

FRANCHISE DISCLOSURE DOCUMENT

The Agency Real Estate Franchising, LLC

a Delaware limited liability company

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RECEIVED LOS ANGELES OFFICE

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The franchisee will establish and operate a single real estate brokerage under the name The Agency™, as part of a network of real estate brokerage businesses that cater to high-end real estate buyers and sellers worldwide. The franchise will be operated from a real estate office under the management of an existing real estate broker's license. The franchisee will promote The Agency's image and brand standards to advance network development and clientele satisfaction through proprietary electronic platforms, innovative advertising and public relations.

The total investment necessary to begin operation of The Agency franchise ranges from \$127,500 to \$421,750 (depending on, among other things, the size of the real estate office, to what extent the office is to be built out and for how much of the cost of such build out the franchisee is to be responsible, the number of agents, the amount to be set aside for reserves). This includes \$75,000 that must be paid to the franchisor or affiliate.

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 any affiliate in connection with the proposed franchise sale. **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 this 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.

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Billy Rose at 331 Foothill Road, Suite 100, Beverly Hills, California 90210 and (424) 230-3702.

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.

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 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 renew your franchise relationship.

1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION IN LOS ANGELES, CALIFORNIA. OUT-OF-STATE MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE AND ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

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

3 A VALID REAL ESTATE BROKER'S LICENSE IS REQUIRED TO OPERATE THE FRANCHISE. REAL ESTATE LICENSING LAWS. YOU MUST COMPLY WITH THESE LAWS.

4 THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.

Effective Date See the next page for state effective dates.

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