

**PARIS BAGUETTE****Franchise Disclosure Document****Paris Baguette USA, Inc****9940 Bell Ranch Drive****Santa Fe Springs, CA 90670****Tel 562-946-2010****Fax 562-946-2019**

The franchise offered is for the operation of a bakery restaurant. Our franchises conduct business under the name "Paris Baguette." The total investment necessary to begin operation of a Paris Baguette franchise ranges from \$426,000 to \$860,000. This includes the franchise fee of \$35,000.00 that must be paid to the franchisor or affiliate. This is an estimate; it cannot be guaranteed that you will not have additional expenses starting your business.

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 the Franchise Administration Department at 9940 Bell Ranch Drive, Santa Fe Springs, CA 90670.

The terms of your contract 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, 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.

ISSUANCE DATE March 27, 2013

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 administrator listed in Exhibit 1 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 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 HOME STATE.**
- 2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA 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 WE DO HAVE THE RIGHT TO USE OUR PRIMARY TRADEMARK UNDER A LICENSE AGREEMENT WITH OUR PARENT COMPANY WHO HAS A FEDERAL REGISTRATION FOR OUR PRIMARY TRADEMARK. (SEE ITEM 13)**
- 4 WE ARE A NEW FRANCHISE SYSTEM AND HAVE NOT OFFERED FRANCHISES PRIOR TO THE EFFECTIVE DATE OF THIS DISCLOSURE DOCUMENT.**
- 5 THE FRANCHISOR HAS LIMITED CAPITAL RESOURCES. AS OF 12/31/12, THE FRANCHISOR HAD \$5,553,102 IN CURRENT ASSETS AND HAD \$7,497,358 IN CURRENT LIABILITIES. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITIES DUE WITHIN ONE YEAR, THE FRANCHISOR HAS ONLY \$0.74 IN CURRENT ASSETS. SINCE ITS INCEPTION, THE FRANCHISOR HAS LOST \$5,987,370 CAUSING IT TO HAVE A NET WORTH OF \$7,212,630. SEE THE FRANCHISOR'S FINANCIAL STATEMENTS FOR DETAILS. THIS COULD RESULT IN THE FRANCHISOR BEING UNABLE TO MEET CURRENT OBLIGATIONS.**
- 6 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Effective Date _____

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EXHIBITS

- Exhibit 1 List of State Agencies & Agents for Service of Process
- Exhibit 2 Franchise Agreement
- Exhibit 3 Guaranty of Obligations
- Exhibit 4 Operating Manual's Table of Contents
- Exhibit 5 List of Current Franchisees
- Exhibit 6 List of Former Franchisees
- Exhibit 7 Financial Statements
- Exhibit 8 State Law Addendum
- Exhibit 9 Application for Franchise

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