

FRANCHISE DISCLOSURE DOCUMENT

Galardi Group Franchise Corp., a California Corporation
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Received
LA Mailroom

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Department of
Business Oversight

(Limited Franchise)

The franchise is a quick service restaurant featuring hamburgers, hot dogs, fries and drinks, with the location, furniture, fixtures and equipment leased to you on a month-to-month term and a formula that adjusts monthly rent in order to limit the range of your operating results whether negative or positive. The total investment to begin operation is \$20,000 to \$156,200, which includes payments to us of \$15,500 to \$146,700.

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 government 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 Ted Milburn at Galardi Group, 7700 Irvine Center Drive, Suite 550, Irvine, CA 92618, and 949-892-2629.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire 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, 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.

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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 VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit J 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 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. YOUR BUSINESS MAY DECLINE WHEN THERE IS BAD PUBLICITY ABOUT THE TYPES OF FOOD WE SERVE, ANOTHER RESTAURANT IN OUR SYSTEM, OR EVEN ABOUT A COMPETING QUICK SERVICE RESTAURANT OR SYSTEM, SUCH AS PUBLICITY ABOUT A CRIME, INJURY, ILLNESS OR OTHER MISFORTUNE AT ANY SUCH RESTAURANTS.
2. YOUR BUSINESS WILL BE AFFECTED BY CHANGES IN CONSUMER TASTES, DEMOGRAPHIC PATTERNS, CHARACTER OF THE AREA WHERE YOUR RESTAURANT IS LOCATED, WEATHER, COMPETITION, INFLATION, FOOD COSTS, COST OF MOTOR FUELS, GOVERNMENT REGULATIONS LIKE REQUIRED DISCLOSURE OF NUTRITIONAL INFORMATION, PUBLIC ATTENTION TO INGREDIENTS, HEALTH AND NUTRITION CONCERNS, HEALTH CODES, ZONING, WAGE AND PRICE CONTROLS, EMPLOYMENT AND WAGE LEVELS, ENERGY USAGE, AND OTHER OPERATING COSTS.
3. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN ORANGE COUNTY, CALIFORNIA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE US IN CALIFORNIA THAN IN YOUR OWN STATE.
4. THE FRANCHISE AGREEMENT SAYS CALIFORNIA LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS TO YOU AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
5. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS WE CONTROL.
6. IF YOU ARE MARRIED, WE'LL REQUIRE YOU AND YOUR SPOUSE TO SIGN A PERSONAL GUARANTEE MAKING HIM/HER JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE, WHETHER OR NOT YOUR SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISE BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AND SPOUSE(S) AT RISK.

7. WE AND ONE OF OUR AFFILIATES GUARANTEED ELEVEN TERM LOANS FOR ANOTHER OF OUR AFFILIATES. AT DECEMBER 31, 2106, THE AMOUNTS WERE \$224,144; \$237,246; \$89,879; \$243,243; \$464,777; \$134,951; \$825,284; \$361,632; \$934,308; \$2,208,333; \$175,733; AND \$1,508,118 (TOTALING \$7,407,649).
8. THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.

We may use the services of one or more Franchise Brokers or referral sources to assist us in selling our franchise. 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.

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