

FRANCHISE DISCLOSURE DOCUMENT

Merle Norman Cosmetics, Inc.
A California Corporation
9130 Bellanca Avenue
Los Angeles, California 90045
(310) 337-2200
www.merlenorman.com
franchising@merlenorman.com



The Studio Owner will operate a retail store known as a “Studio,” which sells Merle Norman cosmetic products.

The total investment necessary to begin operation of a Merle Norman Cosmetic Studio ranges from approximately \$~~129,489~~128,412 to \$~~260,437~~248,437 for a Studio located in a regional mall, from approximately \$~~88,787~~87,022 to \$~~154,712~~153,552 for a Studio that is not located in a regional mall and from approximately \$~~47,566~~47,042 to \$~~82,135~~82,541 for a Studio located within an existing business. This includes the price for one of several initial packages of Merle Norman Cosmetics, supplies and other items which range from approximately \$23,438 to \$45,111 that must be paid to Merle Norman. The total investment does not include rent for the business location.

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 multiple formats, contact Bridget Miller, Franchise Operations, Merle Norman Cosmetics, Inc., 9130 Bellanca Avenue, Los Angeles, CA 90045, (800) 421-2060.

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, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

Type of Expenditure	Amount	Method of Payment (2)	When Due	To Whom Payment is to be Made
Studio Costs: (5)				
Fixtures				
and Furnishings (6)				
Millwork Fixtures	\$19,975-23,025	As Incurred	As Incurred	Suppliers
Acrylic Organizers	\$4,720-6,730	As Incurred	As Incurred	Suppliers/MNC
Tables & Chairs	\$1,160-1,685	As Incurred	As Incurred	Suppliers
Graphics	\$350-620	As Incurred	As Incurred	Suppliers
Mirrors	\$350-500	As Incurred	As Incurred	Suppliers
Merchandising Pieces	\$759-1,201	As Incurred	As Incurred	Suppliers/MNC
Flooring (7)				
Lighting	\$3,000-5,300	As Incurred	As Incurred	Suppliers
Interactive Play Table	\$1,850-2,600	As Incurred	As Incurred	Suppliers
Digital Compu Stick	\$2,500	As Incurred	As Incurred	Suppliers/MNC
Exterior Signage	\$0-250	As Incurred	As Incurred	MNC
Construction	\$3,500-6,000	As Incurred	As Incurred	Suppliers
	\$18,900-84,000	As Incurred	As Incurred	Local Vendors
Computer (hardware/ software) (8)	\$1,800-5,390	As Incurred	As Incurred	Local Vendors/MNC
Working Capital, Deposits, Insurance, and Advertising (9)	\$46,200-63,525	As Incurred	As Incurred	MNC, Suppliers, Landlord, Utilities
Total (10)	\$129,486-260,437 <u>\$128,412-248,437</u> (Does not include real estate costs)			

NON-MALL LOCATIONS

Type of Expenditure	Amount	Method of Payment (2)	When Due	To Whom Payment is to be Made
Real Estate (3)	Variable			
Initial Package of Inventory and Supplies	\$23,438-\$45,111	See Note (4)	As Scheduled	MNC
Studio Costs: (5)				
Fixtures and Furnishings (6)				
Millwork Fixtures	\$15,725-19,075	As Incurred	As Incurred	Suppliers
Acrylic Organizers	\$4,720-6,730	As Incurred	As Incurred	Suppliers/MNC
Tables & Chairs	\$350-620	As Incurred	As Incurred	Suppliers
Graphics	\$350-500	As Incurred	As Incurred	Suppliers
Mirrors	\$759-1,201	As Incurred	As Incurred	Suppliers
Merchandise Pieces	\$2,000-3,200	As Incurred	As Incurred	Suppliers/MNC
Flooring (7)	\$1,850-2,600	As Incurred	As Incurred	Suppliers
Lighting	\$2,500	As Incurred	As Incurred	Suppliers
Interactive Play Table	\$0-250	As Incurred	As Incurred	MNC/Suppliers
Digital Compu Stick	\$3,500-6,000	As Incurred	As Incurred	MNC
Exterior Signage	\$9,240-31,500	As Incurred	As Incurred	Suppliers
Construction		As Incurred	As Incurred	Local Vendors
Computer (hardware/software) (8)	\$1,800-5,390	As Incurred	As Incurred	Local Vendors/ MNC
Working Capital, Deposits, Insurance, and Advertising (9)	\$20,790-28,875	As Incurred	As Incurred	MNC, Suppliers, Landlord, Utilities
Total (10)	\$88,707-154,712 <u>\$87,022-153,552</u> (Does not include real estate costs)			

STUDIO WITHIN EXISTING BUSINESS

Type of Expenditure	Amount	Method of Payment (2)	When Due	To Whom Payment is to be Made
Real Estate (3)	Variable			
Initial Package of Inventory and Supplies	\$23,438-\$45,111	See Note (4)	As Scheduled	MNC
Studio Costs: (5)				
Fixtures and Furnishings (6)				
Millwork Fixtures	\$8,082-9,531	As Incurred	As Incurred	Suppliers
Acrylic Organizers	\$4,720-6,730	As Incurred	As Incurred	Suppliers/MNC
Tables & Chairs	\$1,160-1,685	As Incurred	As Incurred	Suppliers
Graphics	\$350-500	As Incurred	As Incurred	Suppliers
Mirrors	\$350-500	As Incurred	As Incurred	Suppliers
Merchandising Pieces	\$759-1,201	As Incurred	As Incurred	Suppliers/MNC
Lighting				
Interactive Play Table	\$1,850-2,600	As Incurred	As Incurred	Suppliers
Digital Compu Stick	\$2,500	As Incurred	As Incurred	MNC/Suppliers
Exterior Signage	\$0-250	As Incurred	As Incurred	MNC
	\$300-2,500	As Incurred	As Incurred	Suppliers
Computer (hardware/software) (8)	\$1,800-5,390	As Incurred	As Incurred	Local Vendors/ MNC
Working Capital, Deposits, Insurance, and Advertising (9)	\$1,733-4,043	As Incurred	As Incurred	Local Vendors/MNC
Total (10)	\$47,566-82,135 <u>\$47,042-82,541</u> (Does not include real estate costs)			

NOTES

- (1) Your initial investment will vary depending on whether your Studio is located in a regional mall or another location such as a strip shopping center, a central business location, a free-standing building, or located within an existing business. In addition, your initial investment will vary depending on the fixture package you purchase.
- (2) Except for the initial inventory of MN Products, supplies and other items that must be purchased from MNC and the purchase of the MN POS Software Program designed for use in Merle Norman Studios (which is available only from MNC), all of these costs are paid to others, so the amount, terms and refundability of the payment will depend on each supplier.
- (3) Most regional shopping mall Studio locations are in rented spaces of 400 to 600 square feet. Studio locations in strip shopping centers and other locations are typically in rented spaces of 800 to 1,800 square feet. Studio locations within an existing business may be in a space ranging from 200 to 500 square feet of the larger existing business. It has been MNC's experience that fair rental value for a suitable site is so dependent on local real estate conditions that any reasonable estimate of your probable rental expenses may prove inaccurate; however, MNC understands that rents for a suitable site vary from \$342 to \$102 per square foot per year, depending on the location of the Studio. In some cases, particularly in new shopping centers, you may be required to pay a portion of the cost of completing the space.

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Fl
New York, NY 10005
(212) 416-8222

North Dakota:

North Dakota Securities Department
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

Oregon:

Division of Consumer and Business
Services
Finance & Corporate Securities
Department of Consumer &
350 Winter Street, N.E.
Salem, OR 97301-3881
(503) 378-4100

Rhode Island:

Deputy Director, Securities
Department of Business
Regulation
Division of Banking and
Securities
1511 Pontiac Avenue
John O. Pastore Complex-Bldg.
68-2
Cranston, Rhode Island 02920
(401) 462-9585

South Dakota:

Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) ~~773-4823~~ [773-3563](tel:605-773-3563)

Virginia:

State Corporation Commission
Division of Securities &
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

(804) 371-9051

Washington:

Director of Securities
Securities Division
Department of Financial Institutions
P.O. Box 41200
Olympia, WA 98504-1200
(360) 902-8760

Wisconsin:

Division of Securities
Bureau of Regulation &
Enforcement
Department of Financial
Institutions, Suite 300
201 W. Washington Avenue
Madison, WI 53703
(608) 266-8557

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California*	January 28, 2025
Hawaii	Not Registered
Illinois*	Exempt
Indiana*	Exempt
Maryland*	April 30, 2025
Michigan	May 8, 2025
Minnesota	
New York*	Exempt
North Dakota*	April 28, 2025
Rhode Island*	May 12, 2025
South Dakota	April 28, 2025
Virginia*	May 4, 2025
Washington	Pending
Wisconsin	April 28, 2025

*Large Franchise Exemption

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.