

FRANCHISE DISCLOSURE DOCUMENT

1 800 WATER DAMAGE International, LLC
A Delaware Limited Liability Company
731 Fairfield Court
Ann Arbor, Michigan 48108
1-734-864-9799
1800waterdamage.com

Received
LA Mailroom

DEC 30 2016

Department of
Business Oversight



You will operate a business (the “WATER DAMAGE Business”) offering water damage restoration services, carpet cleaning services, mold remediation, odor removal, fire, smoke and related cleaning and remediation products and services utilizing the 1-800 WATER DAMAGE business system. We offer two different franchise models (each, a “Franchise Model”), both are disclosed in the chart below:

Franchise Model	Model Description	Total Investment and Amounts Paid to Franchisor or its Affiliates
Franchise Managing Operator Model	The Franchise Managing Operator Model offers the opportunity to manage and operate a Business owned by a subsidiary of 1 800 WATER DAMAGE North America, LLC (the “Operating Entity”). The Operating Entity incurs all startup and ongoing costs associated with the Business.	The total investment necessary to begin operation of a Managing Operator WATER DAMAGE business in a single territory is \$79,000.00 to \$121,500. This includes \$79,000.00 to \$112,750 that must be paid to us or our affiliates.
Traditional Franchise Model	You will own and operate the Business and be directly responsible for all costs and expenses associated with the businesses.	The total investment necessary to begin operation of a Traditional WATER DAMAGE franchise business in a single territory ranges from \$202,812 to 282,562. This includes \$159,000 to \$192,750 that must be paid to us or our affiliates.

This disclosure document summarizes certain provisions of the franchise operator agreement and 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 Janet Hughes, Legal Administrator, at 731 Fairfield Court, Ann Arbor, MI 48108, 734-864-9799.

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 the 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.

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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 THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit C 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 OPERATOR AGREEMENT AND/OR THE FRANCHISE AGREEMENT REQUIRE YOU TO FIRST RESOLVE ALL DISPUTES WITH US, AT OUR OPTION, BY MEDIATION, AND THEN LITIGATION IN ANN ARBOR, MICHIGAN. OUT OF STATE MEDIATION AND/OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE AND/OR LITIGATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.
2. THE FRANCHISE OPERATOR AGREEMENT AND THE FRANCHISE AGREEMENT STATES THAT MICHIGAN LAW GOVERNS 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 OPERATOR AGREEMENT AND THE TRADITIONAL FRANCHISE AGREEMENT REQUIRES YOU TO ATTAIN, THEN MAINTAIN, CERTAIN MINIMUM ANNUAL GROSS SALES. THE MINIMUM ANNUAL GROSS SALES IN THE SECOND YEAR OF OPERATION IS \$225,000, IN THE THIRD YEAR OF OPERATION THE MINIMUM IS \$475,000, IN THE FOURTH YEAR OF OPERATIONS THE MINIMUM IS \$725,000 AND IN THE FIFTH YEAR AND BEYOND THE MINIMUM ANNUAL GROSS SALES IS \$975,000. IF YOU FAIL TO DO SO, WE MAY TERMINATE THE FRANCHISE OPERATOR AGREEMENT OR TRADITIONAL FRANCHISE AGREEMENT, AND/OR ESTABLISH ANOTHER FRANCHISEE, OPERATOR OR COMPANY OWNED BUSINESS IN THE TERRITORY.
4. IF YOU ENTER INTO THE FRANCHISE OPERATOR AGREEMENT, THE BUSINESS MUST MAKE MINIMUM MANAGEMENT FEE PAYMENTS, REGARDLESS OF ITS SALES LEVELS. THE MINIMUM MONTHLY MANAGEMENT FEE DURING THE SECOND YEAR OF OPERATION IS \$1,875, IN THE THIRD YEAR OF OPERATION THE MINIMUM MONTHLY MANAGEMENT FEE IS \$4,750, IN THE FOURTH YEAR OF OPERATION THE MINIMUM MONTHLY MANAGEMENT FEE IS \$7,250 AND THE FIFTH YEAR AND BEYOND THE MINIMUM MONTHLY MANAGEMENT FEE IS \$9,750. THE BUSINESS'S INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.
5. IF YOU ENTER INTO THE TRADITIONAL FRANCHISE AGREEMENT, THE BUSINESS MUST MAKE MINIMUM MANAGEMENT FEE PAYMENTS, REGARDLESS OF ITS SALES LEVELS. THE MINIMUM MONTHLY MANAGEMENT FEE DURING THE SECOND YEAR OF OPERATION IS \$2,063, IN THE THIRD YEAR OF OPERATION THE MINIMUM MONTHLY MANAGEMENT FEE IS \$4,354, IN THE

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