

**FRANCHISE DISCLOSURE DOCUMENT**  
**SOTHEBY'S INTERNATIONAL REALTY AFFILIATES LLC**

A Delaware Limited Liability Company  
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DEPARTMENT OF CORPORATIONS  
RECEIVED LOS ANGELES OFFICE

OCT 23 2012



The franchise is for a real estate brokerage offering with defined real estate brokerage services from a specified location under the name Sotheby's International Realty®

The total investment necessary to begin operation of a Sotheby's International Realty® franchise is approximately \$63,550 to \$199,000 for a conversion real estate office, and \$194,050 to \$619,500 for a start-up real estate office. This includes \$7,500 to \$25,000 that must be paid to the franchisor or an affiliate as an initial franchise fee. The initial franchise fee for a residential franchise is \$25,000 for the first office, \$12,500 for the second office and \$7,500 for each additional office.

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 or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

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, NW, Washington, DC 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.

Issued March 30, 2012, as amended October 23, 2012

## 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 B 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

**THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN NEW JERSEY. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN NEW JERSEY THAN IN YOUR OWN STATE.**

**THE FRANCHISE AGREEMENT STATES THAT NEW JERSEY LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**

**AS NOTED IN THE AUDITED FINANCIAL STATEMENTS, THE FRANCHISOR'S PARENT COMPANY AND GUARANTOR (REALOGY GROUP LLC, FORMERLY KNOWN AS REALOGY CORPORATION) HAS A STOCKHOLDER'S DEFICIENCY OF \$1.499 BILLION. PLEASE BEAR THIS IN MIND WHEN FORMING YOUR INVESTMENT DECISION.**

**THE FRANCHISOR MAY NOT BE ABLE TO MEET ITS CURRENT OBLIGATIONS DUE TO THE FACT THAT ITS CURRENT LIABILITIES EXCEED ITS CURRENT ASSETS. AS OF DECEMBER 31, 2011, FRANCHISOR AND GUARANTOR HAD ONLY \$806 MILLION IN CURRENT ASSETS AND \$1.436 BILLION IN CURRENT LIABILITIES OR NEGATIVE WORKING CAPITAL OF \$630 MILLION. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITY DUE WITHIN ONE YEAR THE GUARANTOR HAD ONLY \$0.56 IN CURRENT ASSETS. SINCE THE COMPANY'S MERGER IN APRIL 2007 THROUGH DECEMBER 31 2011, THE GUARANTOR HAS INCURRED NET LOSSES OF \$3.502 BILLION (OF WHICH \$1.959 BILLION WAS THE RESULT OF NON-CASH IMPAIRMENTS OF GOODWILL AND INTANGIBLE ASSETS) CAUSING IT TO HAVE A NET WORTH DEFICIT OF \$1.499 BILLION.**

**THE FRANCHISEE'S SPOUSE MAY BE REQUIRED TO SIGN A PERSONAL GUARANTY WHICH MAKES THE SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND PLACES THE SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK.**

**WE DO NOT GRANT EXCLUSIVE TERRITORIAL RIGHTS TO EACH FRANCHISEE.**

**EVEN WITHOUT EARNINGS, YOU MAY BE REQUIRED TO PAY MINIMUM ANNUAL ROYALTY FEES (AS DEFINED IN THE AGREEMENT) IN AN AMOUNT RANGING FROM \$60,000 TO \$500,000, YOUR FAILURE TO PAY THE MINIMUM ANNUAL ROYALTY FEE IS A BREACH OF THE AGREEMENT AND CAN RESULT IN THE TERMINATION OF THE LICENSE FOR AN ADDITIONAL OFFICE OR OFFICES.**

**THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Effective Date See the next page for state effective dates

## STATE EFFECTIVE DATES

The following states require that the disclosure document be registered or filed with the state, or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

State	Effective Date
California	4/11/12, as amended _____ (pending)
Hawaii	5/24/12, as amended _____ (pending)
Illinois	3/30/12, as amended 10/23/12
Indiana	3/30/12, as amended 10/23/12
Maryland	4/20/12, as amended _____ (pending)
Michigan	3/30/12, as amended 10/23/12
Minnesota	4/4/12, as amended _____ (pending)
New York	4/15/12, as amended _____ (pending)
North Dakota	4/19/12, as amended _____ (pending)
Rhode Island	4/25/12, as amended _____ (pending)
South Dakota	3/30/12, as amended 10/23/12
Virginia	5/31/12, as amended _____ (pending)
Washington	4/13/12, as amended _____ (pending)
Wisconsin	3/30/12, as amended 10/23/12

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