

FRANCHISE DISCLOSURE DOCUMENT



California Tortilla Group, Inc.
A Maryland Corporation
20 Courthouse Square, Suite 206
Rockville, Maryland 20850
(301) 545-0035
www.californiatortilla.com

This disclosure document provides information regarding the operation of a quick service, fast casual restaurant, which specializes in the sale of burritos, tacos, quesadillas, salads, and other California-Mexican style foods, and other additional products that we may periodically designate (the “**California Tortilla Restaurant**”).

The total investment necessary to begin operation of a franchised California Tortilla Restaurant ranges from \$371,800 to \$693,600. This includes an initial franchise fee of \$30,000 that must be paid to the franchisor or affiliate. If you sign an Area Development Agreement to develop multiple restaurants in a specified area, you must also pay the franchisor an area development fee equal to 50% of initial franchise fees that are required for each restaurant.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Robert Phillips, President of California Tortilla Group, Inc., 20 Courthouse Square, Suite 206, Rockville, MD 20850, 301-545-0035.

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-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW., Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date of this Franchise Disclosure Document is March 26, 2014.

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 C for information about the franchisor, about other franchisors, 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 REQUIRES THE FRANCHISEE TO MEDIATE, AND IF NOT SUCCESSFUL, LITIGATE, ONLY IN THE STATE IN WHICH THE FRANCHISOR MAINTAINS ITS PRINCIPAL PLACE OF BUSINESS. THE FRANCHISOR IS CURRENTLY LOCATED IN MARYLAND. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE WITH THE FRANCHISOR IN ITS STATE THAN IN YOUR HOME STATE.
- *2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF MARYLAND GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. WE MAY REQUIRE THAT YOUR SPOUSE (OR, IF YOU ARE AN ENTITY, YOUR OWNER'S SPOUSE) SIGN A GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGMENT, AND IF SO, THE SPOUSE WILL BECOME INDIVIDUALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, WHETHER OR NOT THE SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE INDIVIDUAL AND THE SPOUSE AT RISK. OUR CURRENT POLICY IS THAT WE GENERALLY DO NOT REQUIRE A GUARANTEE FROM A SPOUSE IF THE INDIVIDUAL FRANCHISEE OR OWNER HAS A NET WORTH OF AT LEAST ONE MILLION DOLLARS.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.
 - * Local law may supersede these franchise agreement provisions. Certain states require the superseding provisions to appear in an addendum in this disclosure document (See Exhibits L and M).

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchises. 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.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The effective dates of this disclosure document in the states listed below are:

STATES	EFFECTIVE DATE
Maryland	April 2, 2014
New York	July 9, 2014
Virginia	April 15, 2014

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