

FRANCHISE DISCLOSURE DOCUMENT**LEE'S SANDWICHES INTERNATIONAL, INC.**

A California Corporation
660 E. Gish Road
San Jose, California 95112
(800) 640-8880
www.leessandwiches.com

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2017 APR 20 AM 10 24DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO**LEE'S SANDWICHES**

The franchise offered is for the establishment and operation of an independently owned and operated business, which may be either a "Baguette Factory Production Unit" or a "Production Unit" offering the full line of Lee's Sandwiches products and producing the dough for baguettes and supplying the needs of other Lee's Sandwiches businesses, a "Non-Production Unit" also offering the full line of Lee's Sandwiches products but within a strip mall or smaller, freestanding location and not offering baguette production, or a "Mall Unit" designed for mall applications such as food court areas with common seating and containing a smaller version of all of the essential elements of the Production Unit, except for the dough production

In addition to four types of franchised businesses, we also offer two types of franchise programs

A single franchised business The total investment necessary to begin operation of a Lee's Sandwiches Baguette Factory Production Unit franchised business is \$1,109,000 to \$1,835,000 This includes \$75,000 that must be paid to us The total investment necessary to begin operation of a Lee's Sandwiches Production Unit franchised business ranges from \$640,000 to \$1,269,500 This includes \$60,000, that must be paid to us The total investment necessary to begin operation of a Lee's Sandwiches Non-Production Unit franchised business ranges from \$298,330 to \$846,370 This includes \$50,000 that must be paid to us The total investment necessary to begin operation of a Lee's Sandwiches Mall Unit franchised business ranges from \$192,830 to \$404,870 This includes \$35,000 that must be paid to us

Multiple franchised businesses The initial franchise fees described above are discounted by 20% for multiple unit developers You are required to sign one Franchise Agreement and pay the applicable franchise fee for the first franchised business at the same time you sign the Development Agreement You also must pay the development fee, which ranges from \$14,000 (to develop 2 Mall Units) to \$184,000 (to develop 1 Baguette Factory Production Unit, 1 Production Unit and 8 Non-Production Units) or higher to develop more than 10 units The total investment necessary to begin operation of a multiple franchised business ranges from \$199,830 to \$2,004,000 (or more to develop more than 10 units)

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 Jimmy Le, 660 E. Gish Road, San Jose, California 95112, (800) 640-8880.

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 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 HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A 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 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 ARBITRATION, ONLY IN SANTA CLARA COUNTY, CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
- 2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND CALIFORNIA LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 3 THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$192,830 TO \$1,835,000, THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2015, WHICH IS \$251,832.
- 4 THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS. FRANCHISOR CONTROLS.
- 5 THE FRANCHISE AGREEMENT CONTAINS PROVISIONS THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA INCLUDING BUT NOT LIMITED TO A TIME LIMIT TO RAISE CLAIMS AGAINST THE FRANCHISOR, LIMITATION OF DAMAGES AND WAIVER OF JURY TRIAL.

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