

FEB 29 2016

**FRANCHISE DISCLOSURE DOCUMENT**Department of  
**Business Oversight**Precept Franchise Group  
a California Corporation  
26439 Rancho Parkway South, Suite 165  
Lake Forest CA 92630  
(888) 822-3337  
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The franchises described in this disclosure document are for the operation of utility water consulting and technical services businesses focusing on primarily utility water plans, safety validation, water sampling, disinfection and sanitization under the name **Precept Environmental™**. Subject to our approval, we may allow you to co-brand the Precept Environmental™ franchise with an established business that you currently operate.

The total investment necessary to begin operation of the Precept Environmental™ franchise is between \$89,500 and \$198,000. This includes a \$50,000 franchise fee that must be paid 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 a 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 disclosure in different formats, contact the Precept Environmental Legal Department at 26439 Rancho Parkway South, Suite 165, Lake Forest, CA 92630 or (888) 822-3337.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract and this disclosure document 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. 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](http://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 AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, ARBITRATION AND LITIGATION ONLY IN ORANGE COUNTY, CALIFORNIA OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE**

**2 THE FRANCHISE AGREEMENT REQUIRES THAT CALIFORNIA 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 ARBITRATION WILL NOT BE USED FOR ANY DISPUTE WHICH INVOLVES A FRANCHISEE'S CONTINUED USAGE OF ANY OF THE MARKS OR ANY ISSUE INVOLVING INJUNCTIVE RELIEF AGAINST FRANCHISEE, ALL OF THESE ISSUES WILL BE SUBMITTED INITIALLY TO A COURT IN ORANGE COUNTY, CALIFORNIA THE PARTIES CONSENT TO PERSONAL JURISDICTION IN CALIFORNIA OVER ANY SUCH ISSUES NOT SUBJECT TO ARBITRATION**

**4 THE FRANCHISOR HAS BEEN OFFERING FRANCHISES FOR A SHORT PERIOD OF TIME THEREFORE, THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT**

**5 YOU ARE REQUIRED TO PAY A MINIMUM FRANCHISE ROYALTY FEE OF \$1,000 PER MONTH REGARDLESS OF WHETHER YOU ACHIEVE ANY EARNINGS**

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**FAILURE TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE**

**6 YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL**

**7 YOU MUST MAINTAIN MINIMUM GROSS SALES EQUAL TO \$100,000 PER YEAR IF YOU FAIL TO DO SO, YOU COULD LOSE YOUR PROTECTED TERRITORY OR THE FRANCHISOR COULD TERMINATE YOUR AGREEMENT AND YOU COULD LOSE YOUR INVESTMENT**

**8 IF YOU ARE A CORPORATION, PARTNERSHIP OR A LIMITED LIABILITY COMPANY, ALL OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AT RISK**

**9 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 be sure to do your own investigation of the franchise**

**Effective Date See the next page for state effective dates**

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