

FRANCHISE DISCLOSURE DOCUMENT

CB Franchise Systems, LLC d/b/a THE COUNTER®
(a California limited liability company)
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LA Mailroom

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Department of
Business Oversight



Franchise Business: THE COUNTER® is a full service restaurant featuring build-your-own burgers, signature burgers, side dishes, sandwiches, salads, desserts, ice-cream shakes, non-alcoholic beverages and certain alcoholic beverages, including, at a minimum, beer and wine. In most cases, we offer area development rights awarding the right to open a minimum of five THE COUNTER® restaurants in a protected area subject to certain development deadlines. For each THE COUNTER® restaurant that you open under the area development program, you will sign a separate Franchise Agreement.

Initial Fees: The Initial Franchise Fee for a THE COUNTER® restaurant is \$50,000. If you sign the Area Development Agreement, you will pay us a Development Fee equal to \$50,000 multiplied by the number of THE COUNTER® restaurants that you commit to open under the development schedule. You pay: (1) the entire Development Fee when you sign the Area Development Agreement; or (2) one-half of the Development Fee upon signing the Area Development Agreement, in which case you must pay the balance in installments of \$25,000 each when you sign each new Franchise Agreement, if we offer you the right to pay the Development Fee in installments. You must pay any unpaid balance upon the termination or expiration of the Area Development Agreement. We credit \$50,000 of the Development Fee to the Initial Franchise Fee each time you sign a new Franchise Agreement. You sign the Franchise Agreement for the first THE COUNTER® restaurant in your Development Territory at the same time that you sign the Area Development Agreement, and sign each additional Franchise Agreement for the other THE COUNTER® restaurants in your development commitment when you obtain site acceptance.

In addition to the Initial Franchise Fee, if you propose more than one site for our acceptance and we make more than one site visit in connection with the site review process, you will reimburse us for our travel expenses, including, without limitation, expenses for air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges, which shall be payable within 15 days of invoice. See **Items 5-7** of the Disclosure Document for additional disclosures.

Initial Investment: The total investment necessary to begin operation of a THE COUNTER® restaurant franchise is \$786,000.00 to \$2,355,250.00. This includes between \$59,000 to \$63,000 that must be paid to the franchisor and/or its affiliate, as appropriate. Please see **Items 5 and 7** for additional details.

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 the 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 Craig Albert at 8571 Higuera Street, Culver City, California 90232 and (310) 559-3355.

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, 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.

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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 AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US (WITH LIMITED EXCEPTIONS) BY NON-BINDING MEDIATION, AND IF THAT PROCESS DOES NOT RESULT IN RESOLUTION, BY LITIGATION, ONLY IN CALIFORNIA. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE OR LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT CALIFORNIA LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE ARE FINANCIAL AND LEGAL RISKS TO MOST BUSINESS EFFORTS, INCLUDING THIS FRANCHISE. TAKE YOUR TIME TO DECIDE. YOU MAY FIND IT USEFUL TO REVIEW THIS DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT AND OTHER EXHIBITS WITH YOUR OWN ACCOUNTING, FINANCIAL AND LEGAL ADVISORS.

4. WE HAVE THE OPTION OF REPURCHASING THE AREA DEVELOPMENT RIGHTS AT ANY TIME DURING THE TERM OF THE AREA DEVELOPMENT AGREEMENT. IF WE EXERCISE OUR REPURCHASE RIGHTS:

5. WE HAVE THE OPTION OF REPURCHASING EACH THE COUNTER® RESTAURANT OWNED AND OPERATED BY YOU DURING THE TERM OF THE FRANCHISE AGREEMENT AT ANY TIME.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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