

FRANCHISE DISCLOSURE DOCUMENT



FranNet, LLC New Jersey limited liability company
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We grant franchises for the operation of a FranNet Business. FranNet Businesses offer specialized franchise consulting services to franchisors, potential franchisors, licensors and other business opportunity companies in connection with the sale (or re-sale) of their franchises, licenses and business opportunities.

The total investment necessary to begin operation of a FranNet Business ranges from \$45480.00 to \$82,630.00 (total amount in Item 7). This includes between \$15,000.00 and \$35,000.00 (total amount in Item 5) that must be paid to the franchisor or its affiliate prior to opening for business.

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 **Jania Bailey at 10302 Brookridge Village Blvd., Suite 201, Louisville, Kentucky 40291 (502) 753-2380.**

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, 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.

Issuance Date: March 7, 2016

FRANNET, LLC
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 administrators listed in Exhibit "A" for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONAL 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 AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN PHILADELPHIA COUNTY, PENNSYLVANIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT AS LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE AGAINST US IN PHILADELPHIA COUNTY, PENNSYLVANIA THAN IN YOUR HOME STATE.

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

YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS. IF YOU FAIL TO DO SO, YOU COULD LOSE ANY TERRITORIAL RIGHTS YOU ARE GRANTED OR THE FRANCHISOR COULD TERMINATE YOUR AGREEMENT RESULTING IN THE LOSS OF YOUR INVESTMENT, OR BOTH.

THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.

The effective dates of this Disclosure Document in the states of California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin are disclosed on the following page.

FRANNET, LLC

State Effective Dates
(if applicable)

<u>State:</u>	<u>Effective Date:</u>
California	April 10, 2015
Hawaii	March 31, 2015
Illinois	April 8, 2015
Indiana	April 10, 2015
Maryland	August 27, 2015
Michigan	April 28, 2015
Minnesota	April 22, 2015
New York	April 30, 2015
North Dakota	April 14, 2015
Rhode Island	April 15, 2015
South Dakota	June 18, 2015
Virginia	December 19, 2015
Washington	November 13, 2015
Wisconsin	April 7, 2015

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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

FranNet, LLC (“**FranNet**”, “**we**”, or “**us**”) is a limited liability company formed under New Jersey law in October, 2006. Our principal business address is 10302 Brookridge Village Blvd., Suite 201, Louisville, Kentucky 40291. We do business under the name “FranNet”. Our business is limited to offering the franchises that are described in this Disclosure Document. We do not offer franchises or engage in any other line of business, nor have we done so prior to the date of this Disclosure Document. We began franchising in January, 2010. Our predecessor, FranNet Franchising, LLC began franchising in December 2006.

Our agents for service of process are listed in **Exhibit A**.

Our Parent, Predecessors and Affiliates

Howard Bassuk, the founder of the FranNet system, began offering FranNet consulting services in 1987 through his company, Hobassco, Inc. (“Hobassco”). Hobassco’s principal address was 2385 Camino Vida Roble, Suite 114, Carlsbad, California 92011. Hobassco had granted rights to operate businesses under the name “FranNet” throughout the United States through offices that were individually owned and operated by associates, under various business arrangements. The services consisted of providing guidance, information and support to prospective franchisees, and assisting them through a process in which the prospect created a profile of the type of franchise that would be most suitable for him or her. Based on the prospect’s interest, desires and skill set, Hobassco or its associate would present the prospect with a number of franchise opportunities that fit his or her model, along with a system within which to research the franchise opportunities that interest him or her. This enables the prospect to make an educated decision, and for a Franchisor (defined below) to be presented with a prequalified candidate that fits its franchisee profile.

In 1999, Hobassco assigned its rights to the name “FranNet” to Franchise Network Mutual Benefit Corporation (“FNMBC”). In 2001, Hobassco assigned its rights for future growth of the office network to FranNet Development Group, LLC (“FDG”). FDG’s principal business address was 2385 Camino Vida Roble, Suite 114, Carlsbad, California 92011. FDG has since operated the business through additional offices located throughout the United States, under the name “FranNet”. These offices are also independently owned and operated by associates under various business arrangements.

Neither Hobassco nor FDG has ever operated a business of a type substantially similar to those offered in this disclosure document nor offered franchises in any line of business. Hobassco and FDG are our predecessors (“Predecessors”). Neither Hobassco nor FDG offered franchises in any other line of business.

Effective as of January 1, 2010, FranNet Franchising, LLC, a wholly owned subsidiary of FranNet, LLC merged into FranNet, LLC. We assumed all of the assets and liabilities of FranNet Franchising, LLC, including all outstanding franchise agreements. FranNet Franchising, LLC offered franchises from December, 2006 through December, 2009 FranNet Franchising, LLC’s address was 10302 Brookridge Village Blvd., Suite 201, Louisville, Kentucky 40291. FranNet Franchising, LLC never operated a business of a type substantially similar to those offered in this Disclosure Document. FranNet Franchising, LLC never offered franchises in any other line of business.

Other than as described above, we have no parents, predecessors, or affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

We have never offered franchises in any other line of business. We do not engage, and have never engaged, in any business activities or any other line of business other than as described in this disclosure document. We do not have any Affiliate that is offering franchises in any line of business or that will be providing products or services to you. All of our principal owners have been FranNet associates for many years.

The Franchise Offered

General. We grant licenses to establish and operate a FranNet business (the “Licensed Business” or the “FranNet Business”) operating under the System (defined below) and identified by the Marks (defined below) under a license agreement (the “License Agreement”). The Licensed Business is a third party referral network engaged in the business of consulting with and representing franchisors, potential franchisors, licensors, and other business opportunity companies (all of which we refer to as “Franchisors”) in connection with the sale of their franchises, licenses, business opportunities and existing re-sales of same (all of which we refer to as “Franchise” or “Franchises”). In the course of conducting business, our licensee recruits and meets with potential franchisees (“Prospects”) and exchanges information with them to help determine what type of Franchise and which Franchisors may be most suitable.

The FranNet System. Through the expenditure of considerable time and effort, we have acquired experience, skills, methods, techniques and knowledge relating to the representation of Prospects of Franchises as well as the growth and development of Franchisors identifying, evaluating and introducing Prospects (the “Services”), and have developed methods, formats and procedures (all of which we refer to as the “System”). We identify FranNet and various components of the System by certain trademarks, service marks and other commercial symbols, including the mark “**FranNet**” (which we refer to as the “Marks”). These businesses which offer the Services and other related programs and services as we designate periodically under the Marks are known as “FranNet Businesses.” We may, in the future, develop, enhance or modify various aspects of the System or adopt other trademarks, service marks or other commercial symbols which you must use as a Licensee.

The Licensed Business will be operated in accordance with our confidential, proprietary Operations Manuals (the “Manuals”) to be loaned to you. You will also be provided with the right to use the Marks. In addition, as part of the license system, we have formed a FranNet Franchise Advisory Council (“Council”) that (through its Board) will manage the FranNet Marketing Program. (See Item 11 for further information on the Marketing Program.) The Council will consist of all FranNet franchisees and associates, and one person designated by us.

The License Offering. This Disclosure Document describes the offer of licenses for new FranNet Businesses. To become a licensee, you must operate your FranNet Business in accordance with our standards and specifications, and you must sign a License Agreement. A copy of the License Agreement that you must sign is attached to the Franchise Disclosure Document as Exhibit "B".

Market and Competition. The Licensed Business represents the Franchisor in certain of its sales transactions, and targets potential Franchisees primarily by means of seminars, referrals and the Internet. The market for third party referral networks and franchise consulting services, including those that will be offered by the Licensed Business, is relatively new, but developing and competitive. Traditionally, the Franchisor’s franchise sales department performed these services. As franchising continues to grow, Franchisors are increasingly turning towards franchise consulting service providers for qualified, pre-screened Prospects. The Licensed Business will compete with other local and national third party referral networks.

Industry Specific Laws and Regulations. Your Licensed Business will be subject to laws and regulations that are applicable to businesses generally, and also to a Federal Trade Commission regulation (“Franchise Rule”) and various state laws regulating the offer and sale of franchises (which require, in part, that a franchise disclosure document containing certain information be provided to Prospects at prescribed times before the sale of a Franchise).

ITEM 2 **BUSINESS EXPERIENCE**

Chairman of the Board of Directors: Jack Armstrong

Mr. Armstrong currently serves as Chairman of the Board of Directors of FranNet, LLC as of June 8, 2012. Mr. Armstrong formerly served as Chief Executive Officer from June 8, 2012 – January 16, 2015. Mr. Armstrong served as FranNet’s Vice Chairman of the Board of Directors and Treasurer from November 2006 until June 8, 2012.

Chief Executive Officer, Secretary and Director: Jania Bailey

Ms. Bailey was appointed as Chief Executive Officer of FranNet, LLC on Jan. 16, 2015, she was promoted from the position of Chief Operations Officer and presiding President. Ms. Bailey continues to serve as Secretary, a position she has held since August 2006. She also serves as a Director and has since November 2006.

Vice Chairman of the Board of Directors: Blair Nicol

Mr. Nicol was appointed Vice Chairman of the Board of Directors as of June 8, 2012. Mr. Nicol has served as a Director of FranNet LLC in Carlsbad, California since November 2006. Mr. Nicol has also served as President of Nicol Development Group, Inc. d/b/a FranNet of San Diego in Carlsbad, California since December 1998. Blair Nicol is also Managing Partner of Nicol Holdings, LLC since January 2012 to present.

Director: Phil Kuban

Mr. Kuban is a principle owner and has served as a Director of FranNet LLC in Atlanta, Georgia since November 2006. Mr. Kuban has owned and operated Franchise MarketMakers Inc. Development Co. dba FranNet in Atlanta Georgia since June 1999

Director: Tim Halvorsen

Mr. Halvorsen has served as a Director of FranNet LLC since July 2009 in Dover, New Hampshire. Mr. Halvorsen became an investor in 2003 in Fantastic Sams International Corporation (the master franchisor), as well as its Chief Technology Officer in Beverly, Massachusetts. Mr. Halvorsen has been retired from full-time employment from Fantastic Sams since 2005. He currently is a Technology Consultant for various companies.

Director: Lane Fisher

Lane Fisher is a Member of the Board of Directors, a position he has held since January 1, 2012. Mr. Fisher is a partner with the law firm FisherZucker, LLC of Philadelphia, Pennsylvania, a firm he founded in 1995.

Vice President: Todd Bingham

Mr. Bingham was elected to the position of President of FranNet, LLC, on January 16, 2015. He was formerly the Vice President of Operations, a position he held since October 2010. Mr. Bingham joined FranNet in May 2007 as Director of Information Technology in Louisville, Kentucky.

Director: Steven Rosen.

Mr. Rosen has served as a Director of the company since November, 2006. Mr. Rosen served as FranNet's Chairman of the Board of Directors and Chief Executive Officer in Blue Bell, Pennsylvania from November 2006 to June, 2012. Mr. Rosen has also served as President of Franchise Consultants of America Bux-Mont, Inc. d/b/a FranNet in Blue Bell, Pennsylvania since October 1990.

Director: Stacy Swift

Ms. Swift served as Director of FranNet, LLC from January, 2007 through April, 2014, and began serving again in April, 2015. Ms. Swift served on FranNet's Franchise Advisory Council from March, 2007, through April 2014, and was Chairman from April, 2007 through April, 2014. She was re-elected in April, 2015 as Chairman, and currently serves in that role. Since July, 1996, Ms. Swift has been the owner of Wahoo, Inc., d/b/a FranNet Colorado in Denver, Colorado.

Director: Chris Coleman

Mr. Coleman has served as a Director of FranNet, LLC since October, 2015, and has served on FranNet's Franchise Advisory Council from 2014 to the present, and currently serves as Vice-Chair on the Franchise Advisory Council. Mr. Coleman has owned and operated Gateway Franchise Consulting, LLC, d/b/a FranNet of St. Louis throughout Missouri and Illinois.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this item.

ITEM 5
INITIAL FEES

Initial License Fee

You must pay to us an initial license fee ranging from \$15,000 to \$35,000 for a single, new FranNet Business to be operated under an individual License Agreement. The initial license fee you will pay depends upon the population in your license territory, as determined by us, based on most recent U.S. census data. The \$15,000 initial fee applies to territories with a population of less than 1,000,000. The \$25,000 initial fee applies to territories with a population of 1,000,000 to 3,000,000. The \$35,000 initial fee applies to territories with a population greater than 3,000,000. You must pay the entire initial license fee no later than the date you sign the License Agreement.

If you fail to complete our initial training program to our satisfaction, or if we, in our sole discretion, determine upon your completion of training that you would not be a suitable licensee, we have the right to terminate the License Agreement and refund to you 50% of your initial license fee. Except as described above, the initial license fee is non-refundable.

Training Fee

You must pay to us or the third party trainer who provides you training in our initial training program a training fee of \$5,000 per each trainee. This fee is non-refundable.

Insurance

Upon the signing of your license agreement, You must pay to us up to \$1,000 for your pro-rata share (based on the number of Licensees covered) of premiums for errors and omissions insurance coverage, if we offer group coverage for this insurance. For calendar year 2016, the pro rata share per licensee is \$337.88. This fee is non-refundable.

ITEM 6
OTHER FEES

The following table describes other recurring or isolated fees or payments that you must pay to us, or which we or our affiliates impose or collect on behalf of a third party, in whole or in part under the License Agreement. Unless otherwise indicated below, all of the fees listed below are uniform, non-refundable, and are imposed by, payable to, and collected by us.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Commission Fee ¹	See Note 1, below	Weekly	See Note 1
Marketing Fee ²	\$1,515	Quarterly	See Note 2
Costs of Leads ³	Mandatory purchase of qualified internet leads at our cost (currently \$25 to \$100 per lead)	Monthly on 10 th day of each month, in arrears	See Note 3
Local Marketing Expenditures ⁴	Minimum of \$750 per month for the first 36 months, then \$500 per month	Monthly	See Note 4
Optional Services ⁵	Our then-current fee	As incurred	See Note 5
Services Approved by the Council ⁶	Cost of services	As required and as incurred	See Note 6
Insurance ⁷	Cost of insurance and, if not obtained by you, our procurement expense	As required and as incurred	See Note 7
Training ⁸	\$5,000	Before attending our initial training program	See Note 8
Late Fee ⁹	The lesser of 18% of delinquent amount or the highest applicable legal rate	As incurred	See Note 9
Transfer ¹⁰	\$5,000 plus our out-of-pocket costs trainers	Time of transfer	See Note 10
Successor License Fee ¹¹	25% of our then-current initial license fee	Time of successor license	See Note 11
Indemnification ¹²	Cost of liability	As incurred	See Note 12
Default, Enforcement, Collection and Termination ¹³	Our costs incurred	As incurred	See Note 13
Lost Manual	\$1,000.00	Upon demand.	If you lose your copy of the Operations Manual you must pay us \$1,000.00 to replace it.
FranNet Support Systems	\$250.00	Monthly	See Note 14 below

NOTES

1. We will pay you a commission on a weekly basis, subject to any off-set or deduction for any amounts owed to us by you, based on the Gross Consulting Income received by us due to your efforts on the following terms, conditions and schedule:

- (a) For new franchisees, on the first five (5) transactions under the License Agreement from which a Prospect has entered into a Franchise Agreement for which the Franchisor has paid a fee to Us (each, an “Engagement”) produced by you, you will receive 70% of the Gross Consulting Income from the source.

On the second 5 engagements produced by you, you will receive 75% of the Gross Consulting Income from the source. Thereafter, the relationship will be governed as set forth below.

(b) Standard Engagement Income. After the first 10 transactions for new franchisees, for any Gross Consulting Income produced by you from the activity of referring a Prospect to a Franchisor, who subsequently enters into a Franchise Agreement with that Franchisor and, as a result, a referral fee is paid to Us, you will receive a commission as follows for the Engagements or Gross Consulting Income attributable to you from such transaction during any calendar year: (i) on any Engagements up to 5 or Gross Consulting Income produced by you up to \$100,000 during any calendar year (whichever first occurs), you will receive a commission of 75% of the Gross Consulting Income paid to Us; (ii) on any Engagements more than 5 and up to 10 or Gross Consulting Income produced by you that is more than \$ 100,000 and up to \$150,000 during any calendar year, you will receive a commission of 85% of the Gross Consulting Income paid to Us; and (iii) on any Engagements in excess of 10 or Gross Consulting Income produced by you in excess of \$150,000, you will receive a commission of 90% of the Gross Consulting Income paid to Us.

(c.) Royalty Engagement Income. You will receive fifty percent (50%) of the Gross Consulting Income from a Percentage of Royalties (“Residual Fees”)

(d) Other Income. For any Gross Consulting Income produced by you that is based on any activities other than those listed above will generate a commission being paid to you of 75% of the Gross Consulting Income received by us from that source, but these activities will not count towards your Annual Quota described in Exhibit D of the License Agreement.

The term “Gross Consulting Income” means all income derived or accrued from any benefit granted under the License Agreement and includes the income events identified in this Note 1, above. If we have a franchise referral agreement with a Franchisor, any income derived or accrued from the resale of franchises in that Franchisor’s system will constitute Gross Consulting Income, but if we do not have a franchise referral agreement with a Franchisor, any income derived or accrued from the resale of franchises in that Franchisor’s system will not constitute Gross Consulting Income.

2. You must participate in the Marketing Program which will be administered by the Council, with a quarterly contribution of \$1,515 for each quarter. This payment may be adjusted for inflation annually, but not by more than 10% total in any calendar year, unless the Council, on behalf of all Licensees, implements a program(s) causing additional fees to be paid. You must make payment for the upcoming quarter directly to the Marketing Fund for the Marketing Program by the 10th day of January, April, July, and October during the term of the License Agreement. If any payment is late, we will have the right, in addition to our other rights and remedies, to deny you access to any and all leads, programs and/or materials created by, and benefits of, the Marketing Program until your payment has been made.

3. You must purchase leads generated by us which are qualified and located in the territory granted to you. You must pay to us on a monthly basis the cost of the leads for the preceding month, which will be the cost incurred by us in generating these leads. In no month will the cost to you of the leads exceed \$1,250 per month, except if the maximum monthly cost per leads is increased or decreased at the Council’s sole discretion.

4. You must make minimum monthly expenditures on local marketing, advertising, and promotion in the manner as we direct in the Operations Manuals or otherwise in writing. The amount of these expenditures must be, at a minimum: (a) \$750 during each calendar month for the first 36 months of the term of the License Agreement, and (b) \$500 during each calendar month for the 37th month through the end of the term of the License Agreement. You must provide satisfactory evidence to us of all local marketing, advertising, and promotion expenditures in the manner as we direct in the Operations Manuals or otherwise in writing.

5. We may offer you services not offered under the terms of the License Agreement on an optional basis which you may or may not elect to utilize. If you elect to utilize these services, you must pay for these services within 10 days of the payment due date.

6. In addition to the monthly marketing fees described in Note 2 above, there may be services utilized by you which may be recommended or required by the Council for marketing purposes, in accordance with its policies and procedures. You must pay for these services within 10 days of the payment due date.

7. During the term of the License Agreement, you must maintain the general liability insurance and errors and omissions insurance coverage required by the License Agreement at your sole expense, including E & O Insurance from our carrier. If we offer group coverage for errors and omissions insurance, you must participate and pay your pro-rata share of the premium (based on the number of Licensees covered). If you do not maintain the required insurance coverage, we may obtain, at our option and in addition to our other rights and remedies under the License Agreement, any required insurance coverage on your behalf and at your cost.

8. In addition to the initial training fee, you must pay to us or the third party trainer designated by us a training fee of \$1,500.00 for each of your employees and/or associates that participate in our initial training program.

9. Insurance premiums due to us which are not paid within 10 days of the due date will be subject to a late fee equal to the lesser of: 18% of the delinquent amount or the highest applicable legal rate for open account business credit in your state.

10. If there is a transfer under the License Agreement (as described in Item 17 and the License Agreement), you must pay to us a transfer fee of \$5,000 plus the out-of-pocket costs paid to third parties who participate in training the transferee.

11. If you enter into a successor License Agreement, you must pay to us a successor license fee in an amount equal to 25% of our then-current initial franchise fee (or, if no licenses are then being offered, 25% of the initial license fee most recently charged).

12. You must indemnify, defend and hold us, our affiliates, members, shareholders, directors, officers, managers, employees, agents, successors and assigns, harmless against and to reimburse us for all obligations, damages and taxes described in License Agreement, for which we are held liable and for all costs we incur in the defense of any claim brought against us, including actual and consequential damages, attorneys', accountants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

13. You must pay all expenses (including accounting, attorneys', expert witness and arbitrators' fees and costs) incurred by us (a) to remedy any of your defaults of, or enforce any of our rights under, the License Agreement; (b) to effect termination of the License Agreement; and (c) to collect any amounts due under the License Agreement.

14. You must pay to us \$250 a month for the use of the FranNet Support Systems (Including the Website, MyFranNet.com which is a CRM (Customer Relationship Management) software program and the FranNet Communications Center.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Initial license fee ¹	\$15,000 - \$35,000	Lump sum	At signing of License Agreement	Licensors
Lease ²	\$1,000 - \$2,000	Lump sum	At signing of lease Agreement	Lessor
Leasehold Improvements ³	\$0 - \$2,000	As arranged	Before opening	Lessor/Suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Furnishings ⁴	\$0 - \$2,000	As arranged	Before opening	Lessor/Suppliers
Equipment and Computer System ⁵	\$2000 - \$5,000	As arranged	Before opening	Suppliers
Supplies ⁶	\$500	As arranged	As incurred	Suppliers
Pre-Opening Training ⁷	\$6,500	As arranged	As incurred	Suppliers
Marketing Program ⁸	\$7,380	Lump sum	Quarterly, in advance	FranNet Marketing Program
Prepaid Insurance Premiums ⁹	\$1,000	Lump sum	Completion of training; as incurred	Licensor/Insurers
Utility Deposits ¹⁰	\$0 - \$250	As arranged	Before opening; as incurred	Suppliers
FranNet Support Systems (6 months) ¹¹	\$1500	Lump Sum	Monthly, in advance	Licensor
Assistant ¹² (6 months)	\$600 - \$4,500	As arranged	As incurred	Third party
Additional Funds (6 months) ¹⁴	\$10,000 - \$15,000	As arranged	As incurred	Suppliers
TOTAL	\$45,480- \$82,630			

Except as otherwise described in the notes in this Item 7, the chart above provides an estimate of your initial investment for a single, new FranNet Business and the costs necessary to begin operation of your FranNet Business. All costs listed above are estimates only. Actual costs will vary for each franchisee and each location depending upon a number of factors. All fees and payments described in this Item 7 are non-refundable, unless otherwise stated or permitted by the payee.

NOTES

1. See Item 5 for a description of the initial license fee for licensees.
2. You may operate your FranNet Business from an office in your home or other space, but you will need to have access to a business office in a professional setting for meeting with clients. If you do not already have access to a professional office space, you must lease space in an office building or an executive office suite. We have provided an estimated cost, which estimate includes one month's rent plus one month's rent as security deposit. If you lease office space, your office will generally comprise a space of 250 to 500 square feet, at an approximate cost of approximately \$20 per square foot per year. Depending on the locale, it is possible that your rental costs will be lower or higher than the estimates given in the chart. You should carefully investigate and evaluate all of the potential costs associated with a particular location. We have not provided an estimate of costs incurred for purchasing the premises for a FranNet Business office.
3. This estimate includes costs of storage space.

4. You must furnish your FranNet Business office. This estimate includes the costs of a desk, chair, and file cabinets.
5. You must equip your FranNet Business office. This estimate includes the costs of a digital projector, fax machine, telephone, an e-mail account, a laptop computer and required software (see Item 11 for further information).
6. You must purchase the supplies for your FranNet Business office. This estimate includes the costs of stationary, brochures, business cards, and envelopes.
7. This estimate includes the \$5,000 training fee, plus the costs of travel, food and lodging for 1 person to attend the initial training program in Louisville, Kentucky, or another location designated by us required by the License Agreement. We estimate that the training course will be for 5 days.
8. You must participate in the FranNet Marketing Program, with a quarterly contribution of \$1,515 payable for each quarter. You must also pay for the mandatory purchase of qualified interest leads at our cost (prior programs averaged \$25 to \$100 per lead depending on the lead source) payable on a monthly basis for the cost of leads for the preceding month. At the current time we are not purchasing or reselling any internet leads. Upon the completion of initial training, you will remit sufficient payments for the quarterly contribution, to cover all amounts due for the days remaining in the quarter of completion of training plus pre-payment of the following quarter's amount. We may increase the quarterly contribution amounts for inflation, but not by more than 10% total in any calendar year unless the Council implements a program(s) causing additional fees to be paid. This estimate is for the first 2 calendar quarters of operations and 10 leads per month @ \$35 (a total of 60 leads), and does not include any pro-rated amounts which may be due upon your completion of training before any full calendar quarter. In addition, you must make minimum monthly expenditures on local marketing, advertising, and promotion that we direct in the Operations Manuals or otherwise in writing from time to time. These expenditures must be, at a minimum, \$750 during each calendar month for the first 36 months of the Franchise Agreement. This estimate includes 3 months of expenditures at \$750. You must provide satisfactory evidence of all local marketing, advertising, and promotion expenditures in the manner we direct in the Operations Manuals or otherwise in writing. See Item 11 for further information on the Marketing Program.
9. Before you begin operating your FranNet Business, you must purchase the insurance coverage required by the License Agreement, and described in Note 7 to Item 6, above. The cost of the business insurance coverage will vary from state to state and will depend on your prior loss experience, if any, and/or the prior loss experience of your insurance carrier in the state or locale in which you operate, and national or local market conditions. We anticipate that you must pay your insurance carrier or agent a full or pro-rata share of this annual premium in advance. The estimate provided in the chart above ranges is for a full annual premium. The amount you pay may be less if you only pay the premium in installments.
10. This estimate includes the costs of deposits for gas, electric, telephone and high-speed Internet services that you will need to operate your FranNet Business.
11. You are required to pay a monthly fee for the use of the FranNet Support Systems. You are required to use the MyFranNet.com system. This is an on-line customer relationship management software system that includes tools for email marketing. This system is necessary for your access to all forms, templates and training materials needed for your FranNet Business. This fee includes access to our "website" a FranNet email account and incorporates the "Communication Center".
12. When you begin operating your FranNet business, you must hire the services of an administrative assistant. This can be a virtual assistant or a full time office assistant. This estimated range described above ranges from a minimal, part-time assistant to a full time assistant.
13. The need for additional funds varies, depending on a variety of factors. We estimate the monies described in the chart will be necessary during the first 6 months of the operation of your FranNet Business in order to stabilize the business. We have relied upon the expenditures paid by, and the experience of, our principal owners in determining

this estimate. The actual amount of additional funds you will need depends on factors including your own marketing/sales and operational skills, market, economic conditions and competition.

We do not offer direct or indirect financing to licensees for any items described above.

ITEM 8 **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must operate the FranNet Business in accordance with our standards and consistent with the image of a FranNet business as a professional and efficiently operated business. Mandatory standards and operating procedures we prescribe for FranNet businesses in the Operations Manuals or otherwise communicated to you in writing will constitute provisions of the License Agreement.

All Franchisors represented by you and other licensees must first be approved by us, and all contracts with Franchisors will be negotiated by us. Regional or local opportunities may arise where a Franchisor not yet ready to be considered for our national inventory, or which may have a specific market need, may come to your attention. Before you may provide Services to this Franchisor, you must request and obtain our consent. You may not provide Services to this Franchisor until consent is obtained in writing from us.

During the term of the License Agreement, you must maintain general liability insurance and errors and omissions insurance coverage at your sole expense and under policies of insurance issued and administered by carriers approved by us. If we offer group insurance coverage, you must participate and pay your pro-rata share of the premium (based on the number of Licensees covered). We do not make a profit on your purchase of insurance. You must also purchase or lease the computer hardware and software we require for use in your Business (see Item 11 for further information). Neither we nor persons affiliated with us are currently approved suppliers. Neither we, nor any of our officers, own an interest in any supplier.

We formulate and modify specifications and standards imposed upon licensees by evaluating our prior operational experience, and the market acceptance of Franchises. We need not issue our specifications and standards to licensees or approved suppliers, nor are criteria for supplier approval made available to licensees. If we do issue specifications on equipment, computer hardware, or software, we will provide these specifications in written or electronic communication to you. We do not require you to obtain our approval for obtaining goods and services from any computer supplier. We do not charge a fee to secure approval of any supplier.

We estimate that the proportion of your required purchases from suppliers approved by us to all your purchases of goods and services in establishing the Licensed Business will be approximately 2% - 10%, and in operating the Licensed Business will be approximately 1% - 5%. There are no purchasing or distribution cooperatives related to our licenses. We do not provide any material benefit to licensees for use of approved suppliers. Other than contracts with Franchisors, we do not negotiate purchase arrangements with our suppliers for the benefit of our licensees. We do not currently derive revenue or receive any material benefit from any suppliers due to these suppliers' transactions with us or our licensees.

Our total revenue in fiscal year ending December 31, 2015 was \$17,450,567. Our net revenues from franchisees for products or services that franchisees are required to purchase from us or suppliers approved by us, or under our specifications, was \$0, representing approximately 0% of our total revenues.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE LICENSE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

OBLIGATION	SECTION IN LICENSE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	2.4	Item 11
b. Pre-opening purchases/leases	None	Items 7 and 8
c. Site development and other pre-opening requirements	None	Items 7 and 11
d. Initial and ongoing training	4	Items 6, 7 and 11
e. Opening	2.4	Item 11
f. Fees	9, 11.5 and 13.3	Items 5, 6 and 7
g. Compliance with standards and policies/ Operating Manual	5.2 and 10.1	Items 8 and 11
h. Trademarks and proprietary information	6 and 8	Items 13 and 14
i. Restrictions on products & services offered	2.4 and 11.8	Items 8 and 16
j. Warranty and customer service requirements	None	No provision
k. Territorial development and sales quota	10.4	Item 12
l. Ongoing product & service purchases	10.3	Item 8
m. Maintenance, appearance and remodeling requirements	None	Item 11
n. Insurance	9.2 and 10.3	Items 6 and 7
o. Advertising	11	Items 6, 7 and 11
p. Indemnification	7.4	Item 6
q. Owner's participation/Management/Staffing	2.2 and 13.6	Items 11 and 15
r. Records and reports	12	Item 6
s. Inspections and audits	12	Items 6 and 11
t. Transfer	13	Item 17
u. Renewal	16	Item 17
v. Post-termination obligations	15	Item 17
w. Non-competition covenants		Item 17
x. Dispute resolution	17	Item 17

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

Before the FranNet Business opens, we are required by the License Agreement to provide the following to you:

1. We will loan to you during the term of the License Agreement our confidential, proprietary Systems Documentation Materials, including all system and procedures for dealing with Prospects and Franchisors (the "Operations Manuals") (License Agreement, Sections 3.1 and 5.2);
2. We will provide to you our initial training program (License Agreement, Section 3.2); and
3. We will provide you with the specifications for your use of the Proprietary Marks (License Agreement, Section 3.4).
4. We do not select a site for your office. You are solely responsible for obtaining an office.

Continuing Obligations

After the FranNet Business opens, we are required by the License Agreement to provide the following to you:

1. We will periodically provide you with guidance and assistance with respect to (a) the marketing of the services offered by FranNet Businesses, (b) information about the Franchisors represented by FranNet, (c) general operating procedures, and (d) changes in any of the above that occur periodically. This guidance and assistance will, in our discretion, be furnished in the form of the Operations Manuals, bulletins, written reports and recommendations, other written publications and materials, electronic mail and telephone consultations (License Agreement, Section 5.1);
2. We will pay your commissions and other compensation as set forth in Exhibit B to the License Agreement (License Agreement, Section 3.5); and
3. We will provide you with optional continuing training sessions (License Agreement, Section 4).

Advertising Programs

FranNet Marketing Program. You must participate in the FranNet Marketing Program ("Marketing Program") which produces leads to licensees operating a FranNet business and conducts various marketing activities specified by the Council, including engagement a public relations on-line service, payment of our association dues (including International Franchise Association and Canadian Franchise Association dues); maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations materials, sales materials and or promotional programs and materials; and payment of other costs that the Council believes are appropriate to enhance, promote and protect the System and brand (see Items 6 and 7 for further information). (License Agreement, Section 11.2.) The Marketing Program may place local, regional or national advertising and may conduct any other activity that the Council feels is an effective method to produce leads for Prospects. Since we do not operate a FranNet Business, we do not participate in the FranNet Marketing Program, except we assign one member to the Council in an advisory capacity only.

The Marketing Program is administered entirely by the Council (License Agreement, Section 11.2. The members of the Council are selected by vote of all licensees. The Council has the power to decide on the use of the Marketing Program, and is advisory to us on other issues. The Council will operate under written documents which must be approved by us in advance in writing. We have no right to change or dissolve the Council. The Marketing

Program may place local, regional or national advertising, and may conduct any other activity that the Council believes is an effective method to produce leads for Prospects. (License Agreement, Section 11.2.3). The Council will assign all appropriate leads produced from the activities funded by the Marketing Program to the appropriate licensee (License Agreement, Section 11.3)

We will obtain leads for Prospects from the internet, print publications, Franchisors or other sources. You must purchase leads generated by us which are qualified and located in your Territory. You must pay to us on a monthly basis the cost of the leads for the preceding month, which will be the cost incurred by us. However, in no month will the cost to you of the leads exceed \$1,250 per month, except as the maximum monthly cost per leads is increased or decreased in the Council's sole discretion. We will provide an invoice to you within 5 days of the end of each month containing the total cost of the leads for the preceding month. The Council will assign all appropriate leads produced. This assignment will be done in your Territory in accordance with the terms of your License Agreement and policies established by us. (License Agreement, Section 11.3). We reserve the unconditional right to refuse to allow you to participate in the Marketing Program and the internet lead program previously described if you are in breach of the License Agreement or any other agreement materially affecting us (License Agreement, Section 11.4). The source of the advertising is from a national advertising agency or public relations firm. We do not intend to use any monies contributed to the Marketing Program for the solicitation of the sale of licenses.

The Marketing Program is funded by contributions from all licensees (License Agreement, Section 11.2.1). You will participate in the Marketing Program, with a quarterly contribution of \$1,515 for each quarter. These contribution amounts will not be increased by more than 10% total in any calendar year, unless the Council implements a program(s) causing additional fees to be paid. Certain licensees may be required to contribute at a different rate based on the acquisition costs of leads. The Marketing Program's financial statements will be available for review by licensees, but it will not be audited. All sums paid by you to the Marketing Program will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except as otherwise described in Section 11.2.1 of the License Agreement. We are not obligated to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular licensee benefits directly or from expenditures by the Marketing Program. It is anticipated that all contributions to and earnings of the Marketing Program fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Marketing Program fund at the end of the taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions. The Council will have sole discretion to establish the budget for the Marketing Program, including the monthly marketing contribution. You acknowledge that monies in the Marketing Program are not a trust or asset of ours, and that neither we nor the Council are a trustee of the Marketing Program or the monies in it or a fiduciary to you with respect to them. (License Agreement, Section 11.2.1).

In calendar year 2015, 0% of the Marketing Program funds were used for production, 100% was used on media and public relations placement, and 0% on administration and other expenses.

You must not solicit or accept marketing contributions, payments or support from a Franchisor (except you and a Franchisor may participate in a local event or trade show in your market and the Franchisor may contribute monetarily to that event). You must refer to us any expressions of interest, made by a Franchisor to you, for providing any marketing contributions, payments or support (License Agreement, Section 11.5).

Advertising. Before you use or disseminate advertising and promotional materials which were not prepared or approved by us, you must submit samples of the materials to us. We retain the right to require that you cease using any advertising or promotional materials that violate any state or federal laws, rules or regulations or that we consider to constitute an unauthorized use of our Marks. (License Agreement, Section 11.7). We have a "social media policy" describing how you may utilize social media such as FaceBook, LinkedIn, and Twitter in operating your FranNet Business. You must comply with our requirements in connection with your use of social media.

Web Site. We will have the right, but not the obligation, to establish and maintain a Web Site (which may promote the Marks and/or the System, or serve as an intranet, extranet, or other means of electronic communication within the System). We will have the sole right to control all aspects of the Web Site, including its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to

discontinue operation of the Web Site at any time without notice to you. Except as we otherwise approved in advance in writing, you must not establish or maintain a separate Web Site, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the FranNet Business. If we grant this approval, you must establish and operate the Web Site in accordance with our standards and policies provided to you in the Operations Manuals or otherwise in writing. (License Agreement, Section 11.9).

Operations Manuals

You must operate the FranNet Business in accordance with the Operations Manuals provided to you. We may revise the contents of the Operations Manuals, and you must comply with each new or changed standard. You must at all times insure that your copy of the Operations Manuals is kept current and up to date. The Table of Contents of the Operations Manuals is attached to this offering circular as Exhibit F. The total number of pages and the number of pages devoted to each topic are reflected in the Table of Contents. If you lose your Operations Manual, you must pay us a replacement fee of \$1,000.00.

Site Selection

You must have a business office physically located within your Territory, and you must have access to a business office in a professional setting for meeting with clients, which must at all times be physically located within your Territory. You are solely responsible for selecting your office location. Written consent to open an office will be granted based on our judgment that a) the office to be opened will not interfere with any existing or contemplated FranNet contractual agreement, or b) the opening of the office will not be injurious to the FranNet system in whole or in part. You must concentrate your primary Business activities within the Territory. You must begin operation of your Business within 90 days of the date you sign the License Agreement. We do not need to approve a proposed site.

Typical Length of Time Between Signing License Agreement and Opening Licensed Business

We anticipate the typical length of time between signing the License Agreement or the first payment of consideration for the Licensed Business and opening a FranNet Business will be 90 days. The factors that affect this time are your ability to obtain office space and to complete the initial required training course to our satisfaction.

Training Program

Within 3 months of signing the License Agreement and before you commence operation of your FranNet Business, you and your associates or employees whose responsibilities include communicating or meeting with Prospects must attend and complete, to our satisfaction, our initial training program concerning the System and the operation of a FranNet Business. The initial training program will consist of approximately 5 days of training and will take place at our training facility in Louisville, Kentucky, or another city designated by us. Instructional materials for the training program are the Operations Manuals, course material, software instruction, office management material, and other promotional literature. Training programs are conducted every quarter on an as-needed basis. All training will be conducted by an experienced employee of FranNet or Licensee, and also may be performed by third parties, such as a business coach. In general, instructors must have a minimum of one year experience in the field.

All of your employees and associates whose responsibilities will include communicating or meeting with Prospects must also attend and complete the initial training program to our satisfaction before the employee's or associate's communication or meeting with any Prospect. We will provide you with optional continuing training sessions at our headquarters or one of our regional training sites. In addition, you and any of your employees or associates who meet with Prospects must attend at least one FranNet National Meeting for Licensees annually.

For all training programs, seminars and meetings required by the License Agreement, you will be responsible for (1) any training fee imposed by us or a third party providing training to you, your employees, and associates, and (2) any and all expenses incurred by you, your employees, and associates in attending these programs and seminars, including the costs of transportation, lodging, meals, and wages.

INITIAL TRAINING PROGRAM

Subject	Hours of Virtual Classroom Training	Hours of HQ Classroom Training	Hours of on the Job Training	Training Location
Pre-Training			40	Home
On-Site Visit to Coach's Office	0	0	16	Coach's Office-Location TBD
Introduction to FranNet & What We Do	1	0	0	Designated FranNet Training Location
Step 1: Generating Leads Marketing & Advertising	2	2	0	Designated FranNet Training Location
Working with Recruiting Sources	0	1	0	Designated FranNet Training Location
Referral Sources	2	1	0	Designated FranNet Training Location
Working with Internet Leads	0	1	0	Designated FranNet Training Location
Seminars	3	5	0	Designated FranNet Training Location
Step 2: Initial Contact. Screening, Making/Getting Appointments	0	2	0	Designated FranNet Training Location
The FranNet Questionnaire	0	1	0	Designated FranNet Training Location
Step 3: Meeting Preparation	3	2	0	Designated FranNet Training Location
The Face to Face Meeting. Role Plays	0	5	0	Designated FranNet Training Location
Dealing with Franchisors	0	1	0	Designated FranNet Training Location
Inventory: Matching Clients with Franchisors	1	1	0	Designated FranNet Training Location
Post Meeting Follow Up	1	1	0	Designated FranNet Training Location
Technology Tools	1	0	0	Designated FranNet Training Location
Legal Issues	1	0	0	Designated FranNet Training

Subject	Hours of Virtual Classroom Training	Hours of HQ Classroom Training	Hours of on the Job Training	Training Location
				Location
E & O	1	0	0	Designated FranNet Training Location
Next Steps	0	1	0	Designated FranNet Training Location

Computer Hardware/Software

You must purchase or lease, and subsequently maintain, the computer hardware and software we specify or require periodically for use in your FranNet Business. You must also install and maintain the equipment, make the arrangements, and follow the procedures we require in the Manuals for the establishment and maintenance of Internet access (which must be high-speed if available), intranet or extranet access, e-mail account(s), or other means of electronic communication as we specify periodically.

We currently require that you purchase and use a laptop computer with Internet access. The computer system will be used for generating leads. We estimate the cost of the computer hardware and software to be between \$2,000 and \$5,000. We do not currently have independent access to the information and data generated by your computer system, and we are not obligated to provide or assist you in obtaining your computer system. You are not required to upgrade computer hardware or software unless we recommend that you implement a new software or computer hardware for the operation of the FranNet Business and this implementation results in your inability to communicate with us. There are no limitations on the cost and frequency of maintenance or upgrade of the computer hardware or software.

ITEM 12 TERRITORY

You will be granted a specific territory (the "Territory") in which to operate your Licensed Business. Your Territory will be defined as a specific geographic area identified using commonly understood state, county, municipal or postal area definitions. Your Territory will generally be located in one of the top 100 markets in North America with a minimum population of 500,000. In certain markets there may be more than one licensee if we determine that the market needs additional licensees and if your License Agreement does not prohibit us from entering into another license agreement for that market.

You must concentrate your primary FranNet Business activities within the Territory. You are permitted to solicit Prospects and market your services only within the Territory. You may work with any Prospect referred to you or secured by your purchase of leads generated by us from various internet sites, in any geographic location, and in accordance with our internet lead policy, except those specifically restricted. If you should elect to expand into another Territory, then with our express written consent, you will sign our then-current FranNet License Agreement for your expanded territory.

During the term of the License Agreement, we will not locate, nor grant a license to anyone else to locate, an office for another FranNet Business within the Territory if you comply with the License Agreement. There are no restrictions on your relocation of the FranNet Business so long as the relocation is within the Territory, and the relocated facility is acceptable to us, as outlined in the License Agreement. You cannot unilaterally modify the Territory. If you wish to do so, you must obtain our prior approval and the License Agreement will need to be amended. Our approval is based on certain factors, including your ability to meet annual minimum production schedule quotas and whether relocation will result in us obtaining a replacement licensee with better performance results.

We retain the following rights, through affiliates or directly, to: (1) sell (or authorize others to sell) services that are not competitive with the Services authorized for FranNet Businesses, using trade names, trademarks, service marks and commercial symbols other than the Marks; (2) operate and grant to others the right to operate FranNet Businesses that are located in any other territory; (3) sell (or authorize others to sell) services other than the Services, including consulting services, using the Marks within or outside of the Territory; (4) sell (or authorize others to sell) Services using trade names, trademarks, service marks and commercial symbols other than the Marks, within or outside of the Territory; and (5) sell (or authorize others to sell) Services through other channels of distribution for Franchisors in which we or our affiliates have ownership interests. You will not be compensated if we or our affiliates solicit or accept business from inside your Territory.

You must meet the annual minimum production schedule as a quota, which will be specified in your License Agreement as a dollar amount or number of deals. In the event that you do not meet the production schedule, at our option, we will have the right to any or all of the following remedies: (1) suspend our performance and obligations under the License Agreement; (2) terminate the territorial protection granted under the License Agreement, and we will have the right to establish and operate, and license others to establish and operate, FranNet Businesses within your Territory; (3) reduce the size of your Territory for which you are granted territorial protection under the License Agreement; and (4) upon 30 days prior notice terminate the License Agreement.

We may authorize you to open more than one FranNet Business office within your Territory, depending on market demand factors. Otherwise, you will not be granted any option, or right of first refusal or similar right to acquire additional licenses within your Territory, or in a contiguous territory. Except as otherwise described above in this Item 12, your Territory may not be changed during the term of the License Agreement

As described in Item 1, our Predecessors entered into various business arrangements with independent associates who operate under the name “FranNet” and provide franchise-consulting services. To some extent, you may have to compete with these associates. We have not established, nor do we presently intend to establish, other licenses or company-owned outlets, or other channels of distribution selling or leasing similar products or services under a different trade name or trademark; but, we retain the right to do so without providing any compensation to you. Neither we nor our affiliates are restricted from establishing other franchises or company-owned outlets or other channels of distribution selling or leasing similar products or services under a different mark.

ITEM 13
TRADEMARKS

You will be granted the right, by the License Agreement, to establish and operate a Licensed Business under the Mark “FranNet” and other trademarks, trade names, and service marks as we may designate as part of the System (collectively the “Marks”).

We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) the following mark:

Service Mark	Registration Number	Registration Date
FRANNET THE FRANCHISE CONNECTION	2183697	August 25, 1998
FRANNET	3721884	December 8, 2009
FRANNET LOCAL. TRUSTED. FRANCHISE EXPERTS	3725072	December 15, 2009

There are no agreements currently in effect which significantly limit our right to use or license the use of these Proprietary Marks which are in any manner material to the franchise. We do not actually know of any superior rights or infringing uses that could materially affect your use of the Marks in this state or elsewhere.

All required affidavits pertaining to these registrations have been filed. There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state, or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which may be relevant to their use in this state or otherwise.

You must promptly notify us in writing of any use, claims or rights to, or a trademark identical to or confusingly similar to our Marks that you become aware of. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We need not defend you against any third-party claim, suit, or demand arising out of your use of the Marks. We need not indemnify you for expenses or damages for which you may be liable as a result of your use of the Marks.

If it becomes advisable at any time in our sole judgment for your FranNet Business to modify or discontinue the use of any of the Marks, or for your FranNet Business to use one or more additional or substitute trademarks or service marks, you must comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you, at your sole cost and expense.

ITEM 14 **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

Patents and Copyrights

We do not own any right in, or to, any patents or registered copyrights that are material to the license. Although we have not filed an application for copyright registration for the Operations Manuals or our proprietary Questionnaire or “Roadmap to Success”) (formerly “Blueprint for Success”) brochure, we claim copyrights and the information and material is proprietary.

Confidential Operations Manuals

To protect our reputation and goodwill and to maintain high standards of operation under our Marks, you must operate your business in accordance with the Operations Manuals. Upon your completion of our initial training program to our satisfaction, we will loan you one copy of our Operations Manuals for the term of the License Agreement. The Operations Manuals will contain mandatory and suggested specifications, standards and operating procedures which we prescribe for FranNet Businesses.

The Operations Manuals may be modified periodically by us to reflect changes in operating procedures and other aspects of operating your FranNet Business. The most current version of the Operations Manual will be maintained on the myfrannet.com website. You must keep apprised of changes to the Operations Manual by periodically checking the myfrannet.com website. If a dispute develops with respect to the contents of the Operations Manuals, the master copies we maintain at our principal office will be controlling. You agree that you will not permit any part of the Operations Manuals to be copied or disclosed without our permission.

Confidential Information

We own, and may develop in the future, certain confidential and proprietary information and/or trade secrets consisting of the following categories of information: (1) methods, techniques, formats, specifications, procedures, information related to, and knowledge of and experience in, the development, operation and licensing of FranNet Businesses (including our proprietary Questionnaire, “ Roadmap for Success” brochure, and “Cross Roads “ brochure); (2) the contents of the Operations Manuals; and (3) marketing and promotional programs for FranNet Businesses. If you are aware during the term of the License Agreement of any unauthorized access or use of this confidential information, you must timely inform us of any unauthorized use. You may not use the confidential information in any other business or capacity and must maintain the absolute confidentiality of the confidential information during and after the term of the License Agreement.

In order to protect the confidential information against unauthorized use or disclosure, during the term of the License Agreement and subsequently, neither you, nor any member of your immediate family (and if a corporation, limited liability company or partnership is the Licensee, neither the shareholders, members, partners nor any members of their immediate families) may use the confidential information in any business activities other than through your FranNet Business, nor will you or they use any identity other than that of a FranNet licensee.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must perform your obligations under the License Agreement faithfully and honestly, and to continuously exert your best efforts to promote and enhance your FranNet Business, for the full term of the License Agreement. You (or, if you are a corporation, partnership or limited liability company, at least one of your principals who has completed our initial training program) must participate personally in the direct operation of the FranNet Business as the on-premises supervisor and manager.

At our request, your manager and other personnel having access to any of our confidential information, as we require, must sign our non-competition covenants and covenants that they will maintain the confidentiality of information they receive in connection with their employment by you at your FranNet Business. Your manager(s) and employee(s) who receive any of our proprietary materials must return these materials to us upon leaving your employment and must maintain the confidentiality of these materials. The on-premises supervisor must successfully complete the initial training program; however, if you are an entity, this supervisor need not have a particular equity interest in the FranNet Business.

You may add additional sales personnel in your Territory if they (a) have been approved by us; (b) are covered in a written agreement to which you and we are parties; and (c) comply with all training and professional standards required by us.

All principal owners of the Licensee must also personally guarantee all of the obligations of the Licensee under the License Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All Franchisors represented by you and other licensees must first be approved by us, and all contracts with Franchisors will be negotiated by us. Regional or local opportunities may arise where a Franchisor not yet ready to be considered for our national inventory, or which may have a specific market need, may come to your attention. Before you may provide Services to this Franchisor, you must request and seek our consent. You may not provide Services to this Franchisor until consent is obtained in writing by us.

You may only provide the consulting and other services authorized under the License Agreement, and only to Franchisors approved in writing by us. You must provide all services designated by us in the License Agreement, the Operations Manual, or other written form.

The License Agreement does not limit our right to make changes in the types of authorized goods and services.

See Item 12 for restrictions related to your Territory.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions in the License Agreement. You should read these provisions in the License Agreement attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

	PROVISION	SECTION IN LICENSE AGREEMENT	SUMMARY
a	Length of the franchise term	2.2	10 years.
b	Renewal or extension of the term	16	You will have the option to enter into successor licenses for additional, consecutive terms of 10 years.
c	Requirements for franchisee to renew or extend	16	You have complied with your License Agreement and not had any bona fide defaults for the last 2 years of the initial term; sign our then current form of License Agreement and ancillary agreements for new licensees which may contain terms materially different from the terms of the initial License Agreement; sign a general release of all claims against us; pay a successor license fee; and request the successor license not more than 180 days nor less than 60 days before the end of the term of the License Agreement.
d	Termination by franchisee	Not applicable	The License Agreement does not contain this provision.
e	Termination by franchisor without cause	Not applicable	The License Agreement does not contain this provision.
f	Termination by franchisor with cause	14	We have the right to terminate the License Agreement with cause. Depending upon the reason for termination, we may not provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g	Cause defined – curable defaults	14.2	Except as described in this Item 17(h), you have 30 days to cure defaults.
h	Cause defined – non-curable defaults	14.1	Non-curable defaults include: failure to complete initial training; abandonment; material misrepresentation or omission in license application; conviction of or plead no contest to certain crimes or offenses; unauthorized transfer; unauthorized use, duplication or disclosure of confidential information, the Marks or the Operations Manuals; violation of terrorist laws, ordinances or regulations; failure on 2 or more occasions within a 12-month period to make payments or comply with the License Agreement; failure to achieve your production quotas; provision of Services to an unapproved Franchisor; and others.
i	Franchisee’s obligations on termination/ non-renewal	15	Pay all monies owed to us or our affiliates; cease using the Marks; return to us, remove the Marks from, or destroy (whichever we specify) all forms and materials containing the Marks or otherwise relating to a FranNet Business; cancel any assumed name or equivalent registrations relating to your use of any Mark; assign any internet address, telephone advertising, telephone number, or web site containing any of our Marks; and cease using our confidential information and return to us the Operations Manuals and any other confidential materials. There are other obligations as well.

	PROVISION	SECTION IN LICENSE AGREEMENT	SUMMARY
j	Assignment of contract by franchisor	13.1	We have the right to transfer our interests in the License Agreement to any person or legal entity.
k	“Transfer” by franchisee – definition	13.2	You may not transfer the License Agreement or any interest in it, any material asset, or any part or all of the ownership of Licensee without our prior written approval.
l	Franchisor’s approval of transfer by franchisee	13.2	Any purported transfer not having our written approval will constitute a breach of the License Agreement and convey no rights or interests.
m	Condition for franchisor’s approval of transfer	13.3	Conditions of approval include: our prior written consent; the transferee is of good moral character and otherwise meets our then-applicable standards for Licensees; the transferee has sufficient business experience, aptitude and financial resources to operate a FranNet Business; your monetary obligations have been satisfied; the transferee has completed our training programs; you or the transferee pays a transfer fee plus our out-of-pocket costs paid to third parties who participate in training the transferee; the transferee signs our then-current form of license agreement, and the transferee’s principals guarantees the transferee’s performance in writing; transferor signs a general release; and others.
n	Franchisor’s right of first refusal to acquire franchisee’s business	Not applicable	The License Agreement does not contain this provision.
o	Franchisor’s option to purchase franchisee’s business	Not applicable	The License Agreement does not contain this provision.
p	Death or disability of franchisee	13.4	Upon your death or permanent disability, an approved transfer must occur within 6 months.
q	Non- competition covenants during the term of the franchise	15.5	Neither you nor any immediate family member will maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business within your Territory and/or within an area that is within a 50-mile radius of (i) your Territory, or (ii) any other FranNet business.
r	Non- competition covenants after the franchise is terminated or expires	15.5	For a period of one year commencing on the date of termination or expiration, neither you nor any immediate family member will maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business within your Territory and/or within an area that is within a 50-mile radius of (i) your Territory, or (ii) any other FranNet business.
s	Modification of the Agreement	17.8	Except as expressly provided otherwise in the License Agreement, all modifications to the License Agreement must be in writing and signed by both parties.

	PROVISION	SECTION IN LICENSE AGREEMENT	SUMMARY
t	Integration/merger clauses	17.8	The License Agreement constitutes the entire agreement between the parties. Nothing in the License Agreement or any related agreement is meant to disclaim representations made by us in this Franchise Disclosure Document.
u	Dispute resolution by arbitration or mediation	17.3	Most disputes and claims relating to the License Agreement will be settled by arbitration at the office of the American Arbitration Association located in the city and state in which
v	Choice of forum	17.7	The state and federal courts in Philadelphia, Pennsylvania.
w	Choice of law	17.6	The License Agreement will be governed by the laws of the State of Pennsylvania.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our licenses.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting **Jania Bailey at 10302 Brookridge Village Blvd., Suite 201, Louisville, Kentucky 40291 (502-753-2380)**, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Licensed Franchisee Summary
For Years 2013-2015

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised *	2013	52	55	3
	2014	55	57	2
	2015	57	55	-2
Company Owned	2013	0	0	0
	2014	0	0	0

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
	2015	0	0	0
Total Outlets *	2013	52	55	3
	2014	55	57	2
	2015	57	55	-2

**Table No. 2
Transfers of Franchised Outlets
For Years 2013-2015**

State	Year	Number of Transfers
Alabama	2013	0
	2014	0
	2015	0
Alaska	2013	0
	2014	0
	2015	0
Arizona	2013	0
	2014	0
	2015	0
Arkansas	2013	0
	2014	0
	2015	0
California	2013	0
	2014	1
	2015	1
Colorado	2013	0
	2014	0
	2015	0
Connecticut	2013	0
	2014	0
	2015	0
Delaware	2013	0
	2014	0
	2015	0
District of Columbia	2013	0
	2014	0
	2015	0
Florida	2013	0

State	Year	Number of Transfers
	2014	0
	2015	0
Georgia	2013	0
	2014	0
	2015	0
Hawaii	2013	0
	2014	0
	2015	0
Idaho	2013	0
	2014	0
	2015	0
Illinois	2013	0
	2014	0
	2015	0
Indiana	2013	0
	2014	0
	2015	0
Iowa	2013	0
	2014	0
	2015	0
Kansas	2013	0
	2014	0
	2015	0
Kentucky	2013	0
	2014	1
	2015	0
Louisiana	2013	0
	2014	0
	2015	0
Maine	2013	0
	2014	0
	2015	0
Maryland	2013	0
	2014	0
	2015	0
Massachusetts	2013	0
	2014	0
	2015	0
Michigan	2013	0
	2014	0

State	Year	Number of Transfers
	2015	0
Minnesota	2013	0
	2014	0
	2015	0
Mississippi	2013	0
	2014	0
	2015	0
Missouri	2013	0
	2014	0
	2015	0
Montana	2013	0
	2014	0
	2015	0
Nebraska	2013	0
	2014	0
	2015	0
Nevada	2013	0
	2014	0
	2015	0
New Hampshire	2013	0
	2014	0
	2015	0
New Jersey	2013	0
	2014	0
	2015	0
New Mexico	2013	0
	2014	0
	2015	0
New York	2013	0
	2014	0
	2015	0
North Carolina	2013	0
	2014	0
	2015	0
North Dakota	2013	0
	2014	0
	2015	0
Ohio	2013	0
	2014	0
	2015	0

State	Year	Number of Transfers
Oklahoma	2013	0
	2014	0
	2015	0
Oregon	2013	0
	2014	0
	2015	0
Pennsylvania	2013	0
	2014	0
	2015	0
Rhode Island	2013	0
	2014	0
	2015	0
South Carolina	2013	0
	2014	0
	2015	0
South Dakota	2013	0
	2014	0
	2015	0
Tennessee	2013	0
	2014	0
	2015	0
Texas	2013	0
	2014	0
	2015	2
Utah	2013	0
	2014	0
	2015	0
Vermont	2013	0
	2014	0
	2015	0
Virginia	2013	0
	2014	0
	2015	0
Washington	2013	0
	2014	0
	2015	1
West Virginia	2013	0
	2014	0
	2015	0
Wisconsin	2013	0

State	Year	Number of Transfers
	2014	0
	2015	0
Wyoming	2013	0
	2014	0
	2015	0
Canada	2013	0
	2014	0
	2015	0
TOTALS	2013	0
	2014	2
	2015	4

**Table No. 3
Status of Franchised Outlets
For Years 2013-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
Alabama	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Alaska	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Arizona	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Arkansas	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
California	2013	6	0	0	0	0	0	6
	2014	6	1	0	0	0	0	7
	2015	7	0	0	0	0	0	7
Colorado	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Connecticut	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Delaware	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
District of Columbia	2013	*2	0	0	0	0	0	*2
	2014	*2	0	0	0	0	0	*2
	2015	*2	0	0	0	0	0	*2
Florida	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
Florida	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Georgia	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Hawaii	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Idaho	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Illinois	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
Illinois	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Indiana	2013	*3	0	0	0	0	0	*3
	2014	*3	0	0	0	0	0	*3
	2015	*3	0	0	0	0	0	*3
Iowa	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Kansas	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	1	0	*1
Kentucky	2013	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Louisiana	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Maine	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Maryland	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Massachusetts	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	1	0	1
Massachusetts	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Michigan	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Minnesota	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Mississippi	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Missouri	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	1	0	1
Montana	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Nebraska	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Nevada	2013	*1	0	0	0	0	0	*1
	2014	*1	1	0	0	0	*1	1
	2015	1	0	0	0	0	*1	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
New Hampshire	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
New Jersey	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
New Jersey	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
New Mexico	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
New York	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
North Carolina	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
North Dakota	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Ohio	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
Oklahoma	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Oregon	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Pennsylvania	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
Rhode Island	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
South Carolina	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
South Dakota	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Tennessee	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Texas	2013	3	1	0	0	0	0	4
	2014	4	1	0	0	0	0	5
	2015	5	0	0	0	0	0	5
Utah	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Vermont	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Virginia	2013	3	0	0	0	0	1	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
Washington	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
West Virginia	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Wisconsin	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Wyoming	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
Canada	2013	6	1	0	0	0	0	7
	2014	7	0	0	0	0	1	6
	2015	6	0	0	0	0	1	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Puerto Rico	2013	*1	0	0	0	0	0	*1
	2014	*1	0	0	0	0	0	*1
	2015	*1	0	0	0	0	0	*1
# Arizona	2014	1	0	0	0	0	0	1
# New Mexico	2014	1	0	0	0	0	0	1
# New York	2014	1	0	0	0	0	0	1
Sub-Totals	2013	52	4	0	0	0	1	55
	2014	55	3	0	0	0	1	57
	2015	57	0	0	0	2	0	55
*Multi-territory	2013	20	0	0	0	0	0	20
	2014	20	0	0	0	0	1	19
	2015	19	0	0	0	2	0	17
Grand Total	2013	72	4	0	0	0	1	75
	2014	75	3	0	0	0	2	76
	2015	76	0	0	0	2	0	74

*Multi-territory (Licensee covers this territory as outlined in the License Agreement)

Hobasco Territores (See Exhibit G) Not included in totals

-Territory merged with existing Territory

Table No. 4
Status of Company-Owned Outlets
For Years 2013-2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee
Kentucky	2013	0	0	0
	2014	0	0	0
	2015	0	0	0
TOTALS	2013	0	0	0
	2014	0	0	0
	2015	0	0	0

Table No. 5
Projected Openings as of December 31, 2015

State	Franchise Agreements signed But Outlet Not Opened	Projected New Franchised Outlets in The Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Oklahoma	0	1	0
TOTALS	0	1	0

Our fiscal year end is December 31.

The name, business address, and business telephone number of each current franchisee on December 31, 2015 is attached as **Exhibit D**.

The name, last known home address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the License Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure documents is attached as **Exhibit E**.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. While we encourage you to speak with current and former franchisees, be aware that not all such franchisees will be able to communicate with you.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

The name, address, telephone number, e-mail address and web address of our Franchise Advisory Council is fac@franet.com. The Franchise Advisory Council was created by us to manage and administer the Marketing Program. See Item 11.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit C is our audited balance sheet, statement of operations, shareholder's equity, and cash flows as of December 31, 2013, December 31, 2014, and December 31, 2015

ITEM 22
CONTRACTS

The following agreements related to the offering of the FranNet Business license are attached as Exhibits to this offering circular:

Exhibit B License Agreement

ITEM 23
RECEIPT

A receipt in duplicate is attached to this disclosure document. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to **Jania Bailey, FranNet, LLC, 10302 Brookridge Village Boulevard, Suite 201, Louisville, Kentucky 40291**.

The name, principal business address and telephone number of each franchise seller offering our franchise is:

Jania Bailey
10302 Brookridge Village Blvd.
Suite 201
Louisville, KY 40291
502-753-2380

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

The following list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent we are registered in their states). The list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Department of Business Oversight 320 West 4 th Street Suite 750 Los Angeles, CA 90013 (213) 576-7500 (p) (866) 275-2677 (toll-free)	California Commissioner of Department of Business Oversight Department of Business Oversight 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 1-866-275-2677
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722 (p)	Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Attorney General Franchise Division State of Illinois 500 South Second Street Springfield, IL 62706 (217) 782-4465 (p)	Illinois Attorney General 500 South Second Street Springfield, IL 62706
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street Room E111 Indianapolis, IN 46204 (317) 232-6681 (p)	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531 (p)
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 (p)	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
MICHIGAN	Consumer Protection Division Franchise Section Michigan Department of Attorney General G. Mennan Williams Building, 6 th Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporation and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Department of Commerce 85 7 th Place East Suite 500 St. Paul, MN 55101-2198 (612) 296-4026 (p)	Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198
NEW YORK	New York Department of Law Bureau of Investor Protection and Securities 120 Broadway New York, NY 10271 (212) 416-8211 (p)	Secretary of State of New York 41 State Street Albany, NY 12231

State	State Agency	Agent for Service of Process
NORTH DAKOTA	Securities Commission State of North Dakota Capitol Building 600 East Boulevard 5 th Floor Bismarck, ND 58505 (701) 328-4712 (p)	Securities Commissioner, State of North Dakota Fifth Floor 600 East Blvd. Bismarck, ND 58505
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street N.E. Suite 410 Salem, OR 97310 (503) 378-4387 (p)	Department of Consumer and Business Services Division of Finance and Corporate Securities State of Oregon 350 Winter Street, NE, Room 21 Portland, OR 97310
RHODE ISLAND	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500 (p)	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 South Euclid Street, Suite 104 Pierre, SD 57501 (605) 773-4823	Department of Labor and Regulation Division of Securities 124 South Euclid Street, Suite 104 Pierre, SD 57501
VIRGINIA	State Corporation Commission Division of Securities & Retail Franchising 1300 East Main Street 9 th Floor Richmond, VA 23219 (804) 371-9051 (p) (804) 371-9911 (f)	Clerk of the State Corporation Commission 1300 East Main Street 1 st Floor Richmond, VA 23219 (804) 371-9733 (p)
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98501	Director of Department of Financial Institutions Securities Division State of Washington 150 Israel Road SW Olympia, Washington 98501
WISCONSIN	Director of Divisions of Securities Registration Division 101 East Wilson Street 4 th Floor Madison, WI 53703 (608) 266-1365 (p)	Commissioner of Securities Wisconsin Securities Commission 345 W. Washington Ave., 4 th Floor P.O. Box 1768 Madison, WI 53703
ALL OTHER STATES	None	Jania Bailey FranNet, LLC 10302 Brookridge Village Blvd, Suite 201 Louisville, KY 40291

EXHIBIT "B" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

LICENSE AGREEMENT

FRANNET, LLC
LICENSE AGREEMENT

Licensee

Term of Agreement

License No.

Office Address / Territory

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OWNER'S GUARANTY AND ASSUMPTION OF LICENSEE'S OBLIGATIONS

FRANNET, LLC
LICENSE AGREEMENT

This Agreement is entered into as of _____, 20___. The parties to this Agreement are you, _____ as Licensee, and us, FRANNET, LLC, as Licensor, a New Jersey limited liability company, with our principal office at 10302 Brookridge Village Blvd., Suite 201, Louisville, KY 40291.

1. INTRODUCTION

This Agreement has been written in an informal style to make it more easily understandable and to help you become thoroughly familiar with all of the important rights and obligations contained in this Agreement before you sign it. In this Agreement, we refer to FRANNET, LLC as “we”, “us” or “ourselves”, or in some cases as the “Licensor.” We refer to you as “you” or in some cases as “Licensee.”

We are engaged in the business of consulting with and representing franchisors, potential franchisors, licensors, and other business opportunity companies (all of which we refer to as “Franchisors”) in connection with the sale of their franchises, business opportunities, licenses and existing resales of same (all of which we refer to as “Franchise” or “Franchises”). In the course of conducting our business, we recruit and meet with potential franchisees (“Prospects”) and exchange information with them to help determine what type of Franchise and which Franchisors may be most suitable.

Through the expenditure of considerable time and effort, we have acquired experience, skills, methods, techniques and knowledge relating to the representation of Prospects of Franchises as well as the growth and development of Franchisors identifying, evaluating and introducing Prospects (the “Services”), and have developed methods, formats and procedures (all of which we refer to as the “System”). We identify FranNet and various components of the System by certain trademarks, service marks and other commercial symbols, including the mark “FranNet” (which we refer to as the “Marks”). The businesses which offer the Services and such other related programs and services as we designate from time to time under the Marks are known, and referred to in this Agreement, as “FranNet Businesses.” We may, in the future, develop, enhance or modify various aspects of the System or adopt other trademarks, service marks or other commercial symbols which you must use as a Licensee.

2. GRANT OF LICENSE

2.1 Grant

Subject to the provisions of this Agreement, we grant to you a License the “License” or “your License”) to operate a FranNet Business (the “Business” or “your Business”) in the territory described in Exhibit “A” of this Agreement (the “Territory”)

2.2 Term of License

You will have the right to use the Marks and the System in the operation of your Business for a term of ten (10) years, beginning on the date on page 1 of this Agreement (the “Effective Date”) subject to your rights to a successor license described in Section 16. Termination or expiration of this Agreement will constitute a termination or expiration of your License. The License granted to you by this Agreement is for the opportunity to operate the Business and to use the Marks and the System only for the purpose of operating a FranNet Business.

2.3 Full Term Performance

You agree to perform your obligations under this Agreement faithfully and honestly, and to continuously exert your best efforts to promote and enhance your Business, for the full term of this Agreement.

2.4 Business Office and Customer Restrictions

You must have a business office physically located within your Territory, and you must have access to a business office in a professional setting for meeting with clients, which shall at all times be physically located within the Territory. You are solely responsible for selecting your office location. Written consent to open an office will be granted based on FranNet’s judgment that a) the office to be opened will not interfere with any existing or contemplated FranNet contractual agreement, or b) the opening of the office will not be injurious to the FranNet system in whole or in part. You are required to concentrate your primary Business activities within the Territory. You must commence operation of your Business within ninety (90) days of the Effective Date.

You are permitted to solicit Prospects and market your services only within the Territory. You may work with any Prospect referred to you or secured by your purchase of leads generated by us from various internet sites, in any geographic location, and in accordance with our internet lead policy described in the Operations Manuals or otherwise in writing from time-to-time, except those specifically restricted. If you should elect to expand into another Territory, then with the express written consent of FranNet, you will sign and execute the then-current FranNet License Agreement for your expanded territory.

2.5 Our Territorial Restrictions

During the term of this Agreement, we will not locate, nor grant a license to anyone else to locate, an office for another FranNet Business within the Territory as long as you comply with this Agreement.

2.6 Reservation of Rights

Regardless of any of the foregoing, we retain the following rights, through affiliates or directly, without granting any rights to you, to:

- 2.6.1 sell (or authorize others to sell) services that are not competitive with the Services authorized for FranNet Businesses, using trade names, trade marks, service marks and commercial symbols other than the Marks;
- 2.6.2 operate and grant to others the right to operate FranNet Businesses that are located in any other territory;
- 2.6.3 sell (or authorize others to sell) services other than the Services, including but not limited to, consulting services, using the Marks within or outside of the Territory;
- 2.6.4 sell (or authorize others to sell) Services using trade names, trade marks, service marks and commercial symbols other than the Marks, within or outside of the Territory; and
- 2.6.5 sell (or authorize others to sell) Services through other channels of distribution for Franchisors in which we or our affiliates have ownership interests.

2.7 Modifications to the System

You acknowledge that the System may be supplemented, improved, and otherwise modified from time to time by us; and you agree to comply with all of our reasonable requirements in that regard, including, without limitation, offering and selling new or different services, programs or products as specified by us.

3. SERVICES OF LICENSOR

As Licensor, we will: (a) loan to you a copy of the current Operations Manuals and all revisions and updates (as described in Section 5.2 of this Agreement); (b) provide an initial training program (as described in Section 4 of this Agreement); (c) provide you with ongoing assistance and guidance in the operation of your Business as described in Section 5.1; (d) provide you with the specifications for the Marks you use as described in Section 6; and (e) pay your commissions and other compensation as set forth in Exhibit “B.”

As used in this License Agreement, the term “Gross Consulting Income” means all income derived or accrued from any benefit granted under this License Agreement and includes income events identified in Exhibit “B” hereto. FranNet shall assume the costs of any effort, including legal fees, to collect Gross Consulting Income that is, in FranNet’s sole opinion, due and payable based on your activities utilizing FranNet’s consulting methodology and generated as a result of providing a lead which you sent to a Franchisor. You will immediately remit in full to FranNet any Gross Consulting Income you receive from any source for performing Services. You may retain any non-monetary gifts or trips presented to you by Franchisors. If any Franchisor shall declare the value of any such non-monetary gift or income to FranNet, then FranNet shall declare the same values as income to you.

4. TRAINING

4.1 Training Programs

Before the opening of your Business, we will provide an initial training program concerning the System and the operation of a FranNet Business. Such training program will be furnished at our headquarters or one of our regional training sites. You must complete the initial training program to our satisfaction. All of your employees and sub-associates whose responsibilities will include communicating or meeting with Prospects must also attend and complete the initial training program to our satisfaction prior to such employee's or sub-associate's communication or meeting with any Prospect. We will also provide you with optional continuing training sessions at our headquarters or one of our regional training sites. For all training programs and seminars required by this Agreement, you will be responsible for (1) any training fee imposed by us or a third party providing training to you, your employees, and sub-associates, and (2) any and all expenses incurred by you, your employees, and sub-associates in attending such programs and seminars, including, without limitation, the costs of transportation, lodging, meals, and wages. You must pay us or a third party trainer designated by us \$5,000.00 as a training fee before you start training. In addition to the initial training fee for licensees, you must pay us or a third party trainer designated by us a training fee of \$1,500.00 for each of your employees and sub-associates that attend the initial training program.

4.2 Meeting Attendance

You agree that you and any of your employees or sub-associates who meet with clients will attend at least one FranNet National Meeting for Licensees annually, and bear any and all expenses incurred by you, your employees, and sub-associates in attending such meetings, including, without limitation, the costs of transportation, lodging, meals, and wages.

4.3 Our Right to Terminate this Agreement

If you fail to complete our initial training program to our satisfaction, or if we, in our sole discretion, determine upon your completion of training that you would not be a suitable licensee, we have the right to terminate this Agreement and refund to you fifty percent (50%) of your initial license fee.

5. GUIDANCE OPERATIONS MANUALS

5.1 Guidance and Assistance

During the term of this Agreement, we will furnish guidance and assistance to you periodically with respect to: (1) the marketing of the services offered by FranNet Businesses; (2) information about the Franchisors represented by FranNet; (3) general operating procedures; and (4) changes in any of the above that occur from time to time. This guidance and assistance will, in our discretion, be furnished in the form of the Operations Manuals (described in Section 5.2 below), bulletins, written reports and recommendations, other written publications and materials, electronic mail and telephone consultations.

5.2 Operations Manuals

We will loan to you during the term of this Agreement our confidential, proprietary Systems Documentation Materials including all system and procedures for dealing with Prospects and Franchisors (the “Operations Manuals”). The Operations Manuals will contain mandatory and suggested specifications, standards and operating procedures which we prescribe from time to time for FranNet Businesses. The Operations Manuals may be modified from time to time by us to reflect changes in operating procedures and other aspects of operating your FranNet Business. The most current version of the Operations Manual will be maintained on the myfrannet.com website. You must keep apprised of changes to the Operations Manual by periodically checking the myfrannet.com website. If a dispute develops with respect to the contents of the Operations Manuals, the master copies we maintain at our principal office will be controlling. You agree that you will not permit any part of the Operations Manuals to be copied or disclosed without our permission.

6. MARKS

6.1 Ownership and Goodwill of the Marks

You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to the operation of your Business pursuant to and in compliance with this Agreement. If you make any unauthorized use of any of the Marks, it will constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that this Agreement does not confer any goodwill, ownership or other interests in the Marks on you. All provisions of this Agreement which apply to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork and logos we may authorize and license you to use during the term of this Agreement.

6.2 Limitations on Use of the Marks

You agree not to use any Mark as part of any corporate or partnership name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, except as specifically approved by us. You agree not to use any Mark in connection with any unauthorized services or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe, and to use any notices of trademark and service mark registrations that we specify. You further agree to obtain any fictitious name, assumed name or “doing business as” registrations that may be required under applicable law.

6.3 Discontinuance of Use of Marks

If it becomes advisable at any time in our sole judgment for your Business to modify or discontinue the use of any of the Marks, or for your Business to use one or more additional or substitute trademarks or service marks, you agree to comply with our directions to modify or otherwise discontinue the use of such Mark, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you.

7. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

7.1 Independent Contractor; No Fiduciary Relationship

This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You will conspicuously identify yourself in all dealings with customers, suppliers, public officials and others as the owner of your Business pursuant to a license agreement with us.

7.2 No Liability; No Warranties

Except as expressly authorized by this Agreement, neither you nor we will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that the relationship between you and us is other than that of Licensee and Licensor. We will not assume any liability or be deemed liable for any agreements, representations or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the business you conduct pursuant to this Agreement.

7.3 Taxes

We will have no liability for any sales, service, use, excise, income, gross receipts, property or other taxes levied against you or your assets or on us in connection with the business you conduct or any payments you make to us or any affiliate pursuant to this Agreement or any related agreement.

7.4 Indemnification

You agree to indemnify, defend and hold us, our affiliates, managers, members, shareholders, directors, employees, agents, successors and assigns, harmless against and to reimburse us for all obligations and damages described in Section 7.2, and any taxes described in Section 7.3, for which we are held liable and for all costs we incur in the defense of any such claim brought against us, including but not limited to actual and consequential damages, attorneys', accountants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. We have the right to defend any such claim against us. Your indemnification obligations described above will continue in full force and effect after the expiration or termination of this Agreement.

8. CONFIDENTIAL INFORMATION; OTHER ACTIVITIES

8.1 Types of Confidential Information

We own, and may develop in the future, certain confidential and proprietary information and/or trade secrets consisting of the following categories of information: (1) methods, techniques, formats, specifications, procedures, information related to, and knowledge of and experience in, the development, operation and licensing of FranNet Businesses; (2) the contents of the Operations Manuals; and (3) marketing and promotional programs for FranNet

Businesses. You acknowledge and agree that all such information (“Confidential Information”) is confidential and proprietary. If you are aware during the term of this Agreement of any unauthorized access or use of this Confidential Information, you are required to timely inform us of any such unauthorized use.

8.2 Nondisclosure Agreement

You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your Business. You agree that you will not use the Confidential Information in any other business or capacity and will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement. The restrictions on your disclosure and use of the Confidential Information will not apply to information which is generally known in the business brokerage business.

8.3 Other Activities

In order to protect the Confidential Information against unauthorized use or disclosure, you agree that during the term of this Agreement and thereafter, neither you, nor any member of your immediate family (and if a corporation, limited liability company or partnership is the Licensee, neither the shareholders, members, partners nor any members of their immediate families) will use the Confidential Information in any business activities other than through your Business, nor will you or they use any identity other than that of a FranNet licensee.

9. FEES

9.1 License Fee

The initial license fee is _____ Dollars (\$_____). The initial license fee is payable by you and fully earned by us upon execution of this Agreement. Except as otherwise provided in Section 4.3 above, the initial license fee is non-refundable.

9.2 Training Fee

You must pay to us or a third party trainer designated by us a training fee of \$5,000.00 before training. In addition to the initial training fee for licensees, you must pay us or a third party trainer designated by us a training fee of \$1,500.00 for each of your employees and sub-associates that attend the initial training program. This fee is non-refundable.

9.3 Insurance Premiums

You will pay to us ongoing periodic premiums for your pro-rata share (based on the number of Licensees covered) of premiums for errors and omissions insurance coverage, if we offer group coverage for such insurance as described in Section 10.3 below. The first premium is due when you sign the License Agreement. Premiums not paid within ten (10) days of the due date will be subject to a late fee equal to the lesser of: ten percent (10%) of the delinquent

amount or the highest applicable legal rate for open account business credit in your state. You acknowledge that your failure to pay all amounts when required under this Agreement shall constitute grounds for termination of this Agreement. The current pro rata charge per licensee for 2016 is \$337.88.

9.4 Ongoing Monthly Fees

You shall pay ongoing monthly fees as set forth in the FranNet Marketing Program described in Section 11.2 of this Agreement, administered by the franchise advisory council established by us (the "Council"). The Council will make recommendations to FranNet licensees regarding the use of marketing program fund monies. In addition, you must pay ongoing monthly fees as set forth in the FranNet Support Systems described in Section 11.9 of this agreement.

9.5 Other Fees

We may offer you services not offered under the terms of this License on an optional basis which you may or may not elect to utilize. If you elect to utilize such services, you agree to pay for such services within ten (10) days of the payment due date.

9.6 Services Approved by Council

In addition to the monthly marketing fees described above, there may be services utilized by you which may be recommended or required by the Council for marketing purposes, in accordance with its policies and procedures. You agree to pay for such services within ten (10) days of the payment due date.

10. OPERATION OF THE BUSINESS

10.1 Importance of System Image

You acknowledge that our standards are important to you, to us and to other licensees in order to increase the demand for the services of FranNet Businesses and to establish and maintain a reputation for operating high quality businesses. You agree that you will operate your Business in accordance with our standards and consistent with the image of a FranNet Business as a professional and efficiently operated business. Mandatory standards and operating procedures we prescribe from time to time for FranNet Businesses in the Operations Manuals, or otherwise communicate to you in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement.

10.2 Compliance with Laws and Good Business Practices

You agree to secure and maintain in force in your name all required licenses, permits and certificates. You agree to operate your Business in full compliance with all applicable laws, ordinances and regulations, and pay all taxes applicable to your Business; including any law, ordinance or regulation relating to terrorist activities. You shall (1) in all dealings with customers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical

conduct, (2) comply with all federal, state and local laws and regulations applicable to Franchise sales activities (including, without limitation, laws and regulations relating to disclosure, earnings claims, registration and advertising), and (3) not make any representations to any Prospects about the Franchises or otherwise which are misleading, incomplete, fraudulent or untrue, or which are contradicted by or inconsistent with the written materials provided to you (including, without limitation, Franchise agreements, disclosure documents, and Franchise operations manuals).

10.3 Insurance

During the term of this Agreement, you must maintain general liability insurance and errors and omissions insurance coverage at your sole expense and under policies of insurance issued and administered by carriers approved by us. The insurance policies must name FranNet LLC as an additional insured and must provide coverage for anyone in your office that works with Franchisors or Prospects. The policy must provide not less than ten (10) days notice of cancellation or non-renewal to us. We will attempt to arrange group policies providing errors and omissions insurance coverage. If we offer group coverage, you must participate and pay your pro-rata share of the premium (based on the number of Licensees covered). Such insurance coverage shall be maintained in such minimum amounts as we prescribe. We may periodically increase or decrease the amounts of coverage and require different or additional kinds of insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. If you do not maintain the required insurance coverage, we may obtain, at our option and in addition to our other rights and remedies under this Agreement, any required insurance coverage on your behalf and at your cost. You must provide us with a certificate of general liability insurance within (10) days of signing your License Agreement.

10.4 Production Schedule

You are required to meet the minimum production schedule as an annual quota, as described in Exhibit "C." In the event that you do not meet the commission quota in any period, at our option, we have the right to any or all of the following remedies: (1) to suspend our performance and obligations under this License Agreement; (2) to terminate the territorial protection granted under Section 2.5 above, in which event we will have the right to establish and operate, and license others to establish and operate, FranNet Businesses within the Territory; (3) to reduce the size of the Territory for which you are granted territorial protection under Section 2.5 above; (4) demand payment of 25% of the difference between the commission quota set forth on Exhibit "C" and the commissions earned in the applicable year, payable by March 31 in the year following of such deficiency; or (5) to terminate this License Agreement upon thirty (30) days written notice.

10.5 Computer System

You must purchase or lease, and thereafter maintain, the computer hardware and software we specify or require from time to time for use in your Business. You must also install and maintain the equipment, make the arrangements, and follow the procedures we require in the Manuals for the establishment and maintenance of Internet access (which must be high-speed if

available), intranet or extranet access, e-mail account(s), or other means of electronic communication as we specify from time to time.

10.6 Administrative Assistant

You must hire the services of an administrative assistant. This can be a virtual, part-time assistant, or a full-time office assistant.

11. MARKETING

11.1 Local Marketing, Advertising, and Promotion

You must make minimum monthly expenditures on local marketing, advertising, and promotion in such manner as we may, in our sole discretion, direct in the Operations Manuals or otherwise in writing from time to time. The amount of such expenditures shall be, at a minimum, (a) seven hundred fifty dollars (\$750) during each calendar month for the first thirty-six (36) months of the term of this Agreement, and (b) five hundred dollars (\$500) during each calendar month for the thirty-seventh month through the end of the term of this Agreement. You must provide satisfactory evidence of all local marketing, advertising, and promotion expenditures in such manner as we shall direct in the Operations Manuals or otherwise in writing from time to time.

11.2 FranNet Marketing Program

You shall participate in a central program (“Marketing Program”) which produces leads to licensees operating a FranNet business and conducts various marketing activities specified by the Council, including, but not limited to, engagement of a public relations firm; market research; market surveys; search engine optimization; maintenance and design of our website; payment of our association dues (including, without limitation, International Franchise Association and Canadian Franchise Association dues); maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations materials, sales materials and or promotional programs and materials; and payment of other costs that the Council believes are appropriate to enhance, promote and protect the FranNet System and brand. The Marketing Program shall be administered by the Council as follows:

11.2.1 Program Funding - The Marketing Program is funded by contributions from other FranNet Licensees and our self. The Marketing Program shall be managed entirely by the Council. The Council shall have sole discretion over how the Marketing Program contributions are expended. All sums paid by you to the Marketing Program will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except as otherwise described herein. We are not be obligated to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular licensee benefits directly or from expenditures by the Marketing Program. It is anticipated that all contributions to and earnings of the Marketing Program fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. You acknowledge that monies in the Marketing Program are not a trust or asset of

ours, and that neither we nor the Council are a trustee of the Marketing Program or the monies in it or a fiduciary to you with respect to them.

11.2.2 Licensee Participation You will participate in the Marketing Program, with a quarterly contribution of One thousand five hundred and fifteen dollars (\$1515) for each quarter as described in this Section 11.2.2. Said contribution amounts will not be increased by more than ten percent (10%) total in any calendar year, unless the Council implements a program(s) causing additional fees to be paid. You shall make payment for the upcoming quarter directly to us for the Marketing Program by the tenth (10th) day of January, April, July, and October during the term hereof. Payments are considered late if received after the tenth (10th) day of such month. If any payment is late, we will have the right, in addition to our other rights and remedies hereunder, to deny you access to any and all leads, programs and/or materials created by, and benefits of, the Marketing Program until such payment has been made. Upon the completion of our initial training program as required by Section 4 above, you will remit sufficient payments for the quarterly contribution to cover all amounts due for the days remaining in the quarter of completion of said Basic Training (pro-rated) plus pre-payment of the following quarter's amount. The Council shall have sole discretion to establish the budget for the Marketing Program, including the monthly marketing contribution.

11.2.3 Current Status The Marketing Program may place local, regional or national advertising, and may conduct any other activity that the Council feels is an effective method to produce leads for Prospects.

11.3 Internet Leads/Lead Assignment

We will, from time to time, obtain leads for Prospects from internet, publishing, Franchisors or other sources. You are required to purchase leads generated by us which are qualified and located in your Territory. You shall pay to us on a monthly basis the cost of the leads for the preceding month, which shall be the cost incurred by us in generating such leads. In no month shall the cost to you of the leads exceed one thousand two hundred and fifty dollars (\$1,250.00) per month, except as such maximum monthly cost per leads is increased or decreased at the Council's sole discretion. We will provide an invoice to you within five (5) days of the end of each month, containing the total cost of the leads for the preceding month. All payments required by this Section shall be paid by the tenth (10th) day of each month for the cost of the leads in the preceding month. The Council will assign all appropriate leads produced as described in this Section 11.3. This assignment will be done in your Territory in accordance with the terms of this Agreement and policies established by us. For 2014, the cost of internet leads ranges from \$25.00 to \$70.00 per lead.

11.4 Program Changes

- 1.1.1 The Council will operate pursuant to written governing documents which must be approved in advance by us in writing. We reserve the unconditional right to refuse to allow you to participate in the Marketing Program and the internet lead program described above, if you are in breach of this Agreement (including without limitation late payments hereunder) or any other agreement materially affecting us.

11.5 Non-Solicitation

You expressly agree that you will not solicit or accept marketing contributions, payments or support from a Franchisor, except that nothing herein shall prevent you and a Franchisor to agree to participate in a local event or trade show in your market and with the Franchisor contributing monetarily to that event. Any expressions of interest, made by a Franchisor to you, for providing any such marketing contributions, payments or support will be referred by you to us.

11.6 Separate Identity

If you use the System or the Marks to sell a franchise not approved by Franchisor; to resell an existing franchise; or in any way use the Mark or System for any other purpose, including, but not limited to, consulting, we shall receive a percentage of the fee earned in an amount not less than the fee on the Commission Schedule.

11.7 Approval of Promotional Materials Required

Before you use or disseminate advertising and promotional materials which were not prepared or approved by us, you must submit samples of such materials to us. We retain the right to require that you cease using any advertising or promotional materials that violate any state or federal laws, rules or regulations or that are considered by us, in our sole discretion, to constitute an unauthorized use of our Marks.

11.8 Approval of Franchisors Required

Regional or local opportunities may arise where a Franchisor not yet ready to be considered for our national inventory, or which may have a specific market need, may come to your attention. Before you may provide Services to this Franchisor, you must request and seek consent from us. You may not provide Services to this Franchisor until consent is obtained in writing from us and our Vice President of Franchisor Relations. Once approved, you may represent this Franchisor as if within our national inventory and derive the same fees for the same services. You acknowledge and agree that your failure to comply with the provisions of this Section 11.8 shall constitute a material breach of this Agreement.

11.9 FranNet Support System

You must pay us a FranNet Support System fee of \$250.00 per month for use of the Website, Myfrannet.com Software and Communication Center.

- 11.9.1 You specifically acknowledge and agree that any Web Site (as defined below) will be deemed “advertising” under this Agreement, and will be subject to (among other things) our approval under Section 11.7 above. As used in this Agreement, the term “Web Site” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers and/or other devices linked by communications software. The term Web Site includes, but is not limited to, the Internet and World Wide Web.
- 11.9.2 We will have the right, but not the obligation, to establish and maintain a Web Site (which may, without limitation, promote the Marks and/or the System, or serve as an intranet, extranet, or other means of electronic communication within the System). We will have the sole right to control all aspects of the Web Site, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Web Site at any time without notice to you.
- 11.9.3 Except as approved in advance in writing by us, you must not establish or maintain a separate Web Site, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Business. If such written approval is granted by us, you must establish and operate such Web Site in accordance with our standards and policies provided to you in the Operations Manuals or otherwise in writing from time to time.
- 11.9.4 We will have the right to modify the provisions of this Section 11.9 relating to Web Sites in the Operations Manuals, as we solely determine is necessary or appropriate for the best interests of the System.
- 11.9.5 During the term of the License Agreement, and provided you are not in default hereunder, you have the right to use the MyFranNet.com customer relationship management software (the "Software") which is owned by us. You agree that the Software and the templates, training tools, and other forms of information contained therein from time to time constitutes our Confidential Information. During the term of the License Agreement, and provided you are not in default under the License Agreement, you will have exclusive use of, and the right to control and manipulate, the names, addresses, telephone numbers, and other contact information in the data base input by you (the "Contact Information"). Upon the expiration or earlier termination of this Agreement, you must promptly return the Software to us, and

promptly assign to us all of your right, title and interest in and to the Contact Information. You may not retain any copies of the Software or the Contact Information. Notwithstanding the foregoing, in the event you transfer the License Agreement in compliance with Section 13 below, you may transfer the right to use the Software and the Contact Information to an approved transferee, subject to our continuing rights therein.

11.9.6 The FranNet Support System Fee entitles you to have the FranNet Communication Center work all your internet leads for the purpose of procuring a Personal Franchise Assessment. These leads will be reassigned to your MyFranNet.com system after 30 days unless a PFA is procured within those 30 days, in which case it will be reassigned immediately. You may choose to not use this service or use this service for specific internet leads sources. This does not change the amount of your monthly fees.

11.9.7 We reserve the right to suspend any and all FranNet Support Systems, including but not limited to your email account, microsite, MyFranNet.com account, and the Communication Center for non-payment of fees in a timely manner as outlined in this agreement or for non-compliance with providing insurance certificates, seller disclosure forms, or W-9 forms as requested.

12. RECORDS

You agree, at your expense, to maintain and preserve for at least three (3) years from the dates of their preparation, full, complete and accurate books and records for the Business, including, without limitation, copies of all client contracts and listings, and data relating to your listings and transactions which you have completed. We and our designated agents shall have the right at all reasonable times to examine and copy, at our expense, the books, records, accounts and tax returns of Licensee. We shall also have the right, at any time, to have an independent audit made of the books of Licensee.

You must furnish to us, in the form from time to time prescribed by us upon our request, such monthly or other reports, data, information, and records for such periods as we from time to time require in the Operations Manuals or otherwise in writing.

13. OWNERSHIP AND TRANSFER REQUIREMENTS

13.1 Transfer by Licensor

This Agreement is fully transferable by us and will inure to the benefit of any person or entity to which we transfer it, or to any other legal successor to our interest in this Agreement.

13.2 Transfer by Licensee

You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have entered into this Agreement in reliance on your character, skill, aptitude, attitude and business ability. Therefore, except as otherwise specifically provided herein, neither this Agreement (or any interest in it), any material asset nor any part or all of the ownership of Licensee may be transferred without our prior written approval, and any such transfer without our approval shall constitute a breach of this Agreement and convey no rights or interests.

13.3 Conditions for Approval of Transfer

If Licensee and its owner(s) are in full compliance with this Agreement, we will not unreasonably withhold our approval of a transfer. The proposed transferee or its owner(s) must be of good moral character and otherwise meet our then-applicable standards for Licensees. If there is a transfer of this Agreement or any material asset, the transfer is of a controlling interest in Licensee, or is one of a series of transfers which in the aggregate constitutes the transfer of a controlling interest in Licensee, all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

- 13.3.1 the transferee must have sufficient business experience, aptitude and financial resources to operate a FranNet Business;
- 13.3.2 the Licensee must pay such monthly marketing contributions and any other amounts owed to us or our affiliates which are then due and unpaid;
- 13.3.3 the transferee must have completed our training programs;
- 13.3.4 you or the transferee must pay to us a transfer fee to defray training and other expenses incurred by us in connection with the transfer. The transfer fee shall be five thousand dollars (\$5,000.00) plus the required out-of-pocket costs paid to third parties who participate in training the transferee;
- 13.3.5 the transferee must sign our then current form of license agreement, which may provide for different fees, rights and obligations, and a different or smaller Licensee's Territory than are provided in this Agreement; and such principals of the transferee as we require must guarantee the performance of all such obligations in writing in a form satisfactory to us; and
- 13.3.6 you must execute a general release, in form satisfactory to us, of any and all claims against us, our affiliates and our officers, directors, employees and agents.

13.4 Death or Disability

If you (or any person owning a controlling interest in Licensee where Licensee is a corporation, partnership, or limited liability company) die or become permanently disabled, and a transfer of that interest to a third party approved by us is not made within a reasonable time (not to exceed six (6) months) from the date of death or permanent disability, such failure to transfer will constitute a breach of this Agreement. The transfer will be subject to all of the terms and conditions for transfers under Section 13.3 of this Agreement.

13.5 Effect of Consent to Transfer

Our consent to a proposed transfer pursuant to Section 13 of this Agreement will not constitute a waiver of any claims we may have against you, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by any transferee.

13.6 Addition of Additional Sales Personnel by You in Your Territory

You may add additional sales personnel in your Territory if they (a) have been approved by Licensor; (b) are covered in a written agreement to which you and Licensor are parties; and (c) comply with all training and professional standards required by the Licensor.

14. TERMINATION OF THE LICENSE

14.1 Notice Without Opportunity to Cure

Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the date of the written notice of termination to you (in the manner provided under Section 19 of this Agreement):

14.1.1 If you fail to complete our initial training program to our satisfaction, or if we, in our sole discretion, determine upon your completion of training that you would not be a suitable licensee, in which case we will refund to you fifty percent (50%) of your initial license fee;

14.1.2 If you abandon or cease to actively operate the Business for more than thirty (30) days without our advance written approval;

14.1.3 If you or any of your owners has made any material misrepresentation or omission in applying for the License;

14.1.4 If you or any of your owners are convicted by a trial court of or plead no contest to a felony or other crime or offense that is likely to adversely affect your reputation, our reputation, or the reputation of your Business or any other FranNet Business;

- 14.1.5 If you make an unauthorized direct or indirect transfer of this Agreement, any material asset of your Business, an ownership interest in Licensee or fail to assign this Agreement or the interest in Licensee of a deceased or disabled controlling owner thereof as required by this Agreement;
- 14.1.6 If you or any of your owners make any unauthorized use, duplication or disclosure of any Confidential Information, the Marks or the Operations Manuals;
- 14.1.7 If you or any of your owners are in violation of any law, ordinance or regulation relating to terrorist activities or your assets, property or interests are “blocked” under any such law, ordinance or regulation;
- 14.1.8 If you fail on two (2) or more separate occasions within any period of twelve (12) consecutive months, to pay when due any amounts due to us or our affiliates, or otherwise fail to comply with this Agreement, whether or not those failures to comply are corrected after you receive notice of default;
- 14.1.9 If you provide Services to an unapproved Franchisor as described in Section 11.6 of this Agreement.

14.2 Notice With Opportunity to Cure

Except as otherwise provided in Section 14.1 of this Agreement, upon any other default by you, we may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 19 of this Agreement) stating the nature of the default to you at least thirty (30) days prior to the effective date of termination; provided, however, that you may avoid termination by curing it to our satisfaction, and by promptly providing proof thereof to us within the applicable cure period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to you, effective immediately upon the expiration of the applicable cure period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder include the following illustrative events:

- 14.2.1 If you fail to make payment of any amounts due to us or our affiliates and do not correct that failure within ten (10) days after written notice of the failure is delivered to you; or
- 14.2.2 If you fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure we prescribe.

15. RIGHTS AND OBLIGATIONS OF LICENSOR AND LICENSEE UPON TERMINATION OR EXPIRATION OF THE LICENSE

15.1 Payment of Amounts Owed to Licensor

You agree to pay us within fifteen (15) days after the effective date of termination or expiration of this Agreement, or any later date that the amounts due to us are determined, any fees and other amounts owed to us or our affiliates which are then unpaid.

15.2 Marks

You agree that after the termination or expiration of this Agreement you will: (a) not directly or indirectly at any time identify yourself or any business with which you are associated as a current or former FranNet Business or Licensee; (b) not use any Mark or any colorable imitation of any Mark in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us; (c) return to us, remove the Marks from, or destroy (whichever we specify) all forms and materials containing any Mark or otherwise relating to a FranNet Business; (d) take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark; (e) furnish to us, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the above obligations; and (f) assign any internet address, telephone advertising, telephone number, or website containing any of our Marks which cannot be immediately discontinued.

15.3 Confidential Information

You agree that on termination or expiration of this Agreement you will immediately cease to use any of the Confidential Information, and will not use it in any business or for any other purpose. You further agree to immediately return to us your copies of the Operations Manuals and any other confidential materials which we have loaned to you.

15.4 Continuing Obligations

All obligations under this Agreement (whether yours or ours) which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire. You will also be responsible for insuring that all of your employees and independent contractors comply with all of the post-termination obligations contained in this Agreement.

15.5 Non-Competition Covenant

During the term, and upon termination or expiration of this Agreement, you agree that for a period of one (1) year, commencing on the date of termination or expiration, neither you nor any member of your immediate family will (except with our written consent) maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business within the Territory and/or within an area that is within a fifty (50) mile radius of (x) the Territory; or (y) any other FranNet Business.

16. SUCCESSOR LICENSE

Licensees with a history of compliance with their Agreements and the absence of bona fide defaults for two (2) years have the opportunity to enter into a successor license for an unlimited number of successor terms of ten (10) years each, upon expiration of the term of the License Agreement. You will be required to (a) execute our then current form of successor License Agreement and all other agreements and documents then customarily used by us in the grant of licenses for FranNet Businesses on similar economic terms to this Agreement, except that your Territory may be different or smaller and payment of the Initial License Fee shall be waived, (b) execute a general release of all claims against us, and (c) pay a successor license fee in an amount equal to twenty-five percent (25%) of our then-current initial license fee (or, if no licenses are then being offered, twenty-five percent (25%) of the initial license fee most recently charged). In determining your compliance history, we will consider a variety of factors, including whether you have substantially complied with the terms of this Agreement, and have paid all monies owed to us or to our affiliates. In our discretion, we may waive our requirement that no defaults have occurred within the past two years. You shall request the successor license not more than one hundred eighty (180) days and not less than sixty (60) days before the expiration of this Agreement.

17. MISCELLANEOUS

17.1 Severability and Substitution of Valid Provisions

Except as expressly provided above, each section, paragraph, term, and provision of this Agreement, and any portion thereof, will be considered severable and if for any reason any such provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties to this Agreement. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required under this Agreement, or the taking of some other action not required under this Agreement, we will have the right, in our sole discretion, to modify such invalid or unenforceable provision to the extent required to be valid and enforceable.

17.2 Waiver of Obligations

No failure by us to take action on account of any default by you, whether in a single instance or repeatedly, will constitute a waiver of any such default or the performance required of you. Our failure or election not to enforce any term of this Agreement against one or more of our Licensees will not be deemed a waiver of any of your obligations under this Agreement. No express waiver by us of any provision or performance hereunder or of any default by you will be construed as a waiver of any other or future provision, performance or default.

17.3 Arbitration

All controversies, disputes or claims arising between us and our officers, directors, agents, employees and attorneys (in their representative capacity) and you (and your owners and guarantors, if applicable), excluding claims for which we seek injunctive relief under Section 18 of this Agreement and claims relating to the Marks, will be submitted for arbitration to the office of the American Arbitration Association located in the state in which our headquarters is located on demand of either party. Such arbitration proceedings will be conducted in the city in which our headquarters is located in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. The arbitrator will have the right to award or include in his award any relief which he deems proper under the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), and attorneys' fees and costs in accordance with Section 17.5. The award and decision of the arbitrator will be conclusive and binding upon all of the parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. The parties further agree to be bound by the provisions of any statute of limitations applicable to the controversy, dispute or claim which is the subject of any arbitration proceeding initiated hereunder pursuant to state law. The parties agree, in connection with any such arbitration proceeding, to be bound by the provisions of the Federal Rules of Civil Procedure with respect to compulsory counterclaims (as the same may be amended from time to time), provided any such compulsory counterclaim will be filed within thirty (30) days of the filing of the original claim. Without limiting the foregoing, the parties will be entitled in any such arbitration proceeding to the entry of an order by a court of competent jurisdiction pursuant to an opinion of the arbitrator for specific performance of any of the requirements of this Agreement. This agreement to arbitrate will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. You and us agree that arbitration shall be conducted on an individual, not a class-wide, basis.

17.4 Cumulative Remedies

The rights and remedies specifically granted by this Agreement to either party will not be deemed to prohibit either party from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

17.5 Costs and Attorneys' Fees

You must promptly reimburse us for all expenses (including accounting, attorneys', expert witness and arbitrators' fees and costs) incurred by us (a) to remedy any of your defaults of, or enforce any of our rights under, this Agreement; (b) to effect termination of this Agreement; and (c) to collect any amounts due under this Agreement.

17.6 Governing Law

All matters relating to arbitration shall be governed by the Federal Arbitration Act. This Agreement will be governed by the laws of the State of Pennsylvania.

17.7 Consent to Jurisdiction

You hereby irrevocably consent to the jurisdiction of any state or federal court in the State in which our headquarters is located and you waive any objection you may have to the jurisdiction or venue of such court.

17.8 Entire Agreement

This Agreement constitutes the entire agreement between you and us, and there are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us. Notwithstanding the foregoing, nothing in this Agreement or in any related agreement is intended to disclaim the representations made by us in our Franchise Disclosure Document.

17.9 Construction

All headings of the various Sections and subsections of this Agreement are for convenience only and do not affect the meaning or construction of any provision. The usage of terms in the singular in this Agreement includes the plural, the plural includes the singular and the masculine and neuter usages include the other and the feminine. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If two or more persons are at any time Licensees under this Agreement, whether or not as partners or joint venturers, their obligations and liabilities to Licensor are joint and several. Time is of the essence in this Agreement. Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

17.10 Waiver of Punitive Damages

Except with respect to your obligation to indemnify us pursuant to Section 7.4 of this Agreement, the parties waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim shall be limited to recovery of any actual damages it sustains.

17.11 Waiver of Jury Trial

Each party irrevocably waives trial by jury in any action, proceeding or counterclaim brought by either party.

17.12 Limitations of Claims

Any and all claims by you against us arising from or relating to this Agreement or the relationship among the parties shall be barred unless an action or legal or arbitration proceeding is commenced by you within one (1) year from the date you knew or should have known of the facts giving rise to such claims.

17.13 Agreement Not to be Construed Against Drafter

You and we agree that the rule of contract interpretation by which any ambiguities in the contract shall be construed against the party who drafted the contract shall not apply to this Agreement.

18. INJUNCTIVE RELIEF

You and we have the right to seek injunctive relief in any court of competent jurisdiction under customary equity rules. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction.

19. NOTICES AND PAYMENTS

All written notices and reports permitted or required under this Agreement or by the Operations Manuals will be deemed delivered at the time of delivery by hand, one (1) business day after sending by overnight courier and three (3) business days after being placed in the U.S. mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified. You agree to send all payments and notices to us at the address specified in our Operations Manuals or at such other address as we designate to you in writing. We agree to send all written notices to you at the address contained in this Agreement or to such other address as you designate to us in writing.

20. ACKNOWLEDGMENTS

This Agreement is being presented to you because of the desire you have expressed to obtain the right to own and operate a FranNet Business. You acknowledge that you have read this Agreement and our Offering Circular and that you understand that the terms and conditions contained in this Agreement are necessary to protect the Marks and the System. You acknowledge that you have conducted an independent investigation of FranNet Businesses and recognize that, like any other business, the nature of it may evolve and change over time, that an investment in a FranNet Business involves business risks, and that the success of this business venture is primarily dependent on your business abilities and efforts. You also acknowledge and recognize that different terms and conditions may pertain to different licenses for FranNet Businesses and that we do not represent that all of our license agreements will be identical. We have not made, and you acknowledge that you have not received or relied on, any guarantee, express or implied, as to the revenues, profits or likelihood of success of your FranNet Business. You represent to us, as an inducement to our entering into this Agreement, that there have been no misrepresentations in your license application or in the financial statements or other information you have submitted to us.

The parties to this Agreement execute and deliver this Agreement in multiple counterparts as of the day and year first written above.

LICENSEE (Print Name)

FRANNET, LLC

LICENSEE (Signature)

By: _____
Title: _____

Social Security or Tax I.D. Number

Date: _____

EXHIBIT A
TERRITORY

You must operate your Business only within the territory (the “Territory”) described as follows:

LICENSEE (Print Name)

FRANNET, LLC

LICENSEE (Signature)

By: _____
Title: _____

Date: _____

EXHIBIT B

COMMISSIONS AND OTHER COMPENSATION

You will be paid a commission by FranNet subject to any off-set as a deduction owed to FranNet by you, based on the Gross Consulting Income received by FranNet due to your efforts, on the following terms, conditions and schedule:

a. On the first five (5) transactions from which a Prospect has entered into a Franchise Agreement for which the Franchisor has paid a fee to FranNet (each, an “Engagement”) produced by you, you will receive seventy percent (70%) of the Gross Consulting Income from the source. On the second five (5) Engagements produced by you, you receive seventy-five percent (75%) of the Gross Consulting Income from the source. Thereafter, the relationship will be governed as set forth below.

b. Standard Engagement Income. After the first 10 transactions for new franchisees, for any Gross Consulting Income produced by you from the activity of referring a Prospect to a Franchisor, who subsequently enters into a Franchise Agreement with that Franchisor and, as a result, a referral fee is paid to Us, you will receive a commission as follows for the Engagements or Gross Consulting Income attributable to you from such transaction during **any calendar year**. On any Engagements up to 5 or Gross Consulting Income produced by you up to \$100,000 during **any calendar year** (whichever first occurs), you will receive a commission of 75% of the Gross Consulting Income paid to Us. On any Engagements more than 5 and up to 10 or Gross Consulting Income produced by you that is more than \$ 100,000 and up to \$200,000 during **any calendar year**, you will receive a commission of 85% of the Gross Consulting Income paid to us. On any Engagements in excess of 10 or Gross Consulting Income produced by you in excess of \$200,000 during **any calendar year**, you will receive a commission of 90% of the Gross Consulting Income paid to us.

c. Royalty Engagement Income. You will receive fifty percent (50%) of the Gross Consulting Income from a Percentage of Royalties (“Residual Fees”)

d. Other Income. Any Gross Consulting Income produced by you that is based on any activities other than those listed above will generate a commission being paid to you of seventy-five percent (75%) of the Gross Consulting Income from that source. However, such Gross Consulting Income will not be counted towards your Annual Quota described in Exhibit C of the Franchise Agreement.

e. Income Recognized as Received. The commission that FranNet pays you will be based on Gross Consulting Income received by FranNet. FranNet will not use any form of accrual accounting to recognize Gross Consulting Income that may be due and payable at some future date in determining the commissions to you. Any commission payable to you based on the above, shall be vested and will be payable upon receipt by FranNet, even if the Gross Consulting Income is received by FranNet after the termination of this Agreement. Notwithstanding the foregoing, in the event, in any calendar year, the total of such commissions is less than One

Thousand Dollars (\$1000.00), FranNet shall no longer have any obligation to continue making future payments under this provision.

f. Refunds. A Franchisor may elect, in certain cases, to refund part or all of the fees paid to it by a Prospect referred to the Franchisor by you. As a result, FranNet may be obligated to refund all or part of the Gross Consulting Income paid to it. In such event, FranNet will compute the percentage of refund as it applies to the Gross Consulting Income it receives on the referral. You agree that you will immediately repay FranNet this same percentage of the commission it received on the referral or, in the event there are other commissions payable to you, authorize FranNet to offset that amount against your payment of commissions.

g. Collection of Gross Consulting Income. In the event Gross Consulting Income is due you from a Franchisor as a result of you referring a client to that Franchisor, and the Franchisor fails to make those payments then FranNet, with your assistance, will take whatever action it deems necessary to collect those monies. However, to the extent those collection activities require the expenditure of funds, it is only the net amount collected by FranNet (the "Net Gross Consulting Income") which shall be used as the basis of commissions payable to you, if it is collected by FranNet.

LICENSEE (Print Name)

FRANNET, LLC

LICENSEE (Signature)

By: _____
Title: _____

EXHIBIT C
PRODUCTION SCHEDULE

<u>YEAR</u>	<u>ANNUAL QUOTA</u>
1	Either _____ Engagements or \$_____ in Commissions
2	Either _____ Engagements or \$_____ in Commissions
3	Either _____ Engagements or \$_____ in Commissions
4	Either _____ Engagements or \$_____ in Commissions
5	Either _____ Engagements or \$_____ in Commissions
6	Either _____ Engagements or \$_____ in Commissions
7	Either _____ Engagements or \$_____ in Commissions
8	Either _____ Engagements or \$_____ in Commissions
9	Either _____ Engagements or \$_____ in Commissions
10	Either _____ Engagements or \$_____ in Commissions

Year 1 will be the period from the Effective Date through December 31 in that year. Year 2 and thereafter shall be the calendar year commencing with the first full calendar year after the Effective Date.

“Engagement” means a Standard Engagement or a Royalty Engagement.

“Commissions” means Commissions actually received by you during the Year, excluding Gross Consulting Income produced by you based on any activities listed in Exhibit B, paragraph (d).

LICENSEE (Print Name) **FRANNET, LLC**

LICENSEE (Signature)

By: _____
Title: _____

**OWNER’S GUARANTY AND ASSUMPTION OF
LICENSEE’S OBLIGATIONS**

This Guaranty must be signed by the principal owners (referred to as “you” for purposes of this Guaranty only) of _____ (the “Licensee”) under the foregoing FRANNET, LLC License Agreement (the “Agreement”).

In consideration of and as an inducement to, the execution of the Agreement by FRANNET, LLC (referred to as “us”) each of you signing this Guaranty hereby personally and unconditionally: (A) guarantees to us and our successors and assigns that the Licensee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (B) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of you waives: (1) acceptance and notice of acceptance by us of your obligations under this Guaranty; (2) notice of amendment of the Agreement; (3) notice of demand for payment of any indebtedness or nonperformance of any obligation guaranteed by you; (4) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (5) any right you may have to require that an action be brought against the Licensee or any other person as a condition of your liability; and (6) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty shall be joint and several; (b) you will make any payment or render any performance required under the Agreement upon demand if the Licensee fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Licensee or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Licensee or to any other person, including, for example, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; and (e) this Guaranty will continue and be irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

Each of you hereby acknowledges and agrees to be individually bound by all of the confidentiality provisions and non-competition covenants contained in Sections 8 and 15 of the Agreement. Each of you agrees that the dispute resolution, attorney fee and governing law provisions in Section 17 of the Agreement are hereby incorporated into this Guaranty by reference.

Each of the principal owners now executes and delivers this Guaranty as of the date of execution of the Agreement.

GUARANTOR(S)

**AMENDMENT TO THE FRANNET, LLC
LICENSE AGREEMENT FOR PROSPECTIVE LICENSEES
REQUIRED BY THE STATE OF INDIANA**

In recognition of the requirements of the Indiana Franchise Disclosure Law, Indiana Code § § 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code § § 23-2-2.7-1 to 23-2-2.7-10, the parties to the FranNet, LLC License Agreement (the "License Agreement") agree as follows:

1. Section 7.4 of the License Agreement, under the heading "Indemnification," shall be amended by the addition of the following language to the end of the section: To the extent required by Indiana Code Section 23-2-2.7-2(10), Licensee shall not be obligated to indemnify the Licensor as provided herein for any liability caused by Licensee's reasonable and proper reliance on or use of procedures and materials provided by the Licensor or arising out of the Licensor's negligence.

2. Section 15.5 of the License Agreement, under the heading "Non-Competition Covenant," shall be amended by the addition of the following language: "Notwithstanding the above, Licensee's rights shall not in any way be abrogated or reduced pursuant to Indiana Code § 23-2-2.7-1(9), which limits the scope of non-competition covenants."

3. Section 16 of the License Agreement, under the heading "Successor License," shall be amended by the addition of the following language to the end of the section: "To the extent required by Indiana Code Sections 23-2-2.7-1(5), no general release executed pursuant to this subparagraph shall be deemed a release, assignment, novation, waiver or estoppel which purports, or is intended to relieve licensor from any liability imposed by the Indiana Deceptive Franchise Practices Act."

4. Section 17.7 of the License Agreement, under the heading "Consent to Jurisdiction," shall be supplemented by the addition of the following language: "To the extent required by either the Indiana Franchise Disclosure Law or Indiana Deceptive Franchise Practices Act, a Licensee that operates a licensed office in Indiana may require, at the Licensee's option, that litigation concerning such license take place in Indiana."

5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana, Indiana Code § § 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practice Act, Indiana Code § § 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed this Indiana Amendment to the License Agreement on the same date as that on which the License Agreement was executed.

FranNet, LLC

Licensee:

By: _____

Signature

Title: _____

Print Name

**AMENDMENT TO THE FRANNET, LLC
LICENSE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2004 Repl. Vol. and Supp. 2006), the parties to the attached FranNet, LLC License Agreement (“License Agreement”) agree as follows:

1. Sections 16 and 13.3.6 of the License Agreement, entitled “Successor License,” and “Conditions for Approval of Transfer”, respectively, shall be amended by adding the following language at the end of the Sections: “Provided that all rights enjoyed by you and any causes of action arising in your favor from the provisions of the Maryland Franchise Registration and Disclosure Law shall remain in force; it being the intent of this proviso that the non-waiver provisions of the Law be satisfied. To that effect the general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. Section 17.6 of the License Agreement, entitled “Governing Law”, shall be amended by the addition of the following language at the end of the Section: “except that you may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

3. Section 17.7 of the License Agreement, entitled “Consent to Jurisdiction,” shall be amended by adding the following language at the end of the Section: “provided, however, that a licensee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

4. Section 17.12 of the License Agreement, entitled “Limitation of Claims”, shall be amended by the addition of the following at the end of the Section: “provided, however, that any claims arising under the Maryland Franchise Registration and Disclosure must be brought within 3 years after the grant of the license under this Agreement.”

5. Section 20 of the License Agreement shall be amended by the addition of the following: “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law”.

6. Notwithstanding the provisions of Section 17.8 of the License Agreement, nothing in the License Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document given to you.

7. Any provision of the License Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

8. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of the Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed this Maryland Amendment to the License Agreement on the same date as that on which the License Agreement was executed.

FranNet, LLC

Licensee:

By: _____

Signature

Title: _____

Print Name

**ADDENDUM TO LICENSE AGREEMENT
OF FRANNET, LLC
FOR THE STATE OF MINNESOTA**

THIS ADDENDUM TO LICENSE AGREEMENT (“Addendum”), is effective as of the date of execution of the Franchise Agreement by and between **FranNet, LLC** (“Franchisor”) and _____ (“Licensee”), dated _____, ____ (the “License Agreement”).

BACKGROUND

A. Contemporaneous with the execution of this Addendum, the parties have entered into a License Agreement for the operation of a **FranNet** franchise in the State of Minnesota.

B. The parties desire by this Addendum to amend certain terms of the License Agreement entered into simultaneously herewith so as to comply with Minnesota law.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of Minnesota apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law:

1. Notwithstanding the provisions of Sections 17.6 and 17.7 of the License Agreement, Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or franchise agreement can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or the franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. Notwithstanding the provisions of Articles 14 and 16 of the License Agreement, with respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

3. Notwithstanding the provisions of Article 6 of the License Agreement, The franchisor will protect the franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Contours Express name.

4. Notwithstanding the provisions of Sections 17.10, 17.11, and 17.12 of the License Agreement, Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

5. Notwithstanding the provisions of Section 13.3 and Section 16 of the License Agreement, Minn. Rule 2860.4400D prohibits a franchisee to assent to a general release. Any release assented to by a franchisee must exclude claims under the Minnesota Franchise Law.

6. Notwithstanding the provisions of Section 17.12 of the License Agreement, any limitations of claims must comply with Minn. Stat. §80C.17, Subd. 5.

This Addendum shall modify the License Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the License Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the License Agreement.

In Witness Whereof, the parties have executed this Addendum to Franchise Agreement as of the ____ day of _____, 20__.

FranNet, LLC

Licensee:

By: _____

Signature

Title: _____

Print Name

**FRANNET, LLC
ADDENDUM TO LICENSE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

The parties to the License Agreement dated _____, _____, hereby agree that the License Agreement will be amended as follows:

1. The following sentence is added to the end of Sections 8.3 and 15.5: "Covenants not to compete are generally considered unenforceable in the State of North Dakota".
2. The following sentences are added to the end of Sections 17.3 and 17.7: "Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside of North Dakota, or to consent to the application of laws of a state other than North Dakota is void. Further, any provision requiring franchisees to agree to the arbitration or mediation of disputes at a location that is remote from the franchisee's business has been deemed unfair, unjust, or inequitable by the North Dakota Securities Commissioner. Accordingly, the site of arbitration or mediation must be agreeable to all parties."
3. The following sentence is added to the end of Section 17.6: "Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void."
4. Sections 17.10 and 17.11 are deleted.
5. Notwithstanding the provisions of Section 17.5, the prevailing party in any litigation or arbitration proceedings arising out of the License Agreement or the grant of the franchise will be entitled to an award of their costs and expenses, including attorney fees.
6. The following sentence is added at the end of Sections 17.12: "Notwithstanding the foregoing, the statute of limitations under North Dakota law applies."
7. Notwithstanding the provisions of Section 16(b), Licensee shall not be required to sign a general release upon renewal of the License Agreement.
8. The provisions of this Addendum will be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently of this Addendum.
9. Any capitalized terms that are not defined in this Addendum shall have the meaning given to them in the License Agreement.

Franchisor:
FranNet, LLC

Licensee:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

**AMENDMENT TO FRANNET, LLC LICENSE AGREEMENT
REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the attached FranNet, LLC License Agreement (the "Agreement") agree as follows:

1. Section 13.1 of the Agreement, under the heading "Transfer by Licensor," shall be supplemented by the following language, which shall be considered an integral part of the Agreement:

However, no assignment shall be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

2. Section 13.3.6 of the Agreement, under the heading "Conditions for Approval of Transfer," shall be supplemented with the following:

provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680- 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 15.5 of the Agreement, under the heading "Non-Competition Covenant", shall be supplemented with the following:

You acknowledge that any violation of the terms of the covenants not to compete would result in irreparable injury to us for which no adequate remedy of law may be available, and you accordingly agree that we may seek an injunction prohibiting any conduct by you in violation of the terms of the covenant not to compete.

4. The second sentence of Section 16 of the Agreement, under the heading "Successor License," shall be amended by the addition of the following:

provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

5. Section 17.6 of the Agreement, under the heading "Governing Law," shall be supplemented by the following paragraph:

Provided, however, nothing herein contained shall bar our right to seek injunctive relief against threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. In addition, the foregoing choice of law will not be considered a waiver of any right conferred upon you by the provisions of Article 22 of the General Business Law of the State of New York.

6. Each provision of this Amendment to the License Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and

Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this New York Amendment to the License Agreement on the same date as that on which the License Agreement was executed.

FranNet, LLC

Licensee:

By: _____

Signature

Title: _____

Print Name

**AMENDMENT TO THE
FRANNET, LLC LICENSE AGREEMENT
REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the parties to the attached FranNet, LLC License Agreement (the "License Agreement") agree as follows:

1. The following language shall be added at the end of Section 9.1 of the Franchise Agreement entitled "License Fee":

In Rhode Island, payment of the initial license fee shall be deferred until your Business is open and training is complete.

2. The following language shall be added at the end of Section 17.3 of the Franchise Agreement:

Notwithstanding the above, Rhode Island franchisees are permitted to bring a lawsuit in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed this Rhode Island Amendment to the License Agreement on the same date as that on which the License Agreement was executed.

FranNet, LLC

Licensee:

By: _____

Signature

Title: _____

Print Name

**ADDENDUM TO LICENSE AGREEMENT
OF FRANNET, LLC
FOR THE STATE OF WASHINGTON**

THIS ADDENDUM TO LICENSE AGREEMENT (“Addendum”) is effective as of the date of execution of the License Agreement by and between **FranNet, LLC** (“Franchisor”) and _____ (“Licensee”), dated _____, _____ (the “License Agreement”).

BACKGROUND

A. Contemporaneous with the execution of this Addendum, the parties have entered into a License Agreement for the operation of a **FranNet** franchise in _____, Washington.

B. The parties desire by this Addendum to amend certain terms of the License Agreement entered into simultaneously herewith so as to comply with Washington law and the requirements of the State of Washington Department of Financial Institutions.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of Washington apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law:

1. Notwithstanding the provisions of Section 9.1 of the License Agreement, the Initial Franchise Fee of \$_____ shall be due upon completion by the Franchisor of its pre-opening obligations, as described in Sections 3 and 4 of the License Agreement, and the Franchisee is ready to open for business.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of arbitration, or as determined by the arbitrator.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial may not be enforceable.
5. Transfer fees are collectible to the extent that they reflect the franchisor’s reasonable estimate or actual costs in effecting the transfer.

This Addendum shall modify the License Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the License Agreement shall continue to remain in full force and effect.

Witnesses:

FRANCHISOR

By: _____

Its: _____

LICENSEE:

By: _____

Its: _____

EXHIBIT "C" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

Financial Statements

FRANNET, LLC AND SUBSIDIARIES

Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

FRANNET, LLC AND SUBSIDIARIES
Consolidated Financial Statements
Years Ended December 31, 2015 and 2014

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- Certified Public Accountants
- Business Advisors

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301 East Elm Street
New Albany, IN 47150



Independent Auditors' Report

To the Members of
FranNet, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of FranNet, LLC and Subsidiaries, FranNet Global, LLC, and ZorNetwork, LLC (collectively the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform each audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2015 and 2014, and the results of its consolidated operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
March 4, 2016

FRANNET, LLC AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 1,218,324	\$ 1,046,271
Restricted cash for marketing purposes	37,096	67,178
Accounts receivable	594,744	784,126
Note receivable, current portion	1,773	1,773
Inventory	313	11,010
Other current assets	<u>28,588</u>	<u>43,927</u>
Total current assets	<u>1,880,838</u>	<u>1,954,285</u>
Property and equipment, net of accumulated depreciation	144,459	167,498
Note receivable, less current portion	5,319	7,092
Goodwill and other intangibles, net of accumulated amortization	2,220,181	2,307,503
Investment in affiliate	<u>4,808</u>	<u>5,069</u>
Total noncurrent assets	<u>2,374,767</u>	<u>2,487,162</u>
Total assets	<u>\$ 4,255,605</u>	<u>\$ 4,441,447</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Current portion of notes payable	\$ 64,935	\$ 228,466
Accounts payable	569,132	597,063
Accrued expenses	110,144	43,495
Deposits and deferred revenue	<u>-</u>	<u>122,807</u>
Total current liabilities	744,211	991,831
Notes payable (net of current portion)	<u>-</u>	<u>64,935</u>
Total liabilities	744,211	1,056,766
Members' Equity	<u>3,511,394</u>	<u>3,384,681</u>
Total liabilities and members' equity	<u>\$ 4,255,605</u>	<u>\$ 4,441,447</u>

FRANNET, LLC AND SUBSIDIARIES
Consolidated Statements of Income and Changes in Members' Equity
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue		
Commissions income	\$ 14,123,237	\$ 14,319,520
Sponsor income and other related income	1,726,665	1,559,814
Meeting income	996,600	842,099
Marketing income	324,098	323,629
Proven match and call center	124,585	34,963
FranchiseWorks	29,150	38,337
Training	43,356	64,500
Royalties	48,530	39,464
Administrative income	34,346	54,914
Referral income	-	-
	<u>17,450,567</u>	<u>17,277,240</u>
Direct costs		
Commissions	12,187,368	12,268,381
Referral expense	766,812	704,176
Meeting expense	478,842	391,028
Marketing costs	279,892	187,029
Sponsor fees	116,559	129,890
Training	51,116	42,610
Royalty expense	33,330	30,568
	<u>13,913,919</u>	<u>13,753,682</u>
Total direct costs		
	<u>13,913,919</u>	<u>13,753,682</u>
Gross profit	<u>3,536,648</u>	<u>3,523,558</u>
Operating expenses		
General and administrative	3,064,523	2,589,863
Depreciation and amortization	69,441	104,384
	<u>3,133,964</u>	<u>2,694,247</u>
Total operating expenses		
	<u>3,133,964</u>	<u>2,694,247</u>
Net income	402,684	829,311
Members' equity		
Beginning of year	3,384,681	2,889,556
Repurchase member shares	-	(7,680)
Members' distributions	(275,971)	(326,506)
	<u>3,511,394</u>	<u>3,384,681</u>
End of year	<u>\$ 3,511,394</u>	<u>\$ 3,384,681</u>

See notes to financial statements.

FRANNET, LLC AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Net income	\$ 402,684	\$ 829,311
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	69,441	104,384
Loss on impairment of goodwill	62,500	-
Loss on disposed fixed assets	-	101
Decrease (increase) in assets		
Accounts and notes receivable	191,155	(21,345)
Restricted cash for marketing expenses	30,082	(3,768)
Other current assets	15,339	81,537
Inventory	10,697	26,643
Increase (decrease) in liabilities		
Accounts payable	(27,931)	(111,222)
Accrued expenses	37,119	(22,400)
Deferred revenue	(93,277)	77,962
Net cash flows from operating activities	<u>697,809</u>	<u>961,203</u>
Cash Flows From Investing Activities		
Fixed assets purchased	(21,580)	(137,837)
Purchase of Global, Proven Match and FranchiseWorks assets	-	(125,000)
Net loss on investment in affiliate	<u>261</u>	<u>2,113</u>
Net cash flows from investing activities	<u>(21,319)</u>	<u>(260,724)</u>
Cash Flows From Financing Activities		
Members' distributions	(275,971)	(326,506)
Repurchased member shares	-	(7,680)
Repayment of debt principal	<u>(228,466)</u>	<u>(218,226)</u>
Net cash flows from financing activities	<u>(504,437)</u>	<u>(552,412)</u>
Net change in cash and cash equivalents	172,053	148,067
Cash and cash equivalents at the beginning of the year	<u>1,046,271</u>	<u>898,204</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,218,324</u>	<u>\$ 1,046,271</u>
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	<u>\$ 8,734</u>	<u>\$ 18,974</u>

See notes to financial statements.

FRANNET, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Activities and Operating Cycle - The consolidated financial statements include the accounts of FranNet, LLC and its subsidiaries FranNet Global, LLC, and ZorNetwork, LLC (herein referred to as the "Company"). Intercompany transactions and balances have been eliminated in the consolidation.

FranNet, LLC, FranNet Global, LLC and ZorNetwork, LLC are limited liability companies organized in the state of New Jersey. The Company offers licenses to operate new FranNet franchises and conversion licenses to existing FranNet businesses. FranNet businesses offer specialized franchise-consulting services to franchisors, potential franchisors, licensors and other business opportunity companies in connection with the sale (or resale) of their franchises, licenses and business opportunities. FranNet Global, LLC was organized during 2014 as a separate entity to conduct business outside the United States and Canada. ZorNetwork, LLC was organized during 2015 as a separate entity for franchise sales and development.

The Company, as franchisor, offers 10-year nonexclusive franchise agreements which are sold at fees ranging from \$15,000 to \$35,000. As of January 1, 2015 and 2014, the Company had fifty-five and fifty-seven FranNet franchisees, respectively. The agreements may be extended for an unlimited number of successor terms of ten years each. The agreements provide the license to offer consulting services to franchisors, potential franchisors, licensors, and other business opportunity companies in connection with the sale of their franchises, business opportunities, licenses and existing resales. When an individual franchise is sold, the Company agrees to provide certain services to the licensee. Generally, these services include training, furnish guidance and operation manuals, and provide specification for the Marks - certain trademarks, service marks and other commercial symbols, including the mark "FranNet." As provided in the agreements, the franchisees make payments to the Company for license fees, insurance premiums and other services provided by the Company. The Company may terminate an agreement if the franchisee fails to comply with any of its provisions. A one-year non-competition provision in the agreements becomes effective upon termination or expiration.

Method of Accounting - The Company uses the accrual method of accounting for reporting income and expenses. Under this method, income is recorded as it is earned and expenses are recorded as incurred, resulting in proper matching of income and expenses to determine net income for a specific period of time.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash - All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Restricted Cash - The Company is required to maintain, in a separate account, the quarterly contributions of the licensees for the marketing program. The funds will be used for advertising and/or promotional purposes.

Accounts Receivable - Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, there is no allowance for doubtful accounts at December 31, 2015 and 2014.

Investment in Affiliates - The Company has a fifty percent interest in Franchise Development Partners, LLC. The investment is accounted for using the equity method, i.e., at cost, increased or decreased by the Company's proportionate share of its undistributed earnings or losses.

Inventory - Inventory consists of marketing materials available for purchase by associates and is valued at cost on a first-in, first-out basis.

FRANNET, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property and Equipment - Property and equipment are stated at cost. Expenditures for additions are capitalized; expenditures for maintenance and repairs will be charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (3 - 15 years). The Company's policy is to expense assets costing \$500 or less. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

Goodwill and Intangibles - The Company accounts for acquisitions of businesses that occur from time to time in accordance with GAAP. Intangibles acquired in such transactions that have a determinable life, such as trademarks, are amortized over the remaining useful life of each, which range from 2 - 8 years. Goodwill from such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired and liabilities assumed. Amounts assigned to goodwill are based on independent appraisals or internal estimates. Goodwill is not amortized. Management evaluates the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Management determined during 2015 that \$62,500 in goodwill from the purchase of FranchiseWorks was impaired and was written-off. This amount impairment expense is presented in general and administrative expenses on the Statements of Income and Changes in Members' Equity.

Revenue and Cost Recognition - Revenue from sales of individual franchises is recognized, net of an allowance for uncollectible amounts, when substantially all significant services to be provided by the Company have been performed.

Revenues from commissions which are fees paid by third-party franchisors when a prospect has entered a franchise agreement are recognized when all material services or conditions relating to the sale have been substantially performed by the Company.

Revenues from royalties which are based on third-party franchisors paying a percentage of royalties collected from the franchisee are recognized as earned.

Revenues from all other fees charged to the franchisees are recognized as earned.

Advertising - Advertising costs are charged to expense as incurred. Total advertising costs charged to expense for the years ended December 31, 2015 and 2014 was \$214,273 and \$236,722, respectively.

Income Taxes - The Companies are New Jersey limited liability companies. As a result, income and losses of the Companies are passed through to its members for federal and state income tax purposes. Accordingly, no provision is made for federal or state income taxes for the Companies.

The Companies follow the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Companies recognized no increase in the liability for unrecognized tax benefits. At December 31, 2015 and 2014, the Companies had no tax position for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

Foreign Operations - The Company experienced a net foreign currency transaction loss of \$40,008 and \$36,231 in 2015 and 2014, respectively. This amount is included in operating expenses in the accompanying financial statements.

Date of Management Review - Management has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2015 for items that should be potentially recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

FRANNET, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

NOTE 2 - CONCENTRATION OF CASH

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Companies have not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

NOTE 3 - NOTE RECEIVABLE

During 2014, the Company made certain improvements on behalf of JASR, a related party described in Note 7. The note bears no interest and will amortize on a straight-line basis over a five-year period commencing January 1, 2015 with payments due in the amount of \$1,773 per year. The note receivable balance due at December 31, 2015 and 2014 totaled \$7,092 and \$8,865, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 177,204	\$ 171,235
Leasehold improvements	96,646	94,406
Proven Match software	<u>36,040</u>	<u>36,040</u>
	309,890	301,681
Less accumulated depreciation	<u>(165,431)</u>	<u>(134,183)</u>
Property and equipment, net	<u>\$ 144,459</u>	<u>\$ 167,498</u>

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>Amortized intangible assets</u>		
Trademarks	\$ 58,424	\$ 58,424
Franchisor contracts	62,500	62,500
Less accumulated amortization	<u>(93,344)</u>	<u>(68,522)</u>
Net carrying amount	27,580	52,402
<u>Unamortized intangible assets</u>		
Goodwill	2,186,357	2,248,857
Manual	5,410	5,410
Domain	<u>834</u>	<u>834</u>
Intangibles, net of accumulated amortization	<u>\$ 2,220,181</u>	<u>\$ 2,307,503</u>

Future amortization expense is as follows:

<u>Years ended December 31,</u>	
2016	\$ 6,928
2017	6,872
2018	6,872
2019	4,750
2020	1,865
Thereafter	292

FRANNET, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

NOTE 6 - RETIREMENT PLAN

The Company has a SIMPLE IRA deferred compensation plan (the "Plan") covering all employees meeting certain eligibility requirements. Under the Plan, the Company will match 100 percent of employee contributions to the Plan, with a maximum Company contribution of 3 percent of an employee's eligible compensation. For the years ended December 31, 2015 and 2014 the Company's contribution to the Plan was \$20,378 and \$21,576, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company pays consulting fees to two of its members. Consulting fees for members totaled \$72,000 for each of the years ending December 31, 2015 and 2014, of which \$0 and \$14,000 are included in accrued expenses on the balance sheet at December 31, 2015 and 2014, respectively.

The Company has two outstanding notes payable to Howard Bassuk for portions of his equity interest in the company. Bassuk is still a minority member of Rosen/Armstrong Holdings, LLC. The two notes, dated March 15, 2006 and March 29, 2006, were originally for \$1,606,661 and \$292,272, respectively. Total debt payable to Mr. Bassuk at December 31, 2015 and 2014 was \$64,935 and \$293,401, respectively. As part of the note payable agreements, Bassuk and his wife, Sarah Bassuk, also receive consulting fees which totaled \$36,000 and \$36,000 for 2015 and 2014, respectively.

The Company leases office space from JASR Enterprises, LLC as described in Note 9. The members of JASR Enterprises, LLC include three members of the Company. Additionally, the Company has a note receivable due from JASR as described in Note 3.

The Company has employment contracts with two of its members as described in Note 12.

NOTE 8 - INVESTMENT IN AFFILIATE

As described in Note 1, the Company has a fifty percent ownership interest in Franchise Development Partners, LLC. Following is a summary of the financial position of Franchise Development Partners, LLC, and the related statement of operations and members' equity for the years ended December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Current assets	\$ 6,563	\$ 6,730
Intangible assets	<u>3,053</u>	<u>3,408</u>
Total assets	<u>\$ 9,616</u>	<u>\$ 10,138</u>
Members' equity	<u>\$ 9,616</u>	<u>\$ 10,138</u>
Revenues	\$ 38,506	\$ 46,347
Operating selling and administrative fees	<u>(38,231)</u>	<u>(46,266)</u>
Income (loss) from operations	275	81
Amortization	<u>(355)</u>	<u>(1,043)</u>
Net income (loss)	<u>\$ (80)</u>	<u>\$ (962)</u>

FRANNET, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

NOTE 9 - LEASE COMMITMENTS AND RENT EXPENSE

The Company leases office space at 10302 Brookridge Village Boulevard, Louisville, KY from an entity owned by three members of the Company, who are also officers of the Company. The original lease agreement was amended on January 1, 2011 to increase the amount of leased office space; the amended agreement increased the minimum lease payments for 2012. A second amendment to the lease agreement was made on January 1, 2014. A third amendment was made effective November 1, 2015. The lease also provides that the Company will pay all operating expenses including real estate taxes. The total rent and operating expenses charged to the Company was \$75,178 and \$66,134 for the years ended December 31, 2015 and 2014, respectively.

The Company leased a postage machine under an operating lease which expired December 2014. Under the lease agreement, the Company paid a quarterly fee of \$116. Total expense relating to the postage machine was \$464 in 2014.

Future minimum rental payments are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 91,141
2017	95,698
2018	100,482
2019	<u>105,507</u>
	<u>\$ 392,828</u>

NOTE 10 - DEBT

The Company's long-term debt at December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Fixed 4.52%, 10-year note payable to Howard Bassuk in monthly installments of \$16,667 including interest. This note is unsecured with a maturity date of March 1, 2016. Note is the liability of Rosen/Armstrong Holdings, LLC which merged with FranNet, LLC.	\$ 49,627	\$ 228,466
Fixed 5.00%, 10-year note payable to Howard Bassuk in monthly installments of \$3,100 including interest. This note is unsecured with a maturity date of May 1, 2016. Note was original liability of FranMax, Inc. which merged with Rosen/Armstrong Holdings, LLC. Upon the merger, Rosen/Armstrong Holdings, LLC assumed all assets and liabilities of FranMax, Inc. and Nicol Development Group, Inc. Rosen Armstrong Holdings, LLC subsequently merged with FranNet, LLC.	<u>15,308</u>	<u>64,935</u>
Total long-term debt	<u>\$ 64,935</u>	<u>\$ 293,401</u>

All debt is current and due in 2016.

FRANNET, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

NOTE 11 - CONSULTING COMMITMENT

The Company had a consulting agreement with the former owner of FranchiseWorks. Under the terms of the agreement, the Company was to pay the consultant \$25,000 per year for three years starting July 29, 2015. Should the Company terminate the agreement, a thirty day written notice is required and the consultant will continue to receive any remaining any sums payable.

NOTE 12 - EMPLOYMENT CONTRACT

The Company had a long-term employment contract with the Company's Chief Operating Officer ("COO") in effect from January 1, 2011 through January 1, 2015. Under the terms of the contract, should the Company terminate the COO without cause, the COO is entitled to severance compensation equal to one and one half months pay for each year of employment with the Company, not to exceed one year of severance compensation. Effective January 1, 2015, the contract was extended three additional years and the COO was promoted to Chief Executive Officer ("CEO") of the Company.

The Company had a long-term employment contract with the Company's Vice-President in effect from August 6, 2012 through August 6, 2015. Under the terms of the contract, should the Company terminate the Vice President without cause, the Vice President is entitled to severance compensation equal to one month of pay for each year of employment with the Company, not to exceed six months of severance compensation. Effective January 1, 2015, the Company's Vice-President was promoted to President. Effective January 6, 2016, a new three-year contract was executed.

ZorNetwork, LLC has a long-term employment contract with its Vice-President in effect from October 16, 2015 through October 16, 2018. Under the terms of the contract, should the Company terminate the Vice President without cause, the Vice President is entitled to severance compensation equal to one month of pay for each year of employment with the Company.

NOTE 13 - SUBSEQUENT EVENTS

The Company executed a long-term employment contract with an Executive of the Company in effect from January 29, 2016 through January 29, 2019. Under the terms of the contract, should the Company terminate the Executive without cause, the Executive is entitled to severance compensation equal to one month of pay for each year of employment with the Company, not to exceed six months of severance compensation.

FRANNET, LLC AND SUBSIDIARY
Consolidated Financial Statements
Years Ended December 31, 2014 and 2013

FRANNET, LLC
Consolidated Financial Statements
Years Ended December 31, 2014 and 2013

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- Certified Public Accountants
- Business Advisors

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Independent Auditors' Report

To the Members of
FranNet, LLC and its Subsidiary

We have audited the accompanying consolidated financial statements of FranNet, LLC and its subsidiary, FranNet Global, LLC, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform each audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FranNet, LLC and its Subsidiary as of December 31, 2014 and 2013, and the results of its consolidated operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
March 11, 2015

FRANNET, LLC AND SUBSIDIARY
Balance Sheets
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 1,046,271	\$ 898,204
Restricted cash for marketing purposes	67,178	63,410
Accounts receivable	784,126	771,646
Note receivable, current portion	1,773	-
Inventory	11,010	37,653
Other current assets	<u>43,927</u>	<u>125,464</u>
Total current assets	1,954,285	1,896,377
Property and equipment, net of accumulated depreciation		
Property and equipment, net of accumulated depreciation	167,498	69,090
Note receivable, less current portion	7,092	-
Goodwill and other intangibles, net of accumulated amortization	2,307,503	2,247,559
Investment in affiliate	<u>5,069</u>	<u>7,182</u>
Total noncurrent assets	<u>2,487,162</u>	<u>2,323,831</u>
Total assets	<u>\$ 4,441,447</u>	<u>\$ 4,220,208</u>
 LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Current portion of notes payable	\$ 228,466	\$ 218,226
Accounts payable	597,063	708,285
Accrued expenses	43,495	65,895
Deposits and deferred revenue	<u>122,807</u>	<u>44,845</u>
Total current liabilities	991,831	1,037,251
Notes payable (net of current portion)	<u>64,935</u>	<u>293,401</u>
Total liabilities	<u>1,056,766</u>	<u>1,330,652</u>
Members' Equity	<u>3,384,681</u>	<u>2,889,556</u>
Total liabilities and members' equity	<u>\$ 4,441,447</u>	<u>\$ 4,220,208</u>

FRANNET, LLC AND SUBSIDIARY
Statements of Income and Changes in Members' Equity
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue		
Commissions income	\$ 14,319,520	\$ 14,824,664
Sponsor income and other related income	1,559,814	1,491,895
Meeting income	842,099	814,938
Marketing income	323,629	317,370
Proven match and call center	34,963	-
FranchiseWorks	38,337	-
Training	64,500	65,000
Royalties	39,464	347,698
Administrative income	54,914	36,630
Referral income	-	1,000
	<u>17,277,240</u>	<u>17,899,195</u>
Direct costs		
Commissions	12,268,381	13,136,379
Referral expense	704,176	489,183
Meeting expense	391,028	283,181
Marketing costs	187,029	197,879
Sponsor fees	129,890	137,515
Training	42,610	68,966
Royalty expense	30,568	255,827
	<u>13,753,682</u>	<u>14,568,930</u>
Gross profit	3,523,558	3,330,265
Operating expenses		
General and administrative	2,589,863	2,312,024
Depreciation and amortization	104,384	30,878
	<u>2,694,247</u>	<u>2,342,902</u>
Net income	829,311	987,363
Members' equity		
Beginning of year	2,889,556	2,171,525
Repurchase member shares	(7,680)	-
Members' distributions	(326,506)	(269,332)
End of year	<u>\$ 3,384,681</u>	<u>\$ 2,889,556</u>

FRANNET, LLC AND SUBSIDIARY
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Net income	\$ 829,311	\$ 987,363
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	104,384	30,878
Decrease (increase) in assets		
Accounts and notes receivable	(21,345)	(332,520)
Restricted cash for marketing expenses	(3,768)	(936)
Other current assets	81,537	(87,705)
Inventory	26,643	(10,267)
Increase (decrease) in liabilities		
Accounts payable	(111,222)	230,097
Accrued expenses	(22,400)	(59,192)
Deferred revenue	77,962	25,437
Net cash flows from operating activities	<u>961,102</u>	<u>783,155</u>
Cash Flows From Investing Activities		
Fixed assets purchased	(137,837)	(34,361)
Loss on disposed fixed assets	101	-
Purchase of Global, Proven Match and FranchiseWorks assets	(125,000)	(369,668)
Net (gain) loss on investment in affiliate	<u>2,113</u>	<u>(1,045)</u>
Net cash flows from investing activities	<u>(260,623)</u>	<u>(405,074)</u>
Cash Flows From Financing Activities		
Members' distributions	(326,506)	(269,332)
Repurchased member shares	(7,680)	-
Repayment of debt principal	<u>(218,226)</u>	<u>(208,445)</u>
Net cash flows from financing activities	<u>(552,412)</u>	<u>(477,777)</u>
Net change in cash and cash equivalents	148,067	(99,696)
Cash and cash equivalents at the beginning of the year	<u>898,204</u>	<u>997,900</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,046,271</u>	<u>\$ 898,204</u>
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	<u>\$ 18,974</u>	<u>\$ 28,754</u>

FRANNET, LLC
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Activities and Operating Cycle - The consolidated financial statements include the accounts of FranNet, LLC and its subsidiary FranNet Global, LLC, (both referred to as the "Company"). Intercompany transactions and balances have been eliminated in the consolidation.

FranNet, LLC and FranNet Global, LLC are limited liability companies organized in the state of New Jersey. The Company offers licenses to operate new FranNet franchises and conversion licenses to existing FranNet businesses. FranNet businesses offer specialized franchise-consulting services to franchisors, potential franchisors, licensors and other business opportunity companies in connection with the sale (or resale) of their franchises, licenses and business opportunities. FranNet Global, LLC was organized during 2013 as a separate entity to conduct business outside the United States and Canada.

The Company, as franchisor, offers 10-year nonexclusive franchise agreements which are sold at fees ranging from \$15,000 to \$35,000. As of January 1, 2014 and 2013, the Company had fifty-seven and fifty-five FranNet franchisees, respectively. The agreements may be extended for an unlimited number of successor terms of ten years each. The agreements provide the license to offer consulting services to franchisors, potential franchisors, licensors, and other business opportunity companies in connection with the sale of their franchises, business opportunities, licenses and existing resales. When an individual franchise is sold, the Company agrees to provide certain services to the licensee. Generally, these services include training, furnish guidance and operation manuals, and provide specification for the Marks - certain trademarks, service marks and other commercial symbols, including the mark "FranNet." As provided in the agreements, the franchisees make payments to the Company for license fees, insurance premiums and other services provided by the Company. The Company may terminate an agreement if the franchisee fails to comply with any of its provisions. A one-year non-competition provision in the agreements becomes effective upon termination or expiration.

Method of Accounting - The Company uses the accrual method of accounting for reporting income and expenses. Under this method, income is recorded as it is earned and expenses are recorded as incurred, resulting in proper matching of income and expenses to determine net income for a specific period of time.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash - All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Restricted Cash - The Company is required to maintain, in a separate account, the quarterly contributions of the licensees for the marketing program. The funds will be used for advertising and/or promotional purposes.

Accounts Receivable - Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, there is no allowance for doubtful accounts at December 31, 2014 and 2013.

Investment in Affiliates - The Company has a fifty percent interest in Franchise Development Partners, LLC. The investment is accounted for using the equity method, i.e., at cost, increased or decreased by the Company's proportionate share of its undistributed earnings or losses.

Inventory - Inventory consists of marketing materials available for purchase by associates and is valued at cost on a first-in, first-out basis.

FRANNET, LLC
Notes to Consolidated Financial Statements (Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property and Equipment - Property and equipment are stated at cost. Expenditures for additions are capitalized; expenditures for maintenance and repairs will be charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (3 - 15 years). The Company's policy is to expense assets costing \$500 or less. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

Goodwill and Intangibles - The Company accounts for acquisitions of businesses that occur from time to time in accordance with GAAP. Intangibles acquired in such transactions that have a determinable life, such as trademarks, are amortized over the remaining useful life of each, which range from 2 - 8 years. Goodwill from such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired and liabilities assumed. Amounts assigned to goodwill are based on independent appraisals or internal estimates. Goodwill is not amortized. Management evaluates the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

Revenue and Cost Recognition - Revenue from sales of individual franchises is recognized, net of an allowance for uncollectible amounts, when substantially all significant services to be provided by the Company have been performed.

Revenues from commissions which are fees paid by third-party franchisors when a prospect has entered a franchise agreement are recognized when all material services or conditions relating to the sale have been substantially performed by the Company.

Revenues from royalties which are based on third-party franchisors paying a percentage of royalties collected from the franchisee are recognized as earned.

Revenues from all other fees charged to the franchisees are recognized as earned.

Advertising - Advertising costs are charged to expense as incurred. Total advertising costs charged to expense for the years ended December 31, 2014 and 2013 was \$236,722 and \$118,256, respectively.

Income Taxes - The Companies are New Jersey limited liability companies. As a result, income and losses of the Companies are passed through to its members for federal and state income tax purposes. Accordingly, no provision is made for federal or state income taxes for the Companies.

The Companies follow the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Companies recognized no increase in the liability for unrecognized tax benefits. At December 31, 2014 and 2013, the Companies had no tax position for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

Foreign Operations - The Company experienced a net foreign currency transaction loss of \$36,231 and \$4,064 in 2014 and 2013, respectively. This amount is included in operating expenses in the accompanying financial statements.

Date of Management Review - Management has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2014 for items that should be potentially recognized or disclosed in these financial statements. The evaluation was conducted through March 11, 2015 the date these financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CASH

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Companies have not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

FRANNET, LLC
Notes to Consolidated Financial Statements (Continued)

NOTE 3 - NOTE RECEIVABLE

During 2014, the Company made certain improvements on behalf of JASR, a related party described in Note 7. The note bears no interest and will amortize on a straight-line basis over a five-year period commencing January 1, 2015 with payments due in the amount of \$1,773 per year. The total note receivable balance due at December 31, 2014 is \$8,865.

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 171,235	\$ 162,117
Leasehold improvements	94,406	12,002
Proven Match software	<u>36,040</u>	<u>-</u>
	301,681	174,119
Less accumulated depreciation	<u>(134,183)</u>	<u>(105,029)</u>
Property and equipment (net)	<u>\$ 167,498</u>	<u>\$ 69,090</u>

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<u>Amortized intangible assets</u>		
Trademarks	\$ 58,424	\$ 58,424
Franchisor contracts	62,500	-
Less accumulated amortization	<u>(68,522)</u>	<u>(3,466)</u>
Net carrying amount	52,402	54,958
<u>Unamortized intangible assets</u>		
Goodwill	2,248,857	2,186,357
Manual	5,410	5,410
Domain	<u>834</u>	<u>834</u>
Intangibles, net of accumulated amortization	<u>\$ 2,307,503</u>	<u>\$ 2,247,559</u>

Future amortization expense is as follows:

<u>Years ended December 31,</u>	
2015	\$ 24,037
2016	6,928
2017	6,872
2018	6,872
2019	4,750

FRANNET, LLC
Notes to Consolidated Financial Statements (Continued)

NOTE 6 - RETIREMENT PLAN

The Company has a SIMPLE IRA deferred compensation plan (the "Plan") covering all employees meeting certain eligibility requirements. Under the Plan, the Company will match 100 percent of employee contributions to the Plan, with a maximum Company contribution of 3 percent of an employee's eligible compensation. For the years ended December 31, 2014 and 2013 the Company's contribution to the Plan was \$21,576 and \$19,277, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company pays consulting fees to two of its members. Consulting fees for members totaled \$72,000 and \$48,000 for 2014 and 2013, of which \$14,000 and \$46,000 are included in accrued expenses on the balance sheet at December 31, 2014 and 2013, respectively.

The Company has two outstanding notes payable to Howard Bassuk for portions of his equity interest in the company. Bassuk is still a minority member of Rosen/Armstrong Holdings, LLC. The two notes, dated March 15, 2006 and March 29, 2006, were originally for \$1,606,661 and \$292,272, respectively. Total debt payable to Mr. Bassuk at December 31, 2014 and 2013 was \$293,401 and \$511,627, respectively. As part of the note payable agreements, Bassuk and his wife, Sarah Bassuk, also receive consulting fees which totaled \$36,000 and \$36,000 for 2014 and 2013, respectively.

The Company leases office space from JASR Enterprises, LLC as described in Note 9. The members of JASR Enterprises, LLC include three members of the Company. Additionally, the Company has a note receivable due from JASR as described in Note 3.

The Company has employment contracts with two of its members as described in Note 12.

NOTE 8 - INVESTMENT IN AFFILIATE

As described in Note 1, the Company has a fifty percent ownership interest in Franchise Development Partners, LLC. Following is a summary of the financial position of Franchise Development Partners, LLC, and the related statement of operations and members' equity for the years ended December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 6,730	\$ 9,912
Intangible assets	<u>3,408</u>	<u>4,451</u>
Total assets	<u>\$ 10,138</u>	<u>\$ 14,363</u>
Members' equity	<u>\$ 10,138</u>	<u>\$ 14,363</u>
Revenues	\$ 46,347	\$ 47,394
Operating selling and administrative fees	<u>(46,266)</u>	<u>(51,111)</u>
Income (loss) from operations	81	(3,717)
Amortization	<u>(1,043)</u>	<u>(1,535)</u>
Net income (loss)	<u>\$ (962)</u>	<u>\$ (5,252)</u>

FRANNET, LLC
Notes to Consolidated Financial Statements (Continued)

NOTE 9 - LEASE COMMITMENTS AND RENT EXPENSE

The Company leases office space at 10302 Brookridge Village Boulevard, Louisville, KY from an entity owned by three members of the Company, who are also officers of the Company. The original lease agreement was amended on January 1, 2011 to increase the amount of leased office space; the amended agreement increased the minimum lease payments for 2012. A second amendment to the lease agreement was made on January 1, 2013. The lease also provides that the Company will pay all operating expenses including real estate taxes. The total rent and operating expenses charged to the Company was \$66,134 and \$59,985 for the years ended December 31, 2014 and 2013, respectively.

The Company leased a postage machine under an operating lease which expired December 2014. Under the lease agreement, the Company paid a quarterly fee of \$116. Total expense relating to the postage machine was \$464 and \$464 in 2014 and 2013, respectively.

Future minimum rental payments under these leases are as follows:

<u>Years Ending December 31,</u>	
2015	\$ 59,520
2016	62,496
2017	<u>65,621</u>
	<u>\$ 187,637</u>

NOTE 10 - DEBT

The Company's long-term debt at December 31, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Fixed 4.52%, 10-year note payable to Howard Bassuk in monthly installments of \$16,667 including interest. This note is unsecured with a maturity date of March 1, 2016. Note is the liability of Rosen/Armstrong Holdings, LLC which merged with FranNet, LLC.	\$ 228,466	\$ 427,112
Fixed 5.00%, 10-year note payable to Howard Bassuk in monthly installments of \$3,100 including interest. This note is unsecured with a maturity date of May 1, 2016. Note was original liability of FranMax, Inc. which merged with Rosen/Armstrong Holdings, LLC. Upon the merger, Rosen/Armstrong Holdings, LLC assumed all assets and liabilities of FranMax, Inc. and Nicol Development Group, Inc. Rosen Armstrong Holdings, LLC subsequently merged with FranNet, LLC.	<u>64,935</u>	<u>84,515</u>
Total long-term debt	<u>\$ 293,401</u>	<u>\$ 511,627</u>

A five-year summary of long-term debt that will become due is presented below:

<u>Years ending December 31,</u>	
2015	\$ 228,466
2016	<u>64,935</u>
Total long-term debt	<u>\$ 293,401</u>

FRANNET, LLC
Notes to Consolidated Financial Statements (Continued)

NOTE 11 - CONSULTING COMMITMENT

The Company has a consulting agreement with the former owner of FranchiseWorks. Under the terms of the agreement, the Company will pay the consultant \$25,000 per year for three years starting July 29, 2015. Should the Company terminate the agreement, a thirty day written notice is required and the consultant will continue to receive any remaining any sums payable.

NOTE 12 - EMPLOYMENT CONTRACT

The Company has a long-term employment contract with the Company's Chief Operating Officer ("COO") in effect from January 1, 2011 through January 1, 2014. Under the terms of the contract, should the Company terminate the COO without cause, the COO is entitled to severance compensation equal to one and one half months pay for each year of employment with the Company, not to exceed one year of severance compensation. Effective January 1, 2014, the contract was extended three additional years.

The Company has a long-term employment contract with the Company's Vice President in effect from August 6, 2012 through August 6, 2015. Under the terms of the contract, should the Company terminate the Vice President without cause, the Vice President is entitled to severance compensation equal to one month of pay for each year of employment with the Company, not to exceed six months of severance compensation.

NOTE 13 - SUBSEQUENT EVENTS

On January 16, 2015, the Company's Chief Operating Officer ("COO") was promoted to Chief Executive Officer ("CEO"). Additionally, the Company's Vice-President was promoted to President. New employment contracts will be executed to supersede those referenced in Note 12.

EXHIBIT "D" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

List of current Franchisees
(as of December 31, 2015)

State	First Name	Last Name	Address 1	Address 2	City	State	Zip	Phone
AL	Jerry	Bird	121 Blueberry Hill Rd NW		Cleveland	TN	37312	423-432-4200
CA	*Katie	Fagan	1999 S Bascom Avenue	7th Floor	Campbell	CA	95008	805-452-2756
CA	***Nicol	Holdings	3467 NW Denali Lane		Bend	OR	97701	503-534-3695
CA	*Vic	Scimo	2854 Instone Court		Westlake Village	CA	91361	760-505-9417
CA	Steve	Shelton	2355 Gold Meadow Way	Suite 255	Gold River	CA	95670	916-517-1612
CO	**#Stacy	Swift	1873 S. Bellaire Street	Suite 620	Denver	CO	80222	303-715-0397
CT	Luc	Deslauriers	16 Oakland Street		Plainville	CT	06002	860-986-4596
FL	*Pat	Deering	3001 N. Rocky Point Drive East	Suite 200	Tampa	FL	33607	813-443-2119
FL	Marshall	Reddy	320 North First Street	Suite 613	Jacksonville Beach	FL	32250	904-249-1820
FL	*Jose	Torres	1305 San Ignacio Ave		Coral Gables	FL	33146	305-972-3014
GA	Phil	Kuban	3445 Stratford Road, NE	Suite 3408	Atlanta	GA	30326	770-973-0221
IL	*John	McLellan	1450 N North Park 2S		Chicago	IL	60610	312-261-0760
KY	**Todd	Pfister	8150 Corporate Park Dr.	Ste. 240	Cincinnati	OH	45242	513-543-3325
LA	Ted	Fireman	90 Bishop Square		Bexley	OH	43209	504-459-9404
MA	Mike	Martuza	100 TradeCenter	Suite G-700	Woburn	MA	01801	617-337-3033
MD	Richard	Bock	1415 E Mac Phail Rd		Bel Air	MD	21015	410 459 3890
MI	Mark	Cory	14950 E. Jefferson	Suite 170	Grosse Pointe	MI	48230	313-821-5060
MN	Mike	Welch	3391 Old Creek Way NE		Sauk Rapids	MN	56379	763-445-2610
MO	Chris	Coleman	321 Westport Plaza Dr.	Suite 212	St. Louis	MO	63146	636-728-9430
NC	Mike	Hall	4525 Hedgemore Dr.		Charlotte	NC	28209	704-522-9394
NJ	*Jack	Armstrong	214 Bridge Street	Building D	Metuchen	NJ	08840	732-494-1411
NV	**#Stacy	Swift	1873 S. Bellaire Street	Suite 620	Denver	CO	80222	303-715-0397
NY	*Jack	Armstrong	214 Bridge Street	Building D	Metuchen	NJ	08840	732-494-1411
NY	Frank	Dunne	353 Nothern Parkway		Ridgewood	NJ	07450	201-815-6895
NY	Ron	Livecchi	408 Quaker Road	#98	East Aurora	NY	14052	716-771-0389
OH	Barney	Greenbaum	6054 McNaughten Grove		Columbus	OH	43213	614-882-7777
OH	Dick	Munson	8150 Corporate Park Dr.	Suite 240	Cincinnati	OH	45242	513-469-2900
OH	**Todd	Pfister	8150 Corporate Park Dr.	Ste. 240	Cincinnati	OH	45242	513-543-3325
OR	***Nicol	Holdings	3467 NW Denali Lane		Bend	OR	97701	503-534-3695
PA	Steve	Buch	1509 Pownal Dr.		Yarley	PA	19067	267-981-6347
PA	John	Tubridy	416 Englewood Dr		Pittsburgh	PA	15237	412-486-2546
TN	Dan	Aronoff	231 Venture Circle		Nashville	TN	37228	615-202-0225
TX	*Merri	Cronk	15513 Spillman Ranch Loop		Bee Cave	TX	78738	512-329-2613
TX	Diana	Trondsen	2000 N. Loop West	Suite 160	Houston	TX	77018	832-215-2903
TX	*Sara	Waskow	950 State Hwy 114 E., Suite 160		Southlake	TX	76092	817-821-7997
UT	**#Stacy	Swift	1873 S. Bellaire Street	Suite 620	Denver	CO	80222	303-715-0397
VA	Heather	Rosen	10033 Glencroft Court		Vienna	VA	22181	703-291-0939
VA	Marc	Steiner	4300 Galston Court		Chesapeake	VA	23321	757-483-9375
WA	Evergreen	Franchise Cor	3467 NW Denali Lane		Bend	OR	97701	503-534-3695
WI	**Perry	Zukowski	625 Broadway Street		Libertyville	IL	60048	847-254-9757
Canada	Dave	Broughton	380 York Street		London, ON	Canada	N6B 1P9	519-858-1614
Canada	#Gary	Prenevost	5925 Airport Road		Mississauga, ON	Canada	L4V-1W1	905-405-6300
Canada	*Grant	Bullington	1055 West Hastings Street, Suite 300		Vancouver, BC	Canada	V6E 2E9	604-609-6165

*Note: Holds two territories: Steve Buch, Merri Cronk, Pat Deering, Vic Scimo, Jack Armstrong, Jose Torres, John McLellan

Katie Fagan, Sara Waskow, Grant Bullington, and Todd Pfister

**Note: Territory owner resides in a different state

***Nicol Holdings - Principals Blair & Page Nicol - 2 California territories, OR.

#Note: Holds three territories: Gary Prenevost, Stacy Swift

EXHIBIT "E" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

List of Former Franchisees
(as of December 31, 2015)

1. Gordon Dupries 700 Larkspur Landing Circle #19 Larkspur CA 94939 415-491-4452
2. Mark Moorman PO Box 3272 McKinney TX 75070 469-400-8147
3. M. Alison Mariet 6500 W 110th Street Suite 104 Overland Park KS 66211 913-522-7887

EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

Table of Contents of Manual

FranNet LLC
Operations Manual

Topics	# of Pages
Welcome to FranNet	8
Generating Leads:	
Marketing	33
Standards Manual	11
Sample Ads	7
Press Release	18
Prospect Networking	8
Webinars	3
Out Placement	9
Seminars	43
Anchors	16
Meet the Zor Event	56
Social Media	10
Qualifying Leads:	
Internet Leads	20
NLP	2
PFA Manual	55
Matching Process:	
Meeting Preparation	34
Matching Zors with Clients	23
FranConnect	9

High Touch Process	56
High Touch Stylized Questions	39
Miscellaneous	10
Lead Tracking & Goal Setting	9

EXHIBIT "G" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

Licensee Disclosure Questionnaire

LICENSEE DISCLOSURE QUESTIONNAIRE

As you know, Frannet, LLC (“we,” “us” or “Licensor”) and you are preparing to enter into a License Agreement for the operation of a FranNet Business (“Licensed Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our License Agreement and each exhibit and schedule attached to it?

Yes _____ No _____ Your Initials: _____

2. Do you understand all of the information contained in the License Agreement and each exhibit and schedule attached to it?

Yes _____ No _____ Your Initials: _____

If “No,” what parts of the License Agreement do you not understand? (Attach additional pages, if necessary)

3. Have you received and personally reviewed the Disclosure Document we provided to you?

Yes _____ No _____ Your Initials: _____

4. Do you understand all of the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials: _____

If “No”, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

5. Have you discussed the benefits and risks of operating a Licensed Business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes _____ No _____ Your Initials: _____

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____ Your Initials: _____

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues or profits of a Licensed Business operated by us or our licensees?

Yes _____ No _____ Your Initials: _____

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the Licensed Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials: _____

9. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Licensed Business?

Yes _____ No _____ Your Initials: _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Licensed Business will generate?

Yes _____ No _____ Your Initials: _____

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Licensed Business?

Yes _____ No _____ Your Initials: _____

12. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials: _____

13. If you have answered "Yes" to any of questions seven (7) through thirteen (13), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

14. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Licensor?

Yes _____ No _____ Your Initials: _____

You understand that your answers are important to us and we will rely on them.

All representations requiring prospective licensees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

LICENSE APPLICANT

Print Name

Date: _____

EXHIBIT "H" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

State Addendum
(if applicable)

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STATE OF CALIFORNIA

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination and non-renewal of a franchise. If the license agreement contains a provision that is inconsistent with the law, the law still controls.
2. The license agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
3. The license agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
4. The license agreement requires application of the laws of New Jersey. This provision may not be enforceable under California law.
5. Neither the Franchisor nor any person or franchise broker identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.
6. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
7. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
8. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
9. The License Agreement requires binding arbitration. The arbitration will occur in New Jersey or such other place designated by the Franchisor, with the costs being borne by the party instituting the arbitration procedure, and each party being responsible for their own attorneys fees; however, the arbitrator has the discretion to award costs of the arbitration, including reasonable attorneys fees against either or both parties in such proportion as the arbitrators determine. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the license agreement restricting venue to a forum outside the State of California.

**ADDENDUM TO THE FRANNET, LLC
FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE LICENSEES
REQUIRED BY THE STATE OF INDIANA**

In recognition of the requirements of the Indiana Franchise Disclosure Law, Indiana Code § § 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code § § 23-2-2.7-1 to 23-2-2.7-10, the Franchise Disclosure Document of FranNet, LLC for use in the State of Indiana shall be amended as follows:

1. Item 12, under the heading entitled "Territory," shall be supplemented by the addition of the following language: "We are required by the License Agreement not to compete unfairly with you within the Territory."

2. Item 17(f), under the heading, "Termination by us with cause," shall be amended by the addition of the following language: "The conditions under which your license can be terminated may be affected by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act."

3. Items 17(q) and (r), under the headings "Non-competition covenants during the term of license," and "Non-Competition covenants after the license is terminated or expires," respectively, shall be amended by the addition of the following language at the end of each Item: "Notwithstanding the above, your rights will not in any way be abrogated or reduced pursuant to Indiana Code § 23-2-2.7-1(9), which limits the scope of non-competition covenants to the exclusive area granted in the License Agreement."

4 Item 17(v), under the heading "Choice of forum," shall be supplemented with the following language: "However, to the extent required by either the Indiana Franchise Disclosure Law or Indiana Deceptive Franchise Practices Act, a license that operates a licensed office in Indiana may require, at the licensee's option, that litigation concerning such license take place in Indiana."

5 Item 17(w), under the heading "Choice of law," shall be supplemented with the following language: "This provision may not be enforceable under Indiana Law."

6 Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code § § 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code § § 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum to the Offering Circular.

NOTICE REQUIRED BY THE STATE OF MICHIGAN

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in the franchise documents, the provision are void and cannot be enforced against you.

Each of the following provisions is void and unenforceable if contained in any document relating to a license:

- (a) A prohibition on the right of a licensee to join an association of licensees.
- (b) A requirement that a licensee assent to a release, assignment, novation, waiver, or estoppel which deprives a licensee of rights and protections provided in this act. This shall not preclude a licensee, after entering into a license agreement, from settling any and all claims.
- (c) A provision that permits a licensor to terminate a license agreement prior to the expiration of its term except for good cause. Good cause shall include the failure of the licensee to comply with any lawful provision of the license agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a licensor to refuse to renew a license without fairly compensating the licensee by repurchase or other means for the fair market value at the time of expiration of the licensee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the licensor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the licensed business are not subject to compensation. This subsection applies only if: (i) The term of the license is less than 5 years and (ii) the licensee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise, or the licensee does not receive at least 6 months advance notice of licensor's intent not to renew the license.
- (e) A provision that permits the licensor to refuse to renew a license on terms generally available to other licensees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the licensee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a licensor to refuse to permit a transfer of ownership of a license, except for good cause. This subdivision does not prevent a licensor from exercising a right of first refusal to purchase the license. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the licensor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the licensor or sublicensee; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and (iv) The failure of the licensee or proposed transferee to pay any sums owing to the licensor or to cure any default in the license agreement existing at the time of the proposed transfer.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF FRANNET, LLC
FOR THE STATE OF MINNESOTA**

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT (“Addendum”), sets forth modifications to the Franchise Disclosure Document (“FDD”) for purposes of offering franchises in the State of Minnesota (the “State”).

1. WHEREAS, the State has certain laws and regulations affecting the sale of franchises; and

2. WHEREAS, **FranNet, LLC** desires to comply with all such applicable laws and regulations of the State.

NOW, THEREFORE, the FDD is hereby modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws:

1. ITEM 17 is modified by adding the following paragraph:

Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

2. ITEM 17 is modified by adding the following paragraph:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. ITEM 12 is modified by adding the following paragraph:

The franchisor will protect the franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Contours Express name.

4. ITEM 17 is modified by adding the following paragraph:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

5. Minn. Rule 2860.4400D prohibits a franchisee to assent to a general release. Any release assented to by a franchisee must exclude claims under the Minnesota Franchise Law.

**ADDENDUM TO FRANNET, LLC
FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE LICENSEES**

In recognition of the requirements of the New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 the Franchise Disclosure Document for **FranNet, LLC** ("FranNet") for use in the State of New York shall be amended as follows:

1. Item 3, "Litigation," shall be amended by deleting the Item in its entirety, and substituting the following in lieu thereof:

Neither FranNet, nor any predecessor or principal of FranNet, nor any person identified in Item 2, above, has any administrative, criminal, or a material civil or arbitration action (or a significant number of civil or arbitration actions irrespective of materiality) pending against him alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither FranNet, nor any predecessor or principal of FranNet, nor any person identified in Item 2 above, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the date of this offering circular, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither FranNet, nor any predecessor or principal of FranNet, nor any person identified in Item 2, above, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

2. Item 4, "Bankruptcy," shall be amended by adding the following language at the end thereof:

Except for this one action, neither FranNet, nor any affiliate, predecessor, officer or general partner during the 10 year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge for its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

3. Item 17b., under the heading entitled "Renewal or extension of the term", shall be supplemented with the following:

All rights enjoyed by you and any causes of action arising in your favor from the provisions of the New York General Business Law Sections 680-695 and its regulations will remain in force.

4. Item 17d., under the heading entitled "Termination by you", shall be supplemented with the following:

You may terminate the License Agreement upon any grounds available by law.

5. Item 17j., under the heading entitled "Assignment of contract by us", shall be supplemented with the following:

However, no assignment shall be made except to an assignee who, in the good faith judgment of FranNet, is willing and able to assume and delegate all or any part of its rights or obligations under the License Agreement.

6. Item 17r., under the heading entitled "Non-competition covenants after the license is terminated or expires", shall be supplemented by the addition of the following paragraph in item r:

You acknowledge that any violation of the terms of the covenants not to compete would result in irreparable injury to FranNet for which no adequate remedy of law may be available, and you accordingly agree that FranNet may seek an injunction prohibiting any conduct by you in violation of the terms of the covenant not to compete.

7. Item 17w., under the subheading entitled "Choice of law," shall be supplemented by adding the following language:

However, the foregoing choice of law will not be considered a waiver of any right conferred upon the Licensee by the provisions of Article 33 of the General Business Law of the State of New York.

8. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STATE OF NORTH DAKOTA

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside of North Dakota or to consent to the application of laws of a state other than North Dakota is void. Further, any provision requiring franchisees to agree to the arbitration or mediation of disputes at a location that is remote from the franchisee's business has been deemed unfair, unjust or inequitable by the North Dakota Securities Commissioner. Accordingly, the site of arbitration or mediation must be agreeable to all parties.

You are not required to release any claims you might have against us under the North Dakota Franchise Investment Law.

Covenants not to compete upon termination or expiration of the franchise agreements are generally not enforceable in the State of North Dakota, except in certain instances provided by law.

**ADDENDUM TO THE FRANNET, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the Franchise Disclosure Document of **FranNet, LLC** for use in the State of Rhode Island shall be amended to include the following:

1. Item 5 shall be supplemented with the following language:

Payment of all initial fees will be deferred until the Franchised Business is open and training is complete.

2. Items 17v. and 17w. for each chart shall be supplemented with the following language:

However, you may sue FranNet Franchising, LLC in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. Item 17 shall be supplemented by the addition of the following language at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

4. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STATE OF WASHINGTON

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Items 5 and 7 of the Franchise Disclosure Document are hereby amended as follows: "The initial franchise fee of between \$15,000.00 and \$35,000.00, and the training fee of \$5,000.00 shall not be due until we have completed our pre-opening obligations described in Sections 3 and 4 of the License Agreement."

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If **FranNet, LLC** offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If **FranNet, LLC** does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your State's regulatory agency listed on Exhibit A.

The franchisor is **FranNet, LLC**, located at 10302 Brookridge Village Blvd., Suite 201, Louisville, KY 40291. Its telephone number is 502-753-2380.

The name, address and telephone number of each franchise seller is:

Jania Bailey, 10302 Brookridge Village Blvd., Suite 201, Louisville, KY 40291; (502)-753-2380

The issuance date of this Disclosure Document is March 7, 2016.

FranNet, LLC authorizes the agencies or agent listed on Exhibit "A" to receive service of process for **FranNet, LLC**.

I have received a disclosure document dated March 7, 2016 that included the following Exhibits:

- A. Table of State Franchise Authorities/Agents for Service of Process
- B. License Agreement
- C. Financial Statements
- D. List of Current Franchisees
- E. List of Former Franchisees
- F. Table of Contents of Confidential Manual
- G. Licensee Disclosure Questionnaire
- H. State Specific Addendum (if applicable)

Date

Prospective Franchisee's Signature

Prospective Franchisee's Printed Name

Two copies of this page are provided. Please date, sign and return one cop to the franchisor and keep one copy for your records.

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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Date

Prospective Franchisee's Signature

Prospective Franchisee's Printed Name

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