

FRANCHISE DISCLOSURE DOCUMENT
SOTHEBY'S INTERNATIONAL REALTY AFFILIATES LLC

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Sotheby's

INTERNATIONAL REALTY

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 \$40,650 to \$315,500 for a conversion real estate office, and \$122,150 to \$502,800 for a start-up real estate office. This includes \$0 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 Branch Office, \$12,500 for the second Branch Office and \$7,500 for each additional Branch 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 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 29, 2019

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:

- 1. 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.**
- 2. 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.**
- 3. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE BUSINESS. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.**
- 4. WE DO NOT GRANT EXCLUSIVE TERRITORIAL RIGHTS TO EACH FRANCHISEE.**
- 5. 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.**
- 6. 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.

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	03/29/19
Hawaii	(pending)
Illinois	03/29/19
Indiana	03/29/19
Maryland	(pending)
Michigan	03/29/19
Minnesota	(pending)
New York	03/29/19
North Dakota	(pending)
Rhode Island	03/29/19
South Dakota	(pending)
Virginia	(pending)
Washington	(pending)
Wisconsin	03/29/19

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