

FRANCHISE DISCLOSURE DOCUMENT



QFA ROYALTIES LLC
 (a Delaware limited liability company)
 7595 Technology Way, Suite 200
 Denver, Colorado 80237
 Telephone (720) 359-3300
 www.quiznos.com
 quiznosfranchises.com

QFA Royalties LLC (“we” or “us”) is offering franchises to operate a restaurant offering submarine and other sandwiches, salads, soups, soft drinks and related other products under the service mark “QUIZNOS” and “QUIZNOS SUB”

The following summarizes the total investment required for each type of QUIZNOS Restaurant

Received from
 MAR 30 2017
 E. Lacy
 Business Oversight

Traditional QUIZNOS Restaurant Low/High Range	Non-Traditional QUIZNOS Restaurant Low/High Range
\$233,910 - \$292,784 (including \$20,000 to \$37,000 payable to franchisor or its affiliate)	\$91,510 - \$229,885 (including \$11,000 to \$29,000 payable to franchisor or its affiliate)
Convenience Restaurant Low/High Range	Reopen Restaurant Low/High Range
\$96,332 - \$222,385 (including \$11,000 to \$28,500 payable to franchisor or its affiliate)	\$63,460 - \$166,585 (including \$20,000 to \$37,000 payable to franchisor or its affiliate)

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 Elizabeth Lacy, 7595 Technology Way, Suite 200, Denver, Colorado 80237, (303) 573-4576, elacy@quiznos.com

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 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.

ISSUANCE DATE March 30, 2017

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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 administrators 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 OR LITIGATION ONLY IN COLORADO. ALSO, ANY LEGAL ACTION THAT WE BRING AGAINST YOU WILL BE FILED ONLY IN COLORADO. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT ALSO MAY COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN COLORADO THAN IN YOUR HOME STATE.
- 2 THE FRANCHISE AGREEMENT STATES THAT COLORADO 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.
- 3 OUR DECEMBER 31, 2016, AUDITED FINANCIAL STATEMENTS SHOW THAT WE HAD A WORKING CAPITAL DEFICIENCY OF \$4,672,000.
- 4 DURING 2016, 13 FRANCHISEES TRANSFERRED THEIR FRANCHISES. AN ADDITIONAL 176 FRANCHISEES OR APPROXIMATELY 26.7% OF FRANCHISEES WHO WERE OPERATING RESTAURANTS CLOSED. 9 OF THESE FRANCHISEES CLOSED DUE TO TERMINATION FOR OPERATIONAL OR FINANCIAL DEFAULTS, AND 167 FRANCHISEES CEASED OPERATION OF THEIR QUIZNOS RESTAURANTS FOR OTHER REASONS.
- 5 AS OF DECEMBER 31, 2016, 19 QUIZNOS FRANCHISEES HAD NOT OPENED THEIR RESTAURANTS WITHIN 12 MONTHS OF SIGNING THE FRANCHISE AGREEMENT. THIS NUMBER REPRESENTS 100% OF ALL FRANCHISEES WHO HAD NOT OPENED A RESTAURANT AS OF THAT DATE. THE TYPICAL TIME TO OPEN A NEW RESTAURANT IS 12 TO 24 MONTHS. THE FRANCHISE AGREEMENT REQUIRES YOU TO OPEN WITHIN 12 MONTHS AFTER YOU SIGN THE FRANCHISE AGREEMENT. WE HAVE THE RIGHT TO TERMINATE YOUR FRANCHISE AGREEMENT IF YOU DO NOT OPEN YOUR RESTAURANT WITHIN 12 MONTHS AFTER YOU SIGN THE FRANCHISE AGREEMENT. THE INITIAL FRANCHISE FEE IS NONREFUNDABLE.
- 6 THE FRANCHISE AGREEMENT PERMITS US AND OUR AFFILIATES TO ESTABLISH OTHER FRANCHISED OR COMPANY-OWNED LOCATIONS AT ANY LOCATION OTHER THAN YOUR FRANCHISED LOCATION, TO SELL OR DISTRIBUTE ANY

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PRODUCT OR SERVICE TO THE GENERAL PUBLIC, OR TO ESTABLISH OTHER CHANNELS OF DISTRIBUTION WHICH MAY COMPETE WITH YOUR FRANCHISE

- 7 IF YOU ARE AN ENTITY, WE WILL REQUIRE EACH OWNER WITH A 25% OR MORE INTEREST IN THE ENTITY TO SIGN A GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS CAUSING THE OWNER TO BECOME INDIVIDUALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISEE AND BOUND BY THE RESTRICTIVE COVENANTS, CONFIDENTIALITY PROVISIONS, AND INDEMNIFICATION PROVISIONS OF THE FRANCHISE AGREEMENT. WE MAY ALSO REQUIRE THE SPOUSE OF SUCH OWNER TO CONSENT TO THE GUARANTY, WHICH PLACES THE SPOUSE'S MARITAL ASSETS AT RISK
- 8 IF THE FRANCHISE AGREEMENT IS TERMINATED BECAUSE OF YOUR DEFAULT OR YOUR WRONGFUL TERMINATION OF THE FRANCHISE AGREEMENT, YOU WILL BE LIABLE TO US FOR A LUMP SUM AMOUNT EQUAL TO THE NET PRESENT VALUE OF THE ROYALTIES AND MARKETING AND PROMOTION FEES THAT WOULD HAVE BECOME DUE FOLLOWING TERMINATION OF THE FRANCHISE AGREEMENT FOR THE PERIOD THE FRANCHISE AGREEMENT WOULD HAVE REMAINED IN EFFECT BUT FOR YOUR DEFAULT. ROYALTIES AND MARKETING AND PROMOTION FEES WILL BE CALCULATED BASED ON YOUR RESTAURANT'S AVERAGE MONTHLY GROSS SALES FOR THE 12 MONTHS PRECEDING THE TERMINATION DATE, OR IF YOU HAVE NOT BEEN IN OPERATION FOR 12 MONTHS, BASED ON THE AVERAGE MONTHLY GROSS SALES DURING OUR FISCAL YEAR IMMEDIATELY PRECEDING THE TERMINATION DATE OF ALL QUIZNOS RESTAURANTS DURING THE ENTIRETY OF THAT FISCAL YEAR
- 9 YOU WILL BE LIABLE FOR PAYING ALL FEES NOTED IN RISK FACTOR 8 ABOVE EVEN IF YOUR RESTAURANT HAS NOT OPENED. SUCH AMOUNTS ARE CALCULATED BASED ON THE AVERAGE GROSS SALES OF ALL QUIZNOS RESTAURANTS DURING THE MOST RECENTLY COMPLETED FISCAL YEAR
- 10 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We occasionally 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.

The effective dates of this disclosure document in the states with franchise registration laws in which we have sought registration or exemption appear on the following page

This is a document preview downloaded from FranchisePanda.com. The full document is available for free by visiting: <https://franchisepanda.com/franchises/quiznos>