

FRANCHISE DISCLOSURE DOCUMENT



GLORIA JEAN'S GOURMET COFFEES FRANCHISING CORP.

an Illinois corporation

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DEPARTMENT OF CORPORATIONS
RECEIVED LOS ANGELES OFFICE

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The franchise offered is to operate a Gloria Jean's Coffees Store selling bulk gourmet coffees and teas, coffee based beverages, coffee and tea makers and related supplies, accessories and gifts or a Gloria Jean's Coffees Kiosk or Gloria Jean's Coffees Cart featuring the sale of coffee, espresso, cappuccino, other coffee based drinks, teas and other beverages and baked goods.

The total investment necessary to begin operation of a Gloria Jean's Coffees Store without a drive-thru ranges from \$510,750 to \$663,300, including, typically, \$20,000 to \$32,500 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a Gloria Jean's Coffees Store with a drive-thru ranges from \$519,100 to \$713,000, including, typically, \$20,000 to \$32,500 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a Gloria Jean's Coffees Kiosk is approximately \$286,400 to \$419,500, including, typically, \$13,750 to \$16,250 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a Gloria Jean's Coffees Cart is \$88,250 to \$259,150, including, typically, \$5,000 that must be paid to the franchisor or its affiliates. (We only offer Gloria Jean's Coffees Cart franchises to existing franchisees of Gloria Jean's Coffees Stores.)

If you purchase an existing affiliate-owned Gloria Jean's Coffees Store, you must also purchase the assets of the business from our affiliate, which may include furniture, fixtures, equipment, supplies and inventory (in addition to payment of the initial franchise fee) for a price to be negotiated between you and our affiliate which will vary from unit to unit but typically ranges from approximately \$25,000 to \$600,000 for a Gloria Jean's Coffees Store and \$25,000 to \$400,000 for a Gloria Jean's Coffees Kiosk.

If you sublease your site from our affiliate, you will be required to pay a security deposit, which will usually range from \$8,000 to \$22,000, depending on the economic and other terms of the sublease, the lease under which our affiliate holds the property and other factors.

If you sign an Area Development Agreement, you will pay a development fee equal to the sum of (i) \$14,000 for each Gloria Jean's Coffees Store to be developed under the Area Development Agreement if you choose to develop 3 or 4 GJC Stores or (ii) \$10,000 for each Gloria Jean's Coffees Store to be developed under the Area Development Agreement if you choose to develop 5 or more GJC Stores under the Area Development 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 this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payments to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no government agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on this 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 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 listed on **Exhibit 1** 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: MARCH 1, 2012.

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 1** for information about the franchisor, or about franchising in your state. If you learn that anything in this disclosure document is untrue, contact the Federal Trade Commission and the state administrators listed on **Exhibit 1**.

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 THE AREA DEVELOPMENT AGREEMENT CONTAIN A MANDATORY BINDING ARBITRATION CLAUSE GOVERNING NEARLY ALL DISPUTES BETWEEN YOU AND US, AND ALSO PROVIDES FOR A FACE-TO-FACE MEETING AND MEDIATION TO SETTLE DISPUTES. THE FACE-TO-FACE MEETING, MEDIATION, BINDING ARBITRATION (AND ANY LITIGATION) AND ANY ARBITRATION APPEAL WILL TAKE PLACE IN THE COUNTY IN WHICH OUR THEN-CURRENT HEADQUARTERS IS LOCATED, AND THAT MAY COST YOU MORE (AND BE LESS CONVENIENT) THAN IF THOSE PROCEEDINGS TOOK PLACE NEAR YOUR RESIDENCE OR BUSINESS. COSTS OF THE FACE-TO-FACE MEETING, MEDIATION, ARBITRATION AND ANY ARBITRATION APPEAL MAY BE GREATER THAN IN LITIGATION. YOU AND WE WILL GENERALLY BEAR EACH OF OUR OWN COSTS IN ANY DISPUTE, BUT THE ARBITRATOR CAN ASSESS COSTS (BUT NOT ATTORNEY'S FEES) AGAINST A LOSING PARTY. IF YOU ARE A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, WE WILL REQUIRE EACH OWNER OF A 10% OR MORE INTEREST IN YOU AND HIS/HER SPOUSE TO SIGN A GUARANTY AND ASSUMPTION OF OBLIGATIONS OF YOUR OBLIGATIONS CAUSING EACH OWNER (AND THE OWNERS' SPOUSE) TO BECOME JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF OWNERS AND SPOUSES AT RISK.**
2. **THE FRANCHISE AGREEMENT PROVIDES THAT THE LAWS OF THE STATE OF CALIFORNIA GOVERN THE AGREEMENT AND THAT LAW MAY NOT PROVIDE YOU WITH THE SAME RIGHTS AND PROTECTIONS AS YOUR**

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