



FRANCHISE DISCLOSURE DOCUMENT

BAB SYSTEMS, INC.

500 Lake Cook Road, Suite 475

Deerfield, Illinois 60015

Toll Free #: 800/251-6101

Website: www.babcorp.com

Email: Once on the website, click on the “Business Opportunities/Franchising” Area on the Home Page.

The franchisee will engage in the business of owning and operating a bagel/muffin store which has the capacity for production, baking, retail and wholesale distribution, and on-site consumption of bagels and muffins, and the production, retail sale, and on-site consumption of coffee beverages and cream cheese.

The total initial investment necessary to begin operation of your first BAB/MFM Production Store ranges from \$277,800 - \$394,200, including \$39,500 to \$41,500 you must pay the franchisor or its affiliates. The total initial investment necessary to begin operation of your first BAB/MFM Satellite Store ranges from \$88,700 - \$280,000, including \$25,000 to \$27,000 you must pay the franchisor or its affiliates.

The total investment necessary to begin operation of your franchised BAB Area Development business is from \$45,000 to \$205,000, all of which you must pay the franchisor. That investment is in addition to the initial investment for your BAB/MFM Store.

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 or grant. **Note, however, that no government agency has verified the information contained in this document.**

We offer the options of delivery of a paper copy or an email with a pdf attachment of our Disclosure Document. To discuss the criteria needed in order to receive our Disclosure Document before you meet with the Franchisor in person, contact the Franchise Development Department at 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101.

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 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 (“FTC”). You can contact the FTC at 1-888-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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 February 1, 2017.

BAB SYSTEMS, INC.

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 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 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 PERMITS YOU TO RESOLVE DISPUTES WITH US ONLY BY ARBITRATION IN THE MAJOR CITY NEAREST WHERE THE FRANCHISOR'S PRINCIPAL BUSINESS ADDRESS IS THEN LOCATED. CURRENTLY, THAT WOULD BE CHICAGO, ILLINOIS. 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 THE CHICAGO, ILLINOIS AREA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS GOVERNING THIS FRANCHISE.

We 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.

This Franchise is registered in the states listed and on the effective dates noted on the following page.

EFFECTIVE DATES IN REGISTRATION STATES

| <u>State</u> | <u>Effective Date</u> |
|---------------------|------------------------------|
| California | |
| Illinois | |
| Indiana | |
| Maryland | |
| Michigan | |
| Minnesota | April 23, 1993, as amended |
| New York | March 6, 2000, as amended |
| North Dakota | |
| Rhode Island | |
| South Dakota | |
| Virginia | |
| Washington | |
| Wisconsin | |

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