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FRANCHISE DISCLOSURE DOCUMENT

House of Bread Franchising Inc.
A California Corporation
299 Marsh St.
San Luis Obispo, Ca., 93401
(805) 542-0255
bread@houseofbread.com
www.houseofbread.com

House of Bread

House of Bread, House of Bread Bakery Café, and House of Bread Senior are different names for the same company of House of Bread that is separate from House of Bread Franchising Inc. House of Bread Junior and the Brew House are separate optional offerings under House of Bread Franchising Inc.

The business trademark is the name House of Bread.

The franchisee will operate a specialty bread bakery cafe offering healthy, low-fat, and deliciously baked goods and sandwiches.

The total investment necessary to begin operations of a House of Bread Bakery Café, franchise ranges from \$148,000 to \$356,000 for one unit. This includes the \$35,000 franchise fee that is paid to the franchisor or affiliate. House of Bread Franchising Inc. does offer a Multi-Unit franchise agreement. The first franchise unit is \$35,000, the second unit is \$17,500 and third through the eighth unit is \$10,000. The minimum franchise fee for a multiple unit franchise agreement of two units is \$52,500 and the maximum franchise fee for a multiple unit franchise agreement of eight units is \$127,500.

The investment range necessary to begin operations for a House of Bread Jr. is from a low of \$42,000 to a high of \$90,000. The total includes the initial franchise fee that is paid to the franchisor of \$10,000.

The investment range necessary to begin operations for The Brew House is from a low of 58,000 to a high of 102,000. The total includes the initial franchise fee that is paid to the franchisor of \$5,000.

HOUSE OF BREAD FRANCHISING INC.

Franchise Disclosure Document

The disclosure document summarizes certain provision of your franchise agreement and other information in plain English. Read this 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, than no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Do not 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, such as 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 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 E 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 EXPIRIES. 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 YOU TO RESOLVE DISPUTES WITH US BY LITIGATION/ARBITRATION/MEDIATION ONLY IN CALIFORNIA. OUT OF STATE LITIGATION/ARBITRATION/MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE/ARBITRATE/MEDIATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE. SEE THE STATE ADDENDA TO THE FRANCHISE AGREEMENT AND THE STATE ADDENDA TO THE DISCLOSURE DOCUMENT.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT THE CALIFORNIA LAW APPLYS, LOCAL

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