

## 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 \$44,550.00 to \$81,700.00 (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 **Todd Bingham 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 14, 2014

**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.

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)

<b><u>State:</u></b>	<b><u>Effective Date:</u></b>
California	April 2, 2014
Hawaii	April 30, 2013
Illinois	March 29, 2013
Indiana	April 10, 2013
Maryland	August 14, 2013
Michigan	April 28, 2013
Minnesota	April 1, 2013
New York	April 8, 2013
North Dakota	July 8, 2013
Rhode Island	_____
South Dakota	June 21, 2013
Virginia	December 19, 2013
Washington	November 13, 2013
Wisconsin	March 28, 2013

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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, 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 and Chief Executive Officer: Jack Armstrong

Mr. Armstrong was appointed Chairman of the Board of Directors and Chief Executive Officer of FranNet, LLC as of June 8, 2012. Mr. Armstrong served as FranNet’s Vice Chairman of the Board of Directors and Treasurer in Metuchen, New Jersey from November 2006 until June 8, 2012. He served as Vice Chairman of the Board of Directors and Treasurer of Rosen/Armstrong Holdings, LLC (now known as FranNet, LLC) in Metuchen, New

Jersey from March 2006 to October 2006.

President, Chief Operating Officer, Secretary and Director: Jania Bailey

Ms. Bailey has served as FranNet's President, Chief Operating Officer, and Secretary in Louisville, Kentucky since August 2006. Ms. Bailey has served as a Director of FranNet in Louisville, Kentucky since November, 2006. From August 1998 to October 2004, Ms. Bailey served as Regional Vice President for Fantastic Sams-Kentucky, Indiana & Ohio Region, a full service hair care franchise system in Louisville, Kentucky. In addition, from October 2004 to August 2006, Ms. Bailey served as Texas Regional Director for Fantastic Sams in Dallas, Texas.

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 FranchiseMarketMakers 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: Stacy Swift

Ms. Swift has served as a Director of FranNet LLC since January 2007. Ms. Swift served on FranNet's Franchisee Advisory Council from March 2007 – March 2014 and served as Chairman from April 2007 – March 2014. Ms. Swift owns and operates Wahoo, Inc. dba FranNet Colorado since July 1996 in Denver, Colorado.

Director: Vic Scimo

Mr. Scimo joined the FranNet LLC Board for a second term in March 2011. Mr. Scimo joined FranNet's Franchisee Advisory Council in March 2011 for a second term and has served as Vice-Chairman since that time. He has owned and operated ViLynn Enterprises LLC in San Diego, California since 2001.

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 promoted to Vice President of Operations in 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.

**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.

We are currently offering a special incentive through the International Franchise Association's VetFran Program to veterans of the U.S. armed services seeking to purchase a FranNet franchise. Veterans of the U.S. armed services shall be granted a 25% discount off of the standard initial license fee referred to above.

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 your completion of our initial training program, 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 2014, the pro rata share per licensee is \$438.73. 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 <sup>1</sup>	See Note 1, below	Weekly	See Note 1
Marketing Fee <sup>2</sup>	\$1,515	Quarterly	See Note 2
Costs of Leads <sup>3</sup>	Mandatory purchase of qualified internet leads at our cost (currently \$25 to \$100 per lead)	Monthly on 10 <sup>th</sup> day of each month, in arrears	See Note 3
Local Marketing Expenditures <sup>4</sup>	Minimum of \$750 per month for the first 36 months, then \$500 per month	Monthly	See Note 4
Optional Services <sup>5</sup>	Our then-current fee	As incurred	See Note 5
Services Approved by the Council <sup>6</sup>	Cost of services	As required and as incurred	See Note 6
Insurance <sup>7</sup>	Cost of insurance and, if not obtained by you, our procurement expense	As required and as incurred	See Note 7
Training <sup>8</sup>	\$5,000	Before attending our initial training program	See Note 8
Late Fee <sup>9</sup>	The lesser of 18% of delinquent amount or the highest applicable legal rate	As incurred	See Note 9
Transfer <sup>10</sup>	\$5,000 plus our out-of-pocket costs trainers	Time of transfer	See Note 10
Successor License Fee <sup>11</sup>	25% of our then-current initial license fee	Time of successor license	See Note 11
Indemnification <sup>12</sup>	Cost of liability	As incurred	See Note 12
Default, Enforcement, Collection and Termination <sup>13</sup>	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.
MyFranNet.com	\$70	Monthly	See Note 14 below
Technology Fee	\$25	Monthly	See Note 15 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 10<sup>th</sup> 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 37<sup>th</sup> 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. However, in the case of a transfer to or among your owners or to or among your immediate family members, you need not pay any transfer fee if the transferee has already completed training.

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 \$70 a month for the use of MyFranNet.com which is a CRM (Customer Relationship Management) software program.

15. You must pay to us a \$25 a month Technology fee for the use of the FranNet Intranet system.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

Your Estimated Initial Investment

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Initial license fee <sup>1</sup>	\$15,000 - \$35,000	Lump sum	At signing of License Agreement	Licensor

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM MADE</b>
Lease <sup>2</sup>	\$1,000 - \$2,000	Lump sum	At signing of lease Agreement	Lessor
Leasehold Improvements <sup>3</sup>	\$0 - \$2,000	As arranged	Before opening	Lessor/Suppliers
Furnishings <sup>4</sup>	\$0 - \$2,000	As arranged	Before opening	Lessor/Suppliers
Equipment and Computer System <sup>5</sup>	\$2000 - \$5,000	As arranged	Before opening	Suppliers
Supplies <sup>6</sup>	\$500	As arranged	As incurred	Suppliers
Pre-Opening Training <sup>7</sup>	\$6,500	As arranged	As incurred	Suppliers
Marketing Program <sup>8</sup>	\$7,380	Lump sum	Quarterly, in advance	FranNet Marketing Program
Prepaid Insurance Premiums <sup>9</sup>	\$1,000	Lump sum	Completion of training; as incurred	Licensor/Insurers
Utility Deposits <sup>10</sup>	\$0 - \$250	As arranged	Before opening; as incurred	Suppliers
MyFranNet.com (6 months) <sup>11</sup>	\$420	Monthly, in advance	Monthly, in advance	Licensor
Assistant <sup>12</sup> (6 months)	\$600 - \$4,500	As arranged	As incurred	Third party
Technology Fee <sup>13</sup> (6 months)	\$150	As arranged	Monthly	Licensor
Additional Funds (6 months) <sup>14</sup>	\$10,000 - \$15,000	As arranged	As incurred	Suppliers
<b>TOTAL</b>	<b>\$44,550- \$81,700</b>			

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 6 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 use the MyFranNet.com system. This is an on-line customer relationship management software system that includes tools for email marketing. In addition we require you to purchase MindManager software for use in building business models.

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. You are required to pay a monthly technology fee for the use of the FranNet intranet system. This system is necessary for your access to all forms, templates and training materials needed for your FranNet Business.

14. 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, 2013 was \$17,899,195. 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 2013, 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 sub-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 sub-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 sub-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 sub-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 sub-associates, and (2) any and all expenses incurred by you, your employees, and sub-associates in attending these programs and seminars, including the costs of transportation, lodging, meals, and wages.

**INITIAL TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job Training</b>	<b>Training Location</b>
Pre-Training	0	40	Home
On-Site Visit to Coach's Office	0	16	Coach's Office-Location to be determined
Introduction to FranNet & What We Do	1	0	Designated FranNet Training Location
Step 1- Generating Leads Marketing & Advertising	2	0	Designated FranNet Training Location
Working with Recruiting Sources	1.5	0	Designated FranNet Training Location
Referral Sources	1	0	Designated FranNet Training Location
Working with Internet Leads	1	0	Designated FranNet Training Location
Seminars	6	0	Designated FranNet Training Location

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job Training</b>	<b>Training Location</b>
Step 2- Initial Contact Screening, Making & Getting Appointments	3	0	Designated FranNet Training Location
The FranNet Questionnaire	3	0	Designated FranNet Training Location
Step 3- Meeting Preparation	3	0	Designated FranNet Training Location
The Face to Face Meeting Role Plays	3		Designated FranNet Training Location
Dealing with Franchisors	1	0	Designated FranNet Training Location
Inventory- Matching Clients with Franchisors	2	0	Designated FranNet Training Location
Post Meeting Follow Up	1		Designated FranNet Training Location
Technology Tools	2		Designated FranNet Training Location
Legal Issues	1	0	Designated FranNet Training Location

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job Training</b>	<b>Training Location</b>
E & O	0.5	0	Designated FranNet Training Location
Close Ratio	1.5	0	Designated FranNet Training Location
Next Steps	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. You must keep your copy of the Operations Manuals current by immediately inserting all new and modified pages we furnish to you. 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**

	<b>PROVISION</b>	<b>SECTION IN LICENSE AGREEMENT</b>	<b>SUMMARY</b>
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.

	<b>PROVISION</b>	<b>SECTION IN LICENSE AGREEMENT</b>	<b>SUMMARY</b>
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.
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.

	<b>PROVISION</b>	<b>SECTION IN LICENSE AGREEMENT</b>	<b>SUMMARY</b>
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.
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, 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 2011-2013

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
				0
Franchised *	2011	43	47	4
	2012	47	52	5
	2013	52	55	3
Company Owned	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Outlets *	2011	43	47	4
	2012	47	52	5
	2013	52	55	3

\* Does not include Hobassco Agreements

Table No. 2  
Transfers of Franchised Outlets  
For Years 2011-2013

State	Year	Number of Transfers
Alabama	2011	0
	2012	0
	2013	0
Alaska	2011	0
	2012	0
	2013	0
Arizona	2011	0
	2012	0
	2013	0
Arkansas	2011	0
	2012	0
	2013	0
California	2011	0
	2012	0
	2013	0
Colorado	2011	0
	2012	0
	2013	0
Connecticut	2011	0
	2012	0
	2013	0
Delaware	2011	0
	2012	0
	2013	0
District of Columbia	2011	0

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
	2012	0
	2013	0
Florida	2011	0
	2012	1
	2013	0
Georgia	2011	0
	2012	0
	2013	0
Hawaii	2011	0
	2012	0
	2013	0
Idaho	2011	0
	2012	0
	2013	0
Illinois	2011	1
	2012	0
	2013	0
Indiana	2011	0
	2012	0
	2013	0
Iowa	2011	0
	2012	0
	2013	0
Kansas	2011	0
	2012	0
	2013	0
Kentucky	2011	0
	2012	0
	2013	0
Louisiana	2011	0
	2012	0
	2013	0
Maine	2011	0
	2012	0
	2013	0
Maryland	2011	0
	2012	0
	2013	0
Massachusetts	2011	0
	2012	0
	2013	0
Michigan	2011	0
	2012	0
	2013	0
Minnesota	2011	0
	2012	0
	2013	0
Mississippi	2011	0
	2012	0
	2013	0
Missouri	2011	0
	2012	0

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
	2013	0
Montana	2011	0
	2012	0
	2013	0
Nebraska	2011	0
	2012	0
	2013	0
Nevada	2011	0
	2012	0
	2013	0
New Hampshire	2011	0
	2012	0
	2013	0
New Jersey	2011	0
	2012	0
	2013	0
New Mexico	2011	0
	2012	0
	2013	0
New York	2011	0
	2012	0
	2013	0
North Carolina	2011	0
	2012	0
	2013	0
North Dakota	2011	0
	2012	0
	2013	0
Ohio	2011	1
	2012	0
	2013	0
Oklahoma	2011	0
	2012	0
	2013	0
Oregon	2011	0
	2012	0
	2013	0
Pennsylvania	2011	0
	2012	0
	2013	0
Rhode Island	2011	0
	2012	0
	2013	0
South Carolina	2011	0
	2012	0
	2013	0
South Dakota	2011	0
	2012	0
	2013	0
Tennessee	2011	0
	2012	0
	2013	0

State	Year	Number of Transfers
Texas	2011	0
	2012	1
	2013	0
Utah	2011	0
	2012	0
	2013	0
Vermont	2011	0
	2012	0
	2013	0
Virginia	2011	0
	2012	0
	2013	0
Washington	2011	0
	2012	0
	2013	0
West Virginia	2011	0
	2012	0
	2013	0
Wisconsin	2011	0
	2012	0
	2013	0
Wyoming	2011	0
	2012	0
	2013	0
Canada	2011	0
	2012	1
	2013	0
TOTALS	2011	2
	2012	3
	2013	0

Table No. 3  
Status of Franchised Outlets  
For Years 2011-2013

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	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Alaska	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Arizona	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Arkansas	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
California	2011	6	0	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	0	0	0	0	0	6
Colorado	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Connecticut	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Delaware	2011	0	*1	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
District of Columbia	2011	*1	0	0	0	0	0	*1
	2012	*1	*1	0	0	0	0	*2
	2013	*2	0	0	0	0	0	*2
Florida	2011	4	0	0	0	0	0	4
	2012	4	1	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Florida	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Georgia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Hawaii	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Idaho	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Illinois	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Illinois	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Indiana	2011	*3	0	0	0	0	0	*3
	2012	*3	0	0	0	0	0	*3
	2013	*3	0	0	0	0	0	*3
Iowa	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Kansas	2011	0	*1	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Kentucky	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Louisiana	2011	0	1	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
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Maine	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Maryland	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Massachusetts	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Massachusetts	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Michigan	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Minnesota	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Mississippi	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Missouri	2011	1	1	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Montana	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Nebraska	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Nevada	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
New Hampshire	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
New Jersey	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New Jersey	2011	0	*1	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
New Mexico	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
New York	2011	2	1	0	0	0	0	3
	2012	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2013	3	0	0	0	0	0	3
North Carolina	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
North Dakota	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Ohio	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Oklahoma	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Oregon	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Pennsylvania	2011	2	1	0	0	0	1	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Rhode Island	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
South Carolina	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
South Dakota	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Tennessee	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Texas	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	1	0	0	0	0	4
Utah	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Vermont	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Virginia	2011	2	0	0	0	0	0	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	-1	2
Washington	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
West Virginia	2011	*1	0	0	0	0	0	*1
	2012	*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
	2013	*1	0	0	0	0	0	*1
Wisconsin	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	1	0	0	0	0	1
Wyoming	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Canada	2011	5	1	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	1	0	0	0	0	7
Puerto Rico	2011	*1	0	0	0	0	0	*1
	2012	*1	0	0	0	0	0	*1
	2013	*1	0	0	0	0	0	*1
Sub-Totals	2011	43	5	0	0	0	1	47
	2012	47	6	0	0	0	1	52
	2013	52	4	0	0	0	-1	55
*Multi-territory	2011	16	3	0	0	0	0	19
	2012	19	1	0	0	0	0	20
	2013	20	0	0	0	0	0	20
<b>Grand Total</b>	<b>2011</b>	<b>59</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>66</b>
	<b>2012</b>	<b>66</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>72</b>
	<b>2013</b>	<b>72</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>75</b>

\* Indicates Licensee with more than one Territory. See Exhibit D. There are 55 licensees with 75 territories.

Table No. 4  
Status of Company-Owned Outlets  
For Years 2011-2013

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Kentucky	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
TOTALS	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

Table No. 5  
Projected Openings as of December 31, 2013

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
<b>TOTALS</b>	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, 2012 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@frannet.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, 2011, December 31, 2012, and December 31, 2013**

**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.

Chad Wright  
10302 Brookridge Village Blvd.

Suite 201  
Louisville, KY 40291  
502-759-2380

Suite 201  
Louisville, KY 40291  
502-759-2380