

FRANCHISE DISCLOSURE DOCUMENT

The Preparatory Schools Franchising Company, LLC

a Texas limited liability company

12610 Nutty Brown Road

Austin, Texas 78737

512-288-7737

franchising@theprepschools.com

www.theprepschools.com



The franchise offered under this Disclosure Document is for the establishment and operation of a pre-school business that provides educational programs to children with a focus on providing a stimulating and safe learning environment that facilitates early childhood education using our System and Marks (each a “**School**” and collectively, the “**Schools**”).

The total investment necessary to begin operation of a franchised Preparatory School ranges from \$2,634,000 to \$4,915,500. This includes the following amounts that must be paid to the franchisor or an affiliate: (a) \$60,000 initial franchise fee, and (b) an amount equal to our out-of-pocket site selection costs (plus a per diem “Site Selection Fee” equal to \$400 per day for any site visits by us beyond the first two).

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. **Note, however, that no governmental 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 disclosures in different formats, contact Mark Schuh at 12610 Nutty Brown Road, Austin, Texas 78737 or (512) 288-7737.

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.

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 franchise administrator listed in Exhibit A 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 ARBITRATION OR LITIGATION IN TEXAS. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN TEXAS THAN IN YOUR HOME STATE. STATE FRANCHISE LAWS MAY AFFECT THE ENFORCEABILITY OF VENUE PROVISIONS.
2. THE FRANCHISE AGREEMENT STATES THAT TEXAS LAW GOVERNS THE AGREEMENT, AND TEXAS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS. STATE FRANCHISE LAWS MAY PROVIDE THAT CHOICE OF LAW PROVISIONS ARE VOID OR SUPERSEDED IF THEY DENY A FRANCHISEE THE PROTECTIONS IT WOULD BE ENTITLED TO UNDER LOCAL LAW. YOU SHOULD INVESTIGATE WHETHER YOUR PURCHASE OF THE FRANCHISE FALLS UNDER THE JURISDICTION OF A STATE FRANCHISE LAW.
3. OUR AFFILIATE BEGAN OPERATING THE FIRST PREPARATORY SCHOOL BUSINESS IN AUSTIN, TEXAS IN OCTOBER 2012. AS A RESULT, THERE IS A LIMITED OPERATING HISTORY ON WHICH TO BASE YOUR DECISION WHETHER TO PURCHASE A FRANCHISED PREPARATORY SCHOOL BUSINESS. IN ADDITION, WE BEGAN OPERATING IN APRIL 2012 AND HAVE LIMITED CAPITAL RESOURCES. SEE THE FINANCIAL STATEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT FOR DETAILS.
4. 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

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