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RE REALTY EXPERTS AFFILIATES, INC
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DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO

The Franchise is for the operation of select high quality real estate brokerage businesses, from a specified location under the banner of RE REALTY EXPERTS®. We have developed a business system used to conduct the Franchised Business. The System includes, among other things, the Service Marks and certain marketing and sales programs and techniques, materials, artwork, graphics, layouts, slogans, names, titles, text and other confidential intellectual property that we make available to you.

The initial Franchise Fee for a RE REALTY EXPERTS® Franchise Office is \$7,500 for the first office and \$5,000 for each additional office. The estimated initial investment necessary to convert your existing real estate office to a RE REALTY EXPERTS® Franchise Office, ranges from \$81,600 to \$153,200, and the estimated initial investment necessary for a new start-up RE REALTY EXPERTS® Franchise Office, ranges from approximately \$131,250 to \$300,000, both estimates include the initial franchise fee. See Items 5 and 7 for additional details.

Our monthly Franchise Fees consist, of a Continuing Royalty Fee, which is equal to 3% of your monthly gross revenues, and additionally, an Advertising/Technology Fee, which is equal to 1% of your monthly gross revenues. We do not charge an additional Relocation Fee for an outgoing referral or an incoming referral that is processed through RE REALTY EXPERTS® Relocation Services. **There are no per office flat fees, and there are no per salesperson flat fees.**

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, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this Disclosure Document.**

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read your entire 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.

See the following page for a description of special risk factors relating to this Franchise.

RE-FDD FRANCHISE

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 "F" 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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT

Please consider the following **RISK FACTORS** before you buy this franchise

- 1 THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE MEDIATED AND LITIGATED IN ALAMEDA COUNTY, CALIFORNIA. OUT OF STATE MEDIATION, AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN ALAMEDA COUNTY, CALIFORNIA THAN IN YOUR HOME STATE
- 2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA GOVERNS THE LICENSE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE. YOU MAY WANT TO COMPARE THESE LAWS
- 3 THE FRANCHISE SYSTEM ONLY HAS OPERATING HISTORY FROM 2009
- 4 REAL ESTATE LICENSES ARE REQUIRED. REAL ESTATE LICENSING LAWS ARE NOT THE SAME IN EACH STATE. YOU MUST COMPLY WITH THESE LAWS
- 5 FAILURE TO MEET QUOTA REQUIREMENTS COULD RESULT IN TERMINATION OF YOUR FRANCHISE AGREEMENT
- 6 A SPOUSE THAT IS NOT PARTY TO THE FRANCHISE AGREEMENT WILL BE REQUIRED TO GIVE A PERSONAL GUARANTY. A SPOUSE WILL BE JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE WHETHER OR NOT THE SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISE BUSINESS. THIS PLACES THE PERSONAL ASSETS OF THE OWNERS AND THE OWNER'S SPOUSE AT RISK
- 7 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

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 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

Date of Issuance

RE-FDD FRANCHISE

3/1/2014 CALIFORNIA

RE REALTY EXPERTS AFFILIATES INC
FRANCHISE DISCLOSURE DOCUMENT



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