



(Multistate)

FRANCHISE DISCLOSURE DOCUMENT

BAB SYSTEMS, INC.

500 Lake Cook Road, Suite 475

Deerfield, Illinois 60015

Toll Free #: 800/251-6101

Website: www.bigapplebagelsfranchising.com

**Email: Once on the website, click on the “Apply”
Area on the Home Page.**

The franchisee will engage in the business of owning and operating a bagel store which has the capacity for selling bagels, cream cheese spreads, muffins, breakfast and lunch sandwiches and coffee beverages.

The total investment necessary to begin operation of your first BAB Production Store ranges from \$478,000 - \$~~685,682~~,000. This includes \$32,500 you must pay the franchisor or its affiliates. The total investment necessary to begin operation of your first BAB Satellite Store ranges from \$306,500 - \$513,500. This includes \$18,000 you must pay the franchisor or its affiliates.

The total investment necessary to begin operation of your franchised BAB Area Development business is from \$45,000 to \$205,000, all of which you must pay the franchisor. That investment is in addition to the initial investment for your BAB Store. Under the Area Development Agreement, you must open a minimum of 2 BAB Stores.

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 or grant. **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 in different formats, contact the Franchise Development Department at 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015 and 800/251-6101.

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 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 (“FTC”). You can contact the FTC at 1-888-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.

The Issuance Date of this Franchise Disclosure Document is February 3, 2025.

Item 7. ESTIMATED INITIAL INVESTMENT**YOUR ESTIMATED INITIAL INVESTMENT****BAB Production Store Franchise**

Type of Expenditure	Estimated Amount or Estimated High-Low Range	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee ^(1,2)	\$25,000	Lump Sum less Franchise Fee Deposit paid	When you sign the Franchise Agreement	BAB
Store Opening Marketing Fee ⁽³⁾	\$7,500	Lump Sum	Upon signing Franchise Agreement	BAB (BAGELS Marketing Fund)
Professional Fees ⁽⁴⁾	\$5,000 - \$10,000	As Agreed	As incurred	Professionals
First Month's Rent and Security Deposit ⁽⁵⁾	\$4,000 - \$9,000	As agreed in lease	As agreed in lease	Lessor
Insurance ⁽⁶⁾	\$5,000-\$9,000	Lump Sum	As incurred	Insurance Company
Leasehold Improvements ⁽⁷⁾	\$170,000 - \$292,000	As agreed	As incurred	Suppliers
Exterior and Interior Signage and Display ⁽⁸⁾	\$6,000 - \$12,000	As agreed	As incurred	Designated Supplier
Furniture, Fixtures, Equipment ⁽⁹⁾	\$226,000 - \$270,000	As agreed	As incurred	Approved Suppliers
Training ⁽¹⁰⁾	\$2,000 - \$5,000	As incurred	Before Opening	Hotels; Transportation Lines; Car; Restaurants
Prepaid Expenses, Deposits ⁽¹¹⁾	\$500 - \$1,500	Lump Sum	As incurred	Third Parties
Opening Inventory, Supplies ⁽¹²⁾	\$15,000-\$23,000	As agreed	As incurred	Approved Suppliers
Additional Funds - 3 months ⁽¹³⁾	\$12,000 - \$18,000	Varies	As incurred	Third Parties
TOTALS	\$478,000-\$685,682,000			

**Table No. 4
Status of Company-Owned Outlets
For years 2022 to 2024**

Col.1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
All States and Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table 5
Projected Openings For One-Year Period as of December 1, 2024**

STATE	FRANCHISE AGREEMENTS SIGNED BUT STORE NOT OPEN	PROJECTED FRANCHISED NEW STORES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OR AFFILIATE OWNED OPENINGS IN NEXT YEAR
	0	0	0

EXHIBIT R
BAB SYSTEMS, INC.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The BAB Systems, Inc. Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 13 of the Franchise Disclosure Document on "Trademarks" is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

2. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

"With respect to franchises governed by Minnesota law, Franchisor will comply with ~~Minn. Stat. Sec. Minnesota Statute~~ 80C.14, 17 Subd. 3, 4 and 5, which require, ~~(except in certain specified cases,)~~ that a franchisee be given 90 ~~days'~~ days notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the ~~BAGELS Franchise Agreement~~ franchise agreement and that ~~consent to the transfer of the franchise will not be unreasonably withheld.~~"

"Minnesota Law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability. Therefore, Franchisee shall not be required to agree to subsequently execute a general release of any and all claims against Franchisor and its affiliates, their officers, directors, employees and agents."

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit ~~us~~the franchisor from requiring litigation to be conducted outside Minnesota, ~~requiring waiver of a jury trial, or requiring the franchisee to consent liquidated damages, termination penalties or judgment notes.~~ In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of ~~your~~the franchisee's rights as provided for in Minnesota ~~Statutes, Chapter~~Statute, 80C, or ~~your~~(2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer

to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

6. The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

7. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

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