

FRANCHISE DISCLOSURE DOCUMENT



CULLIGAN INTERNATIONAL COMPANY

a Delaware corporation

9399 West Higgins Road, Suite 1100

Rosemont, Illinois 60018

(847) 430-2800

(800) 428-2828

www.culligan.com

The franchise offered is the right to supply certain authorized water-related products and services and air filtration equipment under Culligan's proprietary marks and to conduct business under an authorized trade name that uses the "Culligan" name.

The total investment necessary to begin operation of a Culligan franchise is \$130,000 to \$804,531.18 for someone who is new to the Culligan franchise system to open a start-up Culligan dealership with product/service authorizations that are typical for a start-up dealership. This includes \$79,351.18 to \$254,351.18 that must be paid to the franchisor or affiliate. If your dealership is authorized to offer deionization services and you choose to regenerate the resin needed to provide those services, you must also purchase certain production equipment at an estimated cost of between \$35,000 and \$150,000. If your dealership is authorized to engage in bottled water production, you must also purchase certain additional plant add-ons at an estimated cost of between \$200,000 and \$350,000.

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 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 Franchise Department at 9399 W. Higgins Road, Suite 1100, Rosemont, Illinois 60618, (847) 430-2800 or (800) 428-2828.

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, N.W., 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.

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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 OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrators 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, THE NON-CULLIGAN INDUSTRIAL WATER TREATMENT ADDENDUM AND THE NON-CULLIGAN SMALL PACK BOTTLED WATER PRODUCTION ADDENDUM PERMIT THE FRANCHISEE TO ARBITRATE WITH CULLIGAN ONLY IN THE JAMS OFFICE (A PRIVATE JUDICIAL ARBITRATION AND MEDIATION SERVICE) CLOSEST TO THE PRIMARY PLACE OF BUSINESS OF THE DEFENDANT/RESPONDENT, OR, IF THE SUBJECT OF THE DISPUTE IS A TERRITORY, THE JAMS OFFICE NEAREST THAT TERRITORY, AND PROVIDES THAT ANY SUIT FOR PURELY INJUNCTIVE RELIEF WILL BE IN A COURT HAVING JURISDICTION WITHIN THE COUNTY AND STATE WHERE THE DEFENDANT/RESPONDENT HAS ITS PRIMARY PLACE OF BUSINESS. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH CULLIGAN IN A STATE WHERE JAMS HAS AN OFFICE CLOSEST TO THE PRIMARY PLACE OF BUSINESS OF THE DEFENDANT/RESPONDENT, OR THE JAMS OFFICE NEAREST A TERRITORY IN DISPUTE, OR TO SUE CULLIGAN IN THE COUNTY OR STATE WHERE IT HAS ITS PRIMARY PLACE OF BUSINESS.

THE PERSONAL GUARANTEE REQUIRES LITIGATION TO BE WITHIN THE COUNTY AND STATE WHERE THE DEFENDANT/RESPONDENT HAS ITS PRIMARY PLACE OF BUSINESS OR ITS RESIDENCE.

2. THE FRANCHISE AGREEMENT REQUIRES THAT ILLINOIS LAW GOVERN THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISE AGREEMENT MAY BE TERMINATED IF THE FRANCHISEE FAILS TO MEET THE MINIMUM PERFORMANCE REQUIREMENTS.
4. YOU WILL RECEIVE AN EXCLUSIVE TERRITORY FOR THE SALE OF AUTHORIZED PRODUCTS TO HOUSEHOLD CUSTOMERS AND FOR THE DISTRIBUTION OF BOTTLED WATER (EXCEPT FOR VENDED WATER) IN

CONTAINERS THAT EQUAL OR EXCEED 2 GALLONS, SUBJECT TO CULLIGAN'S ABILITY WITHIN CERTAIN RESTRICTIONS TO SELL TO NATIONAL ACCOUNT CUSTOMERS AND THROUGH ALTERNATE DISTRIBUTION CHANNELS (INCLUDING RETAIL STORES AND THE INTERNET), REGARDLESS OF THE COMPETITIVE IMPACT, IN EXCHANGE FOR PAYMENT OF A REVERSE ROYALTY. NO OTHER EXCLUSIVE TERRITORY IS GRANTED BY THIS FRANCHISE OPPORTUNITY. SEE THE FRANCHISE AGREEMENT IN **EXHIBIT C** FOR A COMPLETE STATEMENT OF CULLIGAN'S ABILITIES TO SELL OR DISTRIBUTE PRODUCTS OR SERVICES.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

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