

**FRANCHISE DISCLOSURE DOCUMENT****MARKED TO SHOW CHANGES****ClosetsbyDesign**

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DEC 09 2014

**CBD FRANCHISING, INC**  
**A California Corporation**  
**11145 Knott Avenue, Suite A**  
**Cypress, California 90630-5140**  
**(714) 890-5860**  
**URL [www.closetsbydesign.com](http://www.closetsbydesign.com)**  
**E-mail [cbdfanchising@closetsbydesign.com](mailto:cbdfanchising@closetsbydesign.com)**

The franchisee will operate a retail sales and installation business selling custom closets, garage cabinets and other organizers within a designated territory. The total investment necessary to begin operation of a Closets by Design franchise is from \$126,000 to \$296,500 (not including real property), including from \$38,000 to \$55,000 that must be paid to the franchisor when the franchisor's initial obligations to you under the Franchise Agreement are complete.

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 government 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 the Franchise Sales Administrator at 11145 Knott Avenue, Suite A, Cypress, California 90630, (714) 890-5860.

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 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.

Issuance date ~~June 12~~ October 30, 2014

**CA**

## 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 F for information about the franchisor, about other franchisors, 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 TERRITORY GRANTED UNDER THE FRANCHISE AGREEMENT IS NOT EXCLUSIVE.

THE MINIMUM ROYALTY IS \$3,000 MONTH AND FRANCHISOR MAKES WEEKLY WITHDRAWALS FROM YOUR ACCOUNT IN AN AMOUNT IT ESTIMATES TO BE THAT WEEK'S PORTION OF THE MONTHLY CONTINUING ROYALTY.

THE FRANCHISOR WILL MAKE WEEKLY WITHDRAWALS FROM YOUR ACCOUNT IN THE AMOUNT IT ESTIMATES TO BE THAT WEEK'S PORTION OF THE MONTHLY NATIONAL FUND CONTRIBUTION.

ALL OF THE ASSETS OF OUR PARENT ENTITY, INCLUDING ALL OF OUR ASSETS, ARE PLEDGED AS COLLATERAL SECURITY FOR OUR PARENT ENTITY'S SENIOR SECURED CREDIT FACILITY, WHICH IS CUSTOMARY PRACTICE FOR ANY SENIOR CREDITOR.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We 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.

**Effective Date** See the next page for state effective dates.

## STATE EFFECTIVE DATES

The following states require that the Franchise 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 franchise is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws with the following effective dates

|              |   |
|--------------|---|
| California   | June 23, 2014   |
| Hawaii       | May 6, 2014   |
| Illinois     | April 30, 2014  |
| Indiana      | November 16, 2013                                     |
| Maryland     | <del>January 8, 2014</del> [amended May 5, 2014]      |
| Michigan     | October <del>24, 2014</del> <u>17, 2013</u>           |
| Minnesota    | May 9, 2014   |
| New York     | May 27, 2014  |
| North Dakota | <del>July 8, 2013</del> [amended May 12, 2014]        |
| Rhode Island | <del>December 4, 2013</del> [amended April 29, 2014]  |
| Virginia     | July 24, 2013   |
| Washington   | <del>December 23, 2013</del> [amended April 24, 2014] |
| Wisconsin    | <del>November 16, 2013</del> [amended April 24, 2014] |

In all states that do not have franchise registration laws, the effective date is ~~April 14~~ November 15, 2014

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