

FRANCHISE DISCLOSURE DOCUMENT

The Great American Bagel Enterprises, Inc.
An Illinois Corporation
353 West Ogden Avenue
Westmont, Illinois 60559
(630) 963-3393
www.greatamericanbagel.com



You will own and operate a Great American Bagel store which offers bagels, bagel sandwiches, delicatessen meats and cheeses, soups, salads and items. Franchises are offered for both "Production Stores" (with baking facilities) and "Satellite Stores" (without baking facilities). The estimated required initial investment for a Production Store (excluding real estate) ranges from \$192,350 to \$488,000 and the initial franchise fee for a Production Store is \$20,000. The estimated required initial investment for a Satellite Store ranges from \$102,850 to \$341,000 (excluding real estate) and there is no initial franchise fee charged for Satellite Stores. Franchises are also offered for stores located in airports. The estimated required initial investment for a Production Store in an airport ranges from \$191,834 to \$538,000 (excluding real estate), and the estimated required initial investment for a Satellite Store in an airport ranges from \$102,834 to \$369,000 (excluding real estate). The \$20,000 initial franchise fee is only charged for the first Production Store in any given airport.

If you wish to open multiple Stores under an Area Development Agreement (and we consent to your doing so), you will pay us a \$5,000 development fee for each Store to be opened under the Area Development Agreement. The development fee is credited against the corresponding initial franchise fee for each Store.

This franchise disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this franchise disclosure document and all accompanying agreements carefully. You must receive this franchise 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

The terms of your contract will govern your franchise relationship. Don't rely on the franchise disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this franchise disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this franchise 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 Federal Trade Commission at (877) FTC-HELP or by writing to the Federal Trade Commission at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can visit the Federal Trade Commission'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: April 30, 20134.



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 Minnesota Commissioner of Commerce, 85 Seventh Place East, Suite 500, St. Paul, Minnesota 55101, 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:

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH THE GREAT AMERICAN BAGEL ENTERPRISES, INC. BY ARBITRATION (OR LITIGATION, IF ARBITRATION IS NOT APPROPRIATE) IN ILLINOIS. OUT OF STATE ARBITRATION (OR LITIGATION) MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST MORE TO ARBITRATE (OR LITIGATE) WITH THE GREAT AMERICAN BAGEL ENTERPRISES, INC. IN ILLINOIS THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS THE FRANCHISE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

LOCAL LAW MAY SUPERCEDE THESE FRANCHISE AGREEMENT PROVISIONS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We do not use the services of any franchise broker or referral sources to assist us in selling our franchise. You should be sure to do your own investigation of the franchise.

Effective Date: April 30, 2013. See next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or by exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

The Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

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| <u>California</u> | <u>pending</u> |
| <u>Illinois</u> | <u>pending</u> |
| <u>FTC</u> | <u>December 1, 2013</u> |
| <u>Indiana</u> | <u>October 31, 2013</u> |
| <u>Maryland</u> | <u>January 30, 2014</u> |
| <u>Michigan</u> | <u>November 18, 2013</u> |
| <u>Minnesota</u> | <u>pending</u> |
| <u>New York</u> | <u>pending</u> |
| <u>Virginia</u> | <u>December 11, 2013</u> |
| <u>Washington</u> | <u>January 22, 2014</u> |

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