

## FRANCHISE DISCLOSURE DOCUMENT



FranNet, LLC, a New Jersey limited liability company  
6844 Bardstown Road, Unit 645  
Louisville, Kentucky 40291  
(502) 753-2380  
E-Mail: [info@frannet.com](mailto:info@frannet.com)  
[www.frannet.com](http://www.frannet.com)

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 \$~~338~~,750 and \$62,750 ~~(total amount in Item 7)~~. This includes ~~between \$6,010.18 and \$11,010.18~~ ~~(total amount in Item 5)~~ that must be paid to the franchisor or its affiliate prior to opening for business.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact **Jania Bailey at 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291 or (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.

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**EXHIBITS**

- A. TABLE OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
- C. FINANCIAL STATEMENTS
- D. LIST OF CURRENT FRANCHISEES
- E. LIST OF FORMER FRANCHISEES
- F. TABLE OF CONTENTS OF OPERATIONS BRAND STANDARDS MANUAL
- G. STATE SPECIFIC ADDENDUM (IF APPLICABLE)
- H. STATE EFFECTIVE DATES
- I. RECEIPT PAGES

misleading, or in violation of Ohio’s Business Opportunity statute. The Company denies that it or its franchisees committed any violations of law. The case was settled with Company and one of its franchisees collectively paying to Zounds \$28,000.00, and each party executed mutual releases. The Company denied all allegations in the Complaint.

Except as described above, 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 Franchise Fee**

You must pay to us an initial franchise fee ranging from \$5,000 to \$10,000 for a single, new FranNet Business to be operated under an individual Franchise Agreement. The initial franchise fee you will pay depends on your previous experience in franchise consulting/franchise development. The \$5,000 initial fee applies to ~~individals~~individuals with prior experience as a franchise consultant/franchise developer. The \$10,000 initial fee applies to individuals without prior franchise consulting/franchise development experience. You must pay the entire initial franchise fee no later than the date you sign the Franchise Agreement. The franchise fee is not earmarked for any particular purpose; we use franchise fees for general operating expenses. The initial franchise fee is paid in a lump sum on signing the franchise agreement.

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

**My FranNet.com Software License Fee and Technology Fee**

Upon completion of our initial training program, you are required to begin paying your My FranNet.com Software License Fee and Technology Fee of a \$350 per quarter. This fee is non-refundable and payable in a lump sum.

**Insurance**

Upon the signing of your Franchise Agreement, You must pay for your pro-rata share (based on the number of consultants, including franchisees and their employees and associates, covered) of premiums for errors and omissions insurance coverage, if we offer group coverage for this insurance. For calendar year 2024, the pro rata share per franchisee/consultant is \$505. This fee is due in a lump sum upon signing the franchise agreement and is non-refundable.

Except as set forth above, all of the foregoing fees in this Item 5 are uniform for all persons purchasing a franchise at this time.

**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 Franchise 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>	\$725	Quarterly	See Note 2
Optional Services <sup>3</sup>	Our then-current fee	As incurred	See Note 3
Services Approved by the Council <sup>4</sup>	Cost of services	As required and as incurred	See Note 4
Insurance <sup>5</sup>	Cost of insurance and, if not obtained by you, our procurement expense	As required and as incurred	See Note 5
Late Fee <sup>6</sup>	The lesser of 10% of delinquent amount or the highest applicable legal rate	As incurred	See Note 6
Transfer <sup>7</sup>	\$5,000 plus our out-of-pocket legal costs	Time of transfer	See Note 7
Successor Franchise Fee <sup>8</sup>	25% of our then-current initial franchise fee	Time of successor franchise	See Note 8
Indemnification <sup>9</sup>	Cost of liability	As incurred	See Note 9
Default, Enforcement, Collection and Termination <sup>10</sup>	Our costs incurred	As incurred	See Note 10
My FranNet.com Technology Fee <sup>11</sup>	\$350.00	Quarterly	See Note 11
Testing of Products or Approval of New Suppliers <sup>12</sup>	Not to exceed \$1,000	As incurred	See Note 12
Additional Training Fee <sup>13</sup>	Then-current additional training fee <u>Currently, \$0 to \$500 per day</u>	As incurred	See Note 13
Consultant Training Fee <sup>14</sup>	\$2,500 per Consultant	As incurred	See Note 14
Liquidated Damages <sup>15</sup>	See Note 14, below	15 days after termination	See Note 15

#### **NOTES**

The table above 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 Franchise Agreement. Unless otherwise indicated below, all of the fees listed above are uniform, non-refundable, and are imposed by, payable to, and collected by us.

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:

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.

10. 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 Franchise Agreement; (b) to effect termination of the Franchise Agreement; and (c) to collect any amounts due under the Franchise Agreement.

11. You must pay to us \$350.00 per calendar quarter for the use of the MyFranNet.com software. We reserve the right to increase this fee.

12. This amount covers the cost of testing new products or inspecting new suppliers that you propose to us.

13. We may, as we deem appropriate in our discretion, develop additional and refresher training courses, and require you to attend such courses. You will be required to pay our then-current additional training fee (as well as any other expenses incurred in connection with such additional training).

14. You must pay us \$2,500 for any consultants that your hire or engage (employees or independent contractors/associates) in order for FranNet to train them.

15. If we terminate your Franchise Agreement for cause, you must pay us within 15-days after the effective date of termination liquidated damages equal to: 10% of your Gross Consulting Income during the 12 months or operation preceding the effective date of termination, (a) multiplied by 2 (2 full years); or (b) if less than 2-years remains on the term of the Franchise Agreement, the amount set forth in (a) above divided by 24 (the number of months in 2 full years) multiplied the number of months remaining in the term of the Franchise Agreement, had it not been terminated.

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

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM MADE</b>
Initial Franchise Fee <sup>1</sup>	<del>\$5,000</del> -\$10,000	Lump sum	At signing of Franchise Agreement	Franchisor
Equipment and Computer System <sup>2</sup>	\$2,500 -\$5,000	As arranged	Before opening	Suppliers
Supplies <sup>3</sup>	\$500	As arranged	As incurred	Suppliers
Pre-Opening Training <sup>4</sup>	\$1,500 - \$3,000	As arranged	As incurred	Suppliers
Marketing Program <sup>5</sup>	\$2,900	Lump sum	Quarterly, in advance	FranNet Marketing Program
Prepaid Insurance Premiums <sup>6</sup>	\$1,000	Lump sum	Completion of training; as incurred	Franchisor/Insurers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
MyFranNet Technology Fee (3 months) <sup>7</sup>	\$350	Lump Sum	Quarterly, in advance	Franchisor
Additional Funds (6 months) <sup>8</sup>	\$20,000 - \$40,000	As arranged	As incurred	Suppliers
<b>TOTAL</b>	<b>\$333,750 - \$62,750</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

- ~~See Item 5 for a description of the~~You must pay to us an initial franchise fee for licensees ranging from \$5,000 to \$10,000 for a single, new FranNet Business to be operated under an individual Franchise Agreement.
- This estimate includes the cost of a telephone, email, a laptop computer and required software (see Item 11 for further information).
- You must purchase the supplies for your FranNet Business office. This estimate includes the costs of stationary, brochures, business cards, and envelopes.
- This estimate includes 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 Franchise Agreement. We estimate that the training course will be for 5 days. We reserve the right to offer any portion of the training program virtually or otherwise via remote learning.
- You must participate in the FranNet Marketing Program, with an quarterly contribution of \$725 per consultant in your office (you and any of your employees and independent contractors/associates). 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 Marketing and other contribution amounts for inflation, but the marketing fees 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. This estimate is for the first 2 calendar quarters of operations and does not include any pro-rated amounts which may be due upon your completion of training before any full calendar quarter.
- Before you begin operating your FranNet Business, you must purchase the insurance coverage required by the Franchise 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.
- You must pay us \$350.00 per calendar quarter for use of the MyFranNet Technology. This is an on-line customer relationship management software system that includes tools for email marketing. This system is necessary for your access

	<b>PROVISION</b>	<b>SECTION IN FRANCHISE 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, your principals 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 the United States or Canada that works with FranNet’s National Relationships or any of the franchisors in FranNet’s inventory at the time, or within the 12-months prior, of your termination
s	Modification of the Agreement	17.8	Except as expressly provided otherwise in the Franchise Agreement, all modifications to the Franchise Agreement must be in writing and signed by both parties.
t	Integration/merger clauses	17.8	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. <u>Notwithstanding the foregoing, nothing in the franchise agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.</u>
u	Dispute resolution by arbitration or mediation	17.3	You must first submit all disputes and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.  At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation in the city and state in which our headquarters is located. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated or arbitrated, the parties will split the fees and bear all of their other respective costs of the mediation (subject to applicable state law).
v	Choice of forum	17.7	Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Franchise agreement must be initiated and litigated to conclusion (unless settled) in the state and federal courts in Philadelphia, Pennsylvania (subject to state law).
w	Choice of law	17.6	The Franchise Agreement will be governed by the laws of the Commonwealth of Pennsylvania (subject to state law).

**ITEM 18**  
**PUBLIC FIGURES**

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

**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 possible 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, CEO at 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291 or (502-753-2380)**, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1**  
**System-wide Outlet Summary**  
**For Years 2021-2023**

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
<b>Franchised</b>	<b>2021</b>	68	64	-4
	<b>2022</b>	64	68	+4
	<b>2023</b>	68	68	0
<b>Company Owned</b>	<b>2021</b>	0	0	0
	<b>2022</b>	0	0	0
	<b>2023</b>	0	0	0
<b>Total Outlets</b>	<b>2021</b>	68	64	-4
	<b>2022</b>	64	68	+4
	<b>2023</b>	68	68	0

**TABLE 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**(other than the Franchisor)**  
**For years 2021-2023**

State	Year	Number of Transfers
<b>TOTALS</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

of December 31, 2021, December 31, 2022, and December 31, 2023.

**ITEM 22**  
**CONTRACTS**

The following agreements related to the offering of the FranNet Business franchise are attached as Exhibits to this disclosure document:

Exhibit B                      Franchise Agreement

**ITEM 23**  
**RECEIPT**

A receipt in duplicate is attached to this disclosure document as **Exhibit I**. 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, 6844 Bardstown Road, Unit 645, Louisville, Kentucky 40291**.

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**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**STATE OF CALIFORNIA**

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

10. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at [www.dbo.ca.gov](http://www.dbo.ca.gov).

11. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANNET, LLC

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

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

1. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language at the beginning thereof:

"Notice Required By Law

THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED AND YOUR RIGHTS UPON TERMINATION OR NON-RENEWAL MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 705/1-44."

2. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") and other Illinois law shall supersede any provisions of the Franchise Agreement which are in conflict with the Act or such law. Illinois law governs the agreement between the parties to this franchise.
3. The provisions of Section 27 of the Act ("Periods of Limitation") supersede the provisions of Section 17.12 of the Franchise Agreement that set a limitation period of one year to the extent that claims are brought under Section 26 of the Act.
4. Section 41 of the Illinois Franchise Disclosure Act of 1987 ("Waivers Void") provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of this state is void."
5. With respect to matters not subject to the arbitration clause of Section 17.3 of the Franchise Agreement, the provisions of Section 17.7 of the Franchise Agreement which designates jurisdiction or venue for litigation in a forum outside of Illinois is not applicable.
6. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
7. Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any

applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

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

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

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

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

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

5. Item 17(w), under the heading “Choice of Law,” shall be supplemented with the following language: “This provision may be enforceable under Indiana Law.”

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

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## NOTICE REQUIRED BY THE STATE OF MICHIGAN

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

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

(a) A prohibition on the right of a Franchisee to join an association of Franchisees.

(b) A requirement that a Franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a Franchisee of rights and protections provided in this act. This shall not preclude a Franchisee, after entering into a Franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a Franchise agreement prior to the expiration of its term except for good cause. Good cause shall include the failure of the Franchisee to comply with any lawful provision of the Franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a Franchisor to refuse to renew a Franchise without fairly compensating the Franchisee by repurchase or other means for the fair market value at the time of expiration of the Franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchised business are not subject to compensation. This subsection applies only if: (i) The term of the Franchise is less than 5 years and (ii) the Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise, or the Franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the Franchise.

(e) A provision that permits the Franchisor to refuse to renew a Franchise on terms generally available to other Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the Franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a Franchisor to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the Franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the Franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and

(iv) The failure of the Franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the Franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the Franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a Franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a Franchise for the market or appraised value of such assets if the Franchisee has breached the lawful provisions of the Franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligation to fulfill contractual obligations to the Franchisee unless provision has been made for providing the required contractual services.

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Any questions regarding this Notice should be directed to the Michigan Department of Attorney General, 670 Law Building, Lansing, Michigan 48913, (517) 373-7117.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Notwithstanding the provisions of Section 17.11 of the Franchise Agreement, any limitations of claims must comply with Minn. Stat. §80C.17, Subd. 5.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business

activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the nonwaiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

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

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

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

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

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

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

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

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

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

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**VIRGINIA**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for FranNet, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statement is added to Item 17.h:

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

### STATE OF WASHINGTON

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

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

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

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

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