



FRANCHISE DISCLOSURE DOCUMENT

Waters Edge Wineries, Inc.,
A California corporation
8560 Vineyard Avenue, Suite 408
Rancho Cucamonga, CA 91730
909-468-9463
info@watersedgewineries.com
www.watersedgewineries.com

We grant franchises for WATERS EDGE WINERY stores that feature the manufacture and sale of wine, the teaching of winemaking and the sale of related winemaking accessories. We sell unit franchises for the right to operate a single WATERS EDGE WINERY Store (“Unit Franchise”).

The total estimated initial investment necessary to begin operation of a WATERS EDGE WINERY Unit Franchise is \$139,945 - \$512,515. This includes \$23,090 to \$159,090 that must be paid to the franchisor or an affiliate if you don’t buy an existing winery owned by the franchisor (or franchisor’s affiliate) and \$93,090 to \$359,090 if you buy an existing winery owned by the franchisor (or franchisor’s affiliate).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 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 Ken Lineberger at 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730 and 909-468-9463.

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-FTCHELP 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.

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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 PERMITS YOU TO ARBITRATE WITH US ONLY IN CALIFORNIA OR AT SUCH OTHER PLACE AS MAY BE MUTUALLY AGREEABLE TO THE PARTIES. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT PROVIDES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, EXCEPT THE NON-COMPETE PROVISIONS ARE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOUR DESIGNATED AREA IS LOCATED. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. AS NOTED IN ITEM 12, REGARDLESS OF YOUR DESIGNATED AREA, WE MAY COMPETE WITH YOU BY SELLING THE SAME OR SIMILAR PRODUCTS THROUGH THE INTERNET, MAIL ORDER CATALOGUES, DIRECT MAIL ADVERTISING AND FROM CASINOS, MILITARY BASES, RACE TRACKS, THEME PARKS, INCLUDING WATER PARKS AND AMUSEMENT PARKS, HOTELS, RESTAURANTS AND SELECTED SPECIALTY RETAIL VENUES, SUCH AS FAIRGROUNDS OR OTHER TOURIST ORIENTED DESTINATIONS. ADDITIONALLY, WE MAY OPERATE AND FRANCHISE OTHERS TO OPERATE STORES OFFERING SIMILAR PRODUCTS AS YOU DO WITHIN AND/OR OUTSIDE YOUR DESIGNATED AREA UNDER TRADEMARKS OTHER THAN THE WATERS EDGE WINERY TRADEMARKS.

4. IF YOUR STORE IS WITHIN A SPECIAL SITE, DEFINED IN THE FRANCHISE AGREEMENT AS CASINOS; MILITARY BASES; RACE TRACKS; THEME PARKS, INCLUDING WATER PARKS AND AMUSEMENT PARKS; HOTELS; RESTAURANTS; AND SELECTED SPECIALTY RETAIL VENUES, SUCH AS FAIRGROUNDS OR OTHER TOURIST ORIENTED DESTINATIONS, YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. ALSO, SPECIAL SITES ARE EXCLUDED FROM ANY TERRITORY WE GRANT YOU.
5. IF YOU HAVE NOT SELECTED A SITE WITHIN 90 DAYS OF SIGNING THE FRANCHISE AGREEMENT, WE MAY TERMINATE THE FRANCHISE AGREEMENT AND KEEP ALL AMOUNTS PAID TO US.
6. IF YOU FAIL TO BEGIN OPERATIONS WITHIN 90 DAYS AFTER THE AUTHORIZED LOCATION IS DESIGNATED OR MORE THAN 30 DAYS AFTER COMPLETION OF TRAINING, WE MAY TERMINATE THE FRANCHISE AGREEMENT AND KEEP ALL AMOUNTS PAID TO US.
7. FOR AFFILIATE LICENSEES, ANY MARK OR NAME ADOPTED WILL BELONG TO AND INURE TO WATERS EDGE'S BENEFIT. ON TERMINATION OR EXPIRATION OF THE AGREEMENT, YOU MUST STOP USING THE MARKS AND ALL OTHER MARKS AND NAMES ADOPTED IN CONNECTION WITH YOUR FRANCHISE.
8. 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 is our agent and 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.

The state effective dates for this Disclosure Document are listed before the table of contents.

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