

FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA CLOSETS®

California Closet Company, Inc.
A California Corporation
1716 Fourth Street
Berkeley, CA 94710
(415) 256-8500
www.calclosets.com
franchising@calclosets.com

We offer franchisees the right to operate retail showrooms offering and installing customized closet, office, garage, and other storage systems for residential customers under the California Closets® trade name Marks and System. The total initial investment necessary to begin operation of a California Closets showroom ranges from \$158,500 to \$433,000. This includes fees of \$46,000 that you must pay to the franchisor.

In addition, franchisees can also obtain the right to manufacture customized closet, office, garage, and other storage systems for themselves and other franchisees in the California Closets franchise system. The total initial investment necessary to begin operation of a California Closets showroom with a manufacturing facility ranges from \$288,500 to \$927,000. This includes fees of \$76,000 that you must pay to the franchisor.

Franchisees also can also obtain the right to operate a franchise under our Design & Sell Model, which would primarily focus on design and sales services, but not manufacturing services. The total investment necessary to begin operation of a California Closets Design & Sell Model ranges from \$96,500 to \$185,000. This includes fees of \$81,000 to \$141,000 that you must pay to the franchisor.

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 governmental 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 the Director of Franchise Sales at the address and phone number above.

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. The issuance date of this Franchise Disclosure Document is March 22, 2016.

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 franchises 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 G 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:

- A. THE FRANCHISE AGREEMENT AND MANUFACTURING ADDENDUM REQUIRE YOU TO RESOLVE ALL DISPUTES WITH US IN SAN FRANCISCO, CALIFORNIA, UNLESS WE SUE YOU IN THE JURISDICTION OF YOUR PRINCIPAL OFFICE. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
- B. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We 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 make sure to do your own investigation of the franchise.

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