seminars and workshops on many subjects relevant to the operation of a small business are presented at that time. We provide this ongoing training to assist franchisees in operating their store.



EARNINGS

Once a determination of your interest and qualification has been made you will receive our *Uniform Franchise Offering Circular* (UFOC) which contains a list of our existing franchisees with their phone numbers and addresses. We urge you to contact as many of our franchisees for their first-hand experiences. We do not supply you with earnings information other than sales data compiled in the UFOC.

Rocky Mountain Chocolate Factory, Inc. cannot guarantee earnings; however, we feel that the success of your store depends a great deal upon how you manage and monitor expenses such as food costs and payroll. If you follow the established Rocky Mountain Chocolate Factory program and utilize the resources available through our field and corporate staff, your opportunity to achieve your goals will be very good.

STORE LOCATIONS

Store locations currently include regional malls, tourist-oriented retail areas, ski resorts, factory outlets, specialty retail centers and neighborhood centers. The accessibility and rental rates of good locations vary depending on economic conditions, competition for space, and the size of the target area. Extensive criteria has been established by our experienced personnel for use in determining proper locations.

Upon signing the Franchise Agreement, we will provide you with the *Rocky Mountain Chocolate Factory Business Analysis Guide* which includes a step-by-step guide to finding and securing a location and negotiating the lease. Generally, you will determine several locations of interest and submit them for corporate review and final approval, which is accomplished by an on-site walk-through and evaluation of the proposed location.

CONSTRUCTION

Rocky Mountain Chocolate Factory store sizes vary depending on store type and location. Although Full-Concept stores average about



650 square feet in retail area and Kiosks are 150-300 and Lease-Line locations are 400-700 square feet, it is often difficult to dictate the size of available space. Rocky Mountain Chocolate Factory maintains control over the design and finish materials of all retail stores. This is done in order to maintain consistency of design, quality of store build-out, and to ensure the most effective operational capabilities of each store.

The *Rocky Mountain Chocolate Factory New Store Opening Handbook* (NSOH) and *Design and Construction Manual* (DCM) will be provided to the franchisee after the *Franchise Agreement* is executed and the franchise fee is paid in full. The DCM is a guide to assist you, your architect (if applicable), and your contractor during the design and construction phases of your store and contains detailed criteria required by Rocky Mountain Chocolate Factory. Our Design and Construction Department staff will work closely with you through the store design and construction phases. The NSOH includes week-by-week checklists, recommended orders, and other helpful information. These manuals will create a clear picture of the steps necessary to complete your store from start to finish.

SEVEN STEPS TO BECOMING A FRANCHISEE

1. If, after reviewing the enclosed information, you have any unanswered questions regarding Rocky Mountain Chocolate Factory's franchising program, give our team a call at 800-438-7623.
2. Complete the enclosed *Application for Franchise* and fax it to us at 970-259-5895 or use the enclosed envelope. The *Application* is a preliminary review of your qualifications to become a franchisee.
3. Upon receipt, your application will be reviewed and if you preliminarily qualify, you will be sent a copy of our *Uniform Franchise Offering Circular* (UFOC) which contains more specific information about Rocky Mountain Chocolate Factory, including a copy of the *Franchise Agreement*, financial statements, and a list of existing franchisees, their telephone numbers and addresses. Once you have received the UFOC, we urge you to review it carefully with your attorney or accountant and determine the compatibility of the



opportunity with your goals and financial capability. We are fully prepared to answer any questions you or your advisors may have.

4. Upon receipt of the UFOC please call the Franchise Development Department to discuss any questions you may have and to assess your interest in pursuing a franchise with our company. If you wish to continue in the process of obtaining a franchise, it will be necessary to complete the detailed financial statement enclosed with the UFOC and fax or mail the form to us for further evaluation. At this time it will also be necessary to discuss the possible location(s) with our Franchise Sales Team.

5. Once you are approved by RMCF, Inc., the next step will be preparation of the *Franchise Agreement*.

6. Our Design and Construction Project Manager will provide you with CAD drawings of your preliminary floor plan and an example set of plans for your architect to utilize in preparing your full set of plans. Our Design and Construction Manager will stay in close contact with you during the design and construction process. Within two months prior to opening, you will attend the franchise training program in Durango. The Franchise Support Team will administer direction and support as required, both throughout the construction phase and on a continuing basis after the store is opened to assist you in achieving your goals.

7. When your store is ready to open, a member of our franchise Field Team will be there to assist you through the opening process.



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WEBSITES:

sweetfranchise.com *for franchise information*

rmcf.com *for online ordering and corporate information*

EMAIL CONTACT:

info@sweetfranchise.com

TELEPHONE CONTACT:

800 438.7623 - voice

970 259.5895 - fax

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