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FRANCHISE DISCLOSURE DOCUMENT 2015 SEP -9 AM 10 43

kitchenCRATE®

&

bathCRATE®DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO

CRATE Franchise Systems, Inc
A California corporation
1228 9th Street, Modesto, CA 95354
www.cratefranchisesystems.com

CRATE Franchise Systems, Inc franchises the kitchenCRATE & bathCRATE systems of remodeling construction. The total investment necessary to begin operations of a kitchenCRATE & bathCRATE franchise is \$98,391 - \$171,956. This includes between \$20,000 and \$40,000 that must be paid to the franchisor or affiliate (depending on the territory size).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure documents at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Do not 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 for 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, 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.

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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 administrators listed in Exhibit D 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

Risk Factors

THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY MEDIATION OR BY LITIGATION. IF YOU SUE THE FRANCHISOR YOU MUST DO SO IN THE STATE OF CALIFORNIA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE IN CALIFORNIA THAN IN YOUR HOME STATE

WITH CERTAIN EXCEPTIONS, THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THOSE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS

THE FRANCHISE AGREEMENT REQUIRES THE FRANCHISEE'S SPOUSE TO CONSENT TO THE TRANSACTION AND WAIVE ANY RIGHT, NOW OR IN THE FUTURE, TO ASSERT A COMMUNITY PROPERTY OR QUASI COMMUNITY PROPERTY INTEREST IN THE FRANCHISE

THE FRANCHISE AGREEMENT REQUIRES THAT FIXED PAYMENTS BE MADE TO FRANCHISOR REGARDLESS OF SALES. FAILURE TO MAKE THESE PAYMENTS COULD RESULT IN THE TERMINATION OF YOUR FRANCHISE AGREEMENT AND YOU COULD LOSE YOUR INVESTMENT

THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER

CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS

THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$100,424 TO \$177,999 THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF MAY 31, 2015, WHICH IS \$39,860

THE FRANCHISOR'S REVIEWED FINANCIAL STATEMENTS DATED MAY 31, 2015 REFLECT THAT CURRENT LIABILITIES EXCEED CURRENT ASSETS BY \$3,021 THIS MAY ENTAIL ADDITIONAL RISK OF FINANCIAL LOSS AND YOU MAY WANT TO TAKE THIS INTO CONSIDERATION WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

*Some of these provisions may be superseded by certain state laws Refer to Exhibit E for any addendum applicable to your state

We may 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 is our agent and represents us, not you We pay this person a fee for selling our franchise or referring you to us You should be sure to do your own investigation of the franchise

Information about comparisons of franchisors is available Call the state administrators listed in Exhibit D or your public library for sources of information

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this Disclosure document If you learn that anything in this Disclosure document is untrue, contact the Federal Trade Commission and state authority, if any (see Exhibit D)

Effective Date See the next page for state effective dates

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