

FRANCHISE DISCLOSURE DOCUMENT

Galardi Group Franchise Corp , a California Corporation
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RECEIVED

APR 19 2013

DEPARTMENT OF CORPORATIONS
LOS ANGELES OFFICE

The franchise is a quick service restaurant featuring hamburgers, hot dogs, fries and drinks. In a Business and Facility Full Franchise you lease the location, furniture, fixtures and equipment from our affiliate. A Limited Franchise is a month-to-month term in which you lease the location, furniture, fixtures and equipment from us. Sometimes it is possible to buy an operating restaurant from us and become a franchisee at that restaurant.

For a Full Franchise or Business & Facility Full Franchise, your total investment to begin operation will range from \$45,000 to \$1,334,466. This includes payments to us or our affiliate totaling ~~\$19,500~~16,000 - \$21,500 (~~\$35,500~~32,200 - \$37,500 after April 19, 20122014) for your first franchise, or ~~\$13,500~~10,000 - \$15,500 (~~\$23,500~~ - \$25,500 after April 19, 20122014) for an additional franchise, and if we provide development services for construction, 5% of construction costs. In a Business and Facility Full Franchise the above total investment is the same, and includes an initial fee and training fee that total \$8,500, plus \$1,600 for each year of the term. If you buy an operating restaurant from us, you pay us to ~~buy~~purchase the restaurant assets and provide us a \$10,000 deposit with your purchase offer. Due to the cost of restaurant assets, your total could exceed the above range. For a Limited Franchise the total investment to begin operation is \$17,400 to \$82,000, which includes payments to us of \$9,000 to \$35,000.

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 Laurie Hermanson at Galardi Group, 7700 Irvine Center Drive, Suite 550, Irvine, CA 92618, phone 949-892-2605.

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 ~~April 24, 2012~~April , 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 franchise administrator listed in Exhibit V 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 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 YOUR BUSINESS MAY DECLINE WHEN THERE IS BAD PUBLICITY ABOUT THE TYPES OF FOOD WE SERVE, ANOTHER RESTAURANT IN OUR SYSTEM, OR EVEN ABOUT A COMPETING QUICK SERVICE RESTAURANT OR SYSTEM, SUCH AS PUBLICITY ABOUT A CRIME, INJURY OR OTHER MISFORTUNE AT ANY SUCH RESTAURANTS
- 2 YOUR BUSINESS WILL BE AFFECTED BY CHANGES IN CONSUMER TASTES, DEMOGRAPHIC PATTERNS, CHARACTER OF THE AREA WHERE YOUR RESTAURANT IS LOCATED, WEATHER, COMPETITION, INFLATION, FOOD COSTS, COST OF MOTOR FUELS, GOVERNMENT REGULATIONS LIKE REQUIRED DISCLOSURE OF NUTRITIONAL INFORMATION, HEALTH CODES, ZONING, WAGE AND PRICE CONTROLS, EMPLOYMENT AND WAGE LEVELS, ENERGY USAGE, AND OTHER OPERATING COSTS
- 3 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN ORANGE COUNTY, CALIFORNIA OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO SUE US IN CALIFORNIA THAN IN YOUR OWN STATE
- 4 THE FRANCHISE AGREEMENT SAYS CALIFORNIA LAW GOVERNS THE AGREEMENT THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS TO YOU AS YOUR LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS
- 5 WE AND ONE OF OUR AFFILIATES GUARANTEED EIGHT TERM LOANS FOR ANOTHER OF OUR AFFILIATES. AT DECEMBER 31, 2014-2012 THE AMOUNTS WERE \$264,758,187,011, \$348,012,661,826, \$358,631,556,819, \$361,027,392,252, \$537,194,391,972, \$487,118,738,642, \$629,157,619,969; AND \$827,025,763,978 (TOTALING \$3,812,923,312,469)
- 6 THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE

STATE EFFECTIVE DATES

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

This 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

<u>State</u>	<u>Effective Date</u>
California	April 19, 2012 <u>TBD once order of effectiveness is issued</u>
Hawaii	N/A
Illinois	April 24, 2012 <u>TBD once order of effectiveness is issued</u>
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	N/A
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	N/A
Washington	December 27, 2012
Wisconsin	N/A

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