

FRANCHISE DISCLOSURE DOCUMENT



FranNet, LLC New Jersey limited liability company
10302 Brookridge Village Blvd., Suite 201
Louisville, Kentucky 40291
(502) 753-2380
E-Mail: info@frannet.com
www.frannet.com

We grant franchises for the operation of 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 \$39,140.00 to \$71,390.00 (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 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: April 1, 2010

FRANNET
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)

State:

Effective Date:

California	April 16, 2009
Hawaii	April 17, 2009
Illinois	April 13, 2009
Indiana	June 11, 2009
Maryland	November 20, 2009
Michigan	September 26, 2008
Minnesota	April 13, 2009
New York	June 1, 2009
North Dakota	_____
Rhode Island	June 5, 2008
South Dakota	_____
Utah	September 29, 2008
Virginia	December 10, 2009
Washington	September 9, 2009
Wisconsin	April 13, 2009

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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 200, 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 is 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 is 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.

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**

Listed below are our principal officers, directors and other executives who will have management responsibility relating to the sale or operation of franchises offered by this disclosure document. The principal position and employer of each such person during the past 5 years are indicated below. We do not use any franchise brokers to sell FranNet licenses.

Chairman of the Board of Directors and Chief Executive Officer: Steven Rosen.

Mr. Rosen has served as FranNet's Chairman of the Board of Directors and Chief Executive Officer in Blue Bell, Pennsylvania since November 2006. 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.

Vice President of the Board of Directors and Treasurer: Jack Armstrong.

Mr. Armstrong has served as FranNet's Vice Chairman of the Board of Directors and Treasurer in Metuchen, New Jersey since November 2006. 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. Mr. Armstrong has also served as President for JPA Enterprises International, Inc. d/b/a FranNet in Metuchen, New Jersey since January 1994.

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.

Director: Blair Nicol.

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.

Director: Phil Kuban.

Mr. Kuban has served as a Director of FranNet, LLC in Atlanta, Georgia since November 2006.. Mr. Kuban has owned and operated FranMax Development Company d/b/a 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 has been on FranNet's Franchisee Advisory Council since March 2007 and has served as Chairman since April 2007. Ms Swift owns and operates Wahoo, Inc. dba FranNet Colorado since July 1996 in Denver, Colorado.

Director: Vic Scimo

Mr. Scimo has served as a Director of FranNet LLC since October 2008. Mr. Scimo has been on FranNet's Franchisee Advisory Council since April 2007, and has served as Vice-Chairman since October 2008. Mr. Scimo owns and operates ViLynn Enterprises LLC since 2001 in Riverside, California.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this offering circular.

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this franchise disclosure document.

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 2010, the pro rata share per licensee is \$625.00. This fee is non-refundable.

ITEM 6
OTHER FEES

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

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Commission Fee ¹	See Note 1, below	Weekly	See Note 1
Marketing Fee ²	\$1,395	Quarterly	See Note 2
Costs of Leads ³	Mandatory purchase of qualified internet leads at our cost (currently \$25 to \$70 per lead)	Monthly on 10 th day of each month, in arrears	See Note 3
Local Marketing Expenditures ⁴	Minimum of \$750 per month for the first 36 months, then \$500 per month	Monthly	See Note 4
Optional Services ⁵	Our then-current fee	As incurred	See Note 5
Services Approved by the Council ⁶	Cost of services	As required and as incurred	See Note 6
Insurance ⁷	Cost of insurance and, if not obtained by you, our procurement expense	As required and as incurred	See Note 7
Training ⁸	\$5,000	Before attending our initial training program	See Note 8
Late Fee ⁹	The lesser of 18% of delinquent amount or the highest applicable legal rate	As incurred	See Note 9
Transfer ¹⁰	\$5,000 plus our out-of-pocket costs trainers	Time of transfer	See Note 10
Successor License Fee ¹¹	25% of our then-current initial license fee	Time of successor license	See Note 11
Indemnification ¹²	Cost of liability	As incurred	See Note 12
Default, Enforcement, Collection and Termination ¹³	Our costs incurred	As incurred	See Note 13
Lost Manual	\$1,000.00	Upon demand.	If you lose your copy of the Operations

NOTES

1. We will pay you a commission on a weekly basis, subject to any off-set as 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. On any Engagements up to 5 or Gross Consulting Income produced by you up to \$100,000 during any calendar year (whichever first occurs), you will receive a commission of 75% of the Gross Consulting Income paid to Us. On any Engagements more than 5 and up to 10 or Gross Consulting Income produced by you that is more than \$ 100,000 and up to \$150,000 during any calendar year, you will receive a commission of 85% of the Gross Consulting Income paid to Us. On any Engagements in excess of 10 or Gross Consulting Income produced by you in excess of \$150,000, you will receive a commission of 90% of the Gross Consulting Income paid to Us.

(c) Royalty Engagement Income. For any Gross Consulting Income produced as a result of a transaction attributable to you, that is based on a Franchisor paying a percentage of royalties collected from a franchisee referred by you to the Franchisor, you receive a commission of either: (1) up to 80% of the monies paid by the Franchisor to us based on a percentage of up front fees for a Prospect who enters into a Franchise Agreement (“Initial Gross Consulting Income”) and 50% of the Gross Consulting Income from a Percentage of Royalties (“Residual Fees”); or (2) at your option selected at the time you sign the License Agreement, up to 85% of the Initial Gross Consulting Income and none of the Gross Consulting Income from a Percentage of Royalties.

(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 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 \$ 1,395 for each quarter. This payment may be adjusted for inflation annually, but not by more than 10% total in any calendar year, unless the Council, on behalf of all Licensees, implements a program(s) causing additional fees to be paid. You must make payment for the upcoming quarter directly to the Marketing Fund for the Marketing Program by the 10th day of January, April, July, and October during the term of the Agreement. If any payment is late, we will have the right, in addition to our other rights and remedies, to deny you access to any and all leads, programs and/or materials created by, and benefits of, the Marketing Program until your payment has been made.
3. You must purchase leads generated by us which are qualified and located in the territory granted to you. You must pay to us on a monthly basis the cost of the leads for the preceding month, which will be the cost incurred by us in generating these leads. In no month will the cost to you of the leads exceed \$1,250 per month, except if the maximum monthly cost per leads is increased or decreased at the Council's sole discretion.
4. You must make minimum monthly expenditures on local marketing, advertising, and promotion in the manner as we direct in the Operations Manuals or otherwise in writing. The amount of these expenditures must be, at a minimum, (a) \$750 during each calendar month for the first 36 months of the term of the License Agreement, and (b) \$500 during each calendar month for the 37th month through the end of the term of the License Agreement. You must provide satisfactory evidence to us of all local marketing, advertising, and promotion expenditures in the manner as we direct in the Operations Manuals or otherwise in writing.
5. We may offer you services not offered under the terms of the License Agreement on an optional basis which you may or may not elect to utilize. If you elect to utilize these services, you must pay for these services within 10 days of the payment due date.
6. In addition to the monthly marketing fees described in Note 2 above, there may be services utilized by you which may be recommended or required by the Council for marketing purposes, in accordance with its policies and procedures. You must pay for these services within 10 days of the payment due date.
7. During the term of the License Agreement, you must maintain the general liability insurance and errors and omissions insurance coverage required by the License Agreement at your sole expense, including E & O Insurance from our carrier. If we offer group coverage for errors and omissions insurance, you must participate and pay your pro-rata share of the premium (based on the number of Licensees covered). If you do not maintain the required insurance coverage, we may obtain, at our option and in addition to our other rights and remedies under the License Agreement, any required insurance coverage on your behalf and at your cost.
8. You must pay to us or the third party trainer who provides your employees or sub-associates training in our initial training program a training fee of \$5,000 per each trainee.
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.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Initial license fee ¹	\$15,000 - \$35,000	Lump sum	At signing of License Agreement	Licensor
Lease ²	\$1,000 - \$2,000	Lump sum	At signing of lease Agreement	Lessor
Leasehold Improvements ³	\$0 - \$2,000	As arranged	Before opening	Lessor/Suppliers
Furnishings ⁴	\$0 - \$2,000	As arranged	Before opening	Lessor/Suppliers
Equipment and Computer System ⁵	\$3,000 - \$5,000	As arranged	Before opening	Suppliers
Supplies ⁶	\$500	As arranged	As incurred	Suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Pre-Opening Training ⁷	\$ 6500	As arranged	As incurred	Suppliers
Marketing Program ⁸	\$ 7140	Lump sum	Quarterly, in advance	FranNet Marketing Program
Prepaid Insurance Premiums ⁹	\$1,000	Lump sum	Completion of training; as incurred	Licensor/Insurers
Utility Deposits ¹⁰	\$0 - \$250	As arranged	Before opening; as incurred	Suppliers
Additional Funds –	\$5,000 - \$10,000	As arranged	As incurred	Suppliers
6 months ¹¹				
TOTAL	\$39,140 - \$71,390			

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, ACT! Training software program, 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 \$1,395 payable for each quarter. You must also pay for the mandatory purchase of qualified interest leads at our cost (currently \$25 to \$70 per lead depending on the lead source) payable on a monthly basis for the cost of leads for the preceding month. 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 from time to time.. 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 is for a full annual premium and a pro-rata share of the premium.
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. 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 seek 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%, and in operating the Licensed Business will be approximately 1%. 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.

Since we just began franchising in 2010, we did not have any revenues from our franchisees. However, in fiscal year ending December 31, 2009 the net revenues of our predecessor, FranNet Franchising, LLC from franchisees (after payment of commissions to franchisees) which must be approved by us was \$7,907,326, representing approximately 82% of our predecessor's total gross revenues of \$9,668,550 in fiscal year ending December 31, 2009.

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

OBLIGATION	SECTION IN LICENSE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
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 internet, publishing, 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 \$1395 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 2009, 0% of the Marketing Program funds were used for production, 100% was used on media 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 intend to create 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 other month, 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

Subject	Hours of Classroom Training	Hours of on the Job Training	Training Location
Pre-Training	0	40	Home

Subject	Hours of Classroom Training	Hours of on the Job Training	Training Location
On-Site Visit to Coach's Office	0	16	Coach's Office-Location to be determined
ACT! Training	0	8	Home or Local Class
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
E-mail Marketing	1	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

Subject	Hours of Classroom Training	Hours of on the Job Training	Training Location
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

Subject	Hours of Classroom Training	Hours of on the Job Training	Training Location
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, and that you maintain an e-mail account for communications with us and other Licensees. You must also purchase and use in your FranNet Business the ACT!, Quickbooks, Swift Page, Microsoft Office, Outlook, and Address Grabber software programs. The computer system will be used for generating leads. We estimate the cost of the computer hardware and software to be between \$3,000.00 and \$5,000.00. 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. This hardware and software has been in continuous use by our Predecessors since 1994. 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, trade marks, 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, trade marks, 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	3,721,884	December 8, 2009
FRANNET LOCAL. TRUSTED. FRANCHISE EXPERTS	3,725072	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 and “ Roadmap for Success” 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 offering circular.

THE FRANCHISE RELATIONSHIP

	PROVISION	SECTION IN LICENSE AGREEMENT	SUMMARY
a	Length of the franchise term	2.2	10 years.
b	Renewal or extension of the term	16	You will have the option to enter into successor licenses for additional, consecutive terms of 10 years.
c	Requirements for franchisee to renew or extend	16	You have complied with your License Agreement and not had any bona fide defaults for the last 2 years of the initial term; sign our then current form of License Agreement and ancillary agreements for new licensees which may contain terms materially different from the terms of the initial License Agreement; sign a general release of all claims against us; pay a successor license fee; and request the successor license not more than 180 days nor less than 60 days before the end of the term of the License Agreement.
d	Termination by franchisee	No provision	The License Agreement does not contain this provision.

	PROVISION	SECTION IN LICENSE AGREEMENT	SUMMARY
e	Termination by franchisor without cause	No provision	The License Agreement does not contain this provision.
f	Termination by franchisor with cause	14	We have the right to terminate the License Agreement with cause. Depending upon the reason for termination, we may not provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g	Cause defined – curable defaults	14.2	Except as described in this Item 17(h), you have 30 days to cure defaults.
h	Cause defined – non-curable defaults	14.1	Non-curable defaults include: failure to complete initial training; abandonment; material misrepresentation or omission in license application; conviction of or plead no contest to certain crimes or offenses; unauthorized transfer; unauthorized use, duplication or disclosure of confidential information, the Marks or the Operations Manuals; violation of terrorist laws, ordinances or regulations; failure on 2 or more occasions within a 12-month period to make payments or comply with the License Agreement; failure to achieve your production quotas; provision of Services to an unapproved Franchisor; and others.
i	Franchisee’s obligations on termination/ non-renewal	15	Pay all monies owed to us or our affiliates; cease using the Marks; return to us, remove the Marks from, or destroy (whichever we specify) all forms and materials containing the Marks or otherwise relating to a FranNet Business; cancel any assumed name or equivalent registrations relating to your use of any Mark; assign any internet address, telephone advertising, telephone number, or web site containing any of our Marks; and cease using our confidential information and return to us the Operations Manuals and any other confidential materials. There are other obligations as well.
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.

	PROVISION	SECTION IN LICENSE AGREEMENT	SUMMARY
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	No provision	The License Agreement does not contain this provision.
o	Franchisor's option to purchase franchisee's	No provision	The License Agreement does not contain this provision.
p	Death or disability of franchisee	13.4	Upon your death or permanent disability, an approved transfer must occur within 6 months.
q	Non-competition covenants during the term of the franchise	15.5	Neither you nor any immediate family member will maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business within your Territory and/or within an area that is within a 50-mile radius of (i) your Territory, or (ii) any other FranNet business.
r	Non-competition covenants after the franchise is terminated or expires	15.5	For a period of one year commencing on the date of termination or expiration, neither you nor any immediate family member will maintain any direct or indirect ownership interest in or business affiliation with, or provide any services to, any entity that operates a similar business within your Territory and/or within an area that is within a 50-mile radius of (i) your Territory, or (ii) any other FranNet business.
s	Modification of the Agreement	17.8	Except as expressly provided otherwise in the License Agreement, all modifications to the License Agreement must be in writing and signed by both parties.
t	Integration/ merger clauses	17.8	The License Agreement constitutes the entire agreement between the parties.
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 our
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 Outlet Summary
For Years 2007-2009

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2007	0	18	+18
	2008	18	38	+20
	2009	38	50	+12
Company-Owned	2007	0	0	0
	2008	0	0	0
	2009	0	0	0
Total Outlets	2007	0	18	+18
	2008	18	38	+20
	2009	38	50	+12

Table No. 2
Transfers of Franchised Outlets
For Years 2007-2009

State	Year	Number of Transfers
California	2007	0
	2008	0
	2009	1
Connecticut	2007	0
	2008	1
	2009	0
Florida	2007	0
	2008	1
	2009	0
Pennsylvania	2007	0
	2008	1
	2009	0
Virginia	2007	0
	2008	0
	2009	1
TOTALS	2007	0
	2008	3
	2009	2

Table No. 3
Status of Franchised Outlets
For Years 2007-2009

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
Alaska	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	0	0
	(See Note 1) 2009	0	1	0	0	0	0	1
California	2007	0	0	0	0	0	0	0
	2008	0	5	0	0	0	0	5
	2009	5	1	0	0	0	0	6
Colorado	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
	(See Note 2) 2009	1	0	0	0	0	0	1
Connecticut	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Florida	2007	0	3	0	0	0	0	3
	2008	3	2	0	0	0	0	5
	2009	5	0	0	0	0	1	4
Georgia	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Idaho	2007	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
	2008	0	0	0	0	0	0	0
(See Note 1)	2009	0	1	0	0	0	0	1
Illinois	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	0	0
	2009	0	1	0	0	0	0	1
Indiana	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
(See Note 3)	2009	1	0	0	0	0	0	1
Iowa	2007	0	1	0	0	0	1	0
	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
Kentucky	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
(See Note 3)	2009	1	0	0	0	0	0	1
Massachusetts	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	0	0
	2009	0	2	0	0	0	0	2
Michigan	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Minnesota	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Missouri	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Montana	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
(See Note 2)	2009	1	0	0	0	0	0	1
Nebraska	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	1	0
	2009	0	0	0	0	0	0	0
New Jersey	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
(See Note 4)	2009	1	0	0	0	0	0	1
New York	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
(See Note 4)	2009	1	1	0	0	0	0	2
North Carolina	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
(See Note 5)	2009	1	0	0	0	0	0	1
Ohio	2007	0	1	0	0	0	0	1
	2008	1	2	0	0	0	0	3
	2009	3	0	0	0	0	0	3
Oklahoma	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	1	0
	2009	0	0	0	0	0	0	0
Oregon	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	0	0
(See Note 1)	2009	0	1	0	0	0	0	1
Pennsylvania	2007	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
	2008	1	2	0	0	0	0	3
(See Note 6)	2009	3	0	0	0	0	0	3
South Carolina	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
(See Note 5)	2009	1	0	0	0	0	0	1
Tennessee	2007	0	2	0	0	0	0	2
	2008	2	0	0	0	0	1	1
	2009	1	0	0	0	0	0	1
Texas	2007	0	0	0	0	0	0	0
	2008	0	2	0	0	0	0	2
	2009	2	1	0	0	0	0	3
Utah	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
	2009	1	0	0	0	0	1	0
Virginia	2007	0	0	0	0	0	0	0
	2008	0	2	0	0	0	0	2
	2009	2	1	0	0	0	0	3
West Virginia	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
(See Note 6)	2009	1	0	0	0	0	0	1
Wisconsin	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Wyoming	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
(See Note 2)	2009	1	0	0	0	0	0	1
Canada	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	0	0
	2009	0	4	0	0	0	0	4
TOTALS	2007	0	18	0	0	0	0	18
	2008	18	23	0	0	0	3	38
	2009	38	14	0	0	0	2	50

Note 1 – Multi-state Territory – Licensee in Oregon

Note 2 – Multi-state Territory – Licensee in Colorado

Note 3 – Multi-state Territory – Licensee in Kentucky

Note 4 – Multi-state Territory – Licensee in New Jersey

Note 5 – Multi-state Territory – Licensee in North Carolina

Note 6 – Multi-state Territory – Licensee in Pennsylvania

Table No. 4
Status of Company-Owned Outlets
For Years 2007-2009

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	2007	0	0	0	0	0	0
	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
TOTALS	2007	0	0	0	0	0	0
	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0

Table No. 5
Projected Openings as of December 31, 2009 for 2010

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
Alabama	0	1	0
Utah	0	1	0
Washington	0	1	0
TOTALS	0	3	0

Our fiscal year end is December 31.

The name, business address, and business telephone number of each current franchisee on December 31, 2009 is attached as **Exhibit D**.

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

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

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

The name, address, telephone number, e-mail address and web address of our Franchise Advisory Council is fac@franet.com. The Franchise Advisory Council was created by us to

manage and administer the Marketing Program. See Item 11.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit C is our audited balance sheet, statement of operations, shareholder's equity, and cash flows as of December 31, 2009.

ITEM 22
CONTRACTS

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

Exhibit B License Agreement

ITEM 23
RECEIPT

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

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

Jania Bailey
10302 Brookridge Village Blvd.
Suite 201
Louisville, KY 40291
502-759-2380

Chad Wright
10302 Brookridge Village Blvd.
Suite 201
Louisville, KY 40291
502-759-2380

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

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

State	State Agency	Agent for Service of Process
CALIFORNIA	Department of Corporations 320 West 4 th Street Suite 750 Los Angeles, CA 90013 (213) 576-7500 (p) (866) 275-2677 (toll-free)	California Commissioner of Corporations Department of Corporations 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 1-866-275-2677
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722 (p)	Commissioner of Securities 335 Merchant Street, Room 204 Honolulu, HI 96813
ILLINOIS	Attorney General Franchise Division State of Illinois 500 South Second Street Springfield, IL 62706 (217) 782-4465 (p)	Illinois Attorney General 500 South Second Street Springfield, IL 62706
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street Room E111 Indianapolis, IN 46204 (317) 232-6681 (p)	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531 (p)
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 (p)	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
MICHIGAN	Consumer Protection Division Franchise Section Michigan Department of Attorney General G. Mennan Williams Building, 6 th Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporation and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Department of Commerce 85 7 th Place East Suite 500 St. Paul, MN 55101-2198 (612) 296-4026 (p)	Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198
NEW YORK	New York Department of Law Bureau of Investor Protection and Securities 120 Broadway New York, NY 10271 (212) 416-8211 (p)	Secretary of State of New York 41 State Street Albany, NY 12231

State	State Agency	Agent for Service of Process
NORTH DAKOTA	Securities Commission State of North Dakota Capitol Building 600 East Boulevard 5 th Floor Bismarck, ND 58505 (701) 328-4712 (p)	Securities Commissioner, State of North Dakota Fifth Floor 600 East Blvd. Bismarck, ND 58505
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street N.E. Suite 410 Salem, OR 97310 (503) 378-4387 (p)	Department of Consumer and Business Services Division of Finance and Corporate Securities State of Oregon 350 Winter Street, NE, Room 21 Portland, OR 97310
RHODE ISLAND	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500 (p)	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500
SOUTH DAKOTA	Department of Revenue & Regulation Division of Securities 445 East Capital Avenue Pierre, SD 57501-3185 (605) 773-4823 (p)	Director, Division of Securities 118 West Capitol Pierre, SD 57501
VIRGINIA	State Corporation Commission Division of Securities & Retail Franchising 1300 East Main Street 9 th Floor Richmond, VA 23219 (804) 371-9051 (p) (804) 371-9911 (f)	Clerk of the State Corporation Commission 1300 East Main Street 1 st Floor Richmond, VA 23219 (804) 371-9733 (p)
WASHINGTON	<u>Overnight Courier</u> Securities Division 3rd Floor West 210-11th Avenue S.W. Olympia, WA 98504 (360) 902-8760 (p) (360) 586-5068 (f) <u>Regular Mail</u> P.O. Box 9033 Olympia, WA 98507-9033	Director of Department of Financial Institutions Securities Division State of Washington 150 Israel Road SW Olympia, Washington 98501
WISCONSIN	Director of Divisions of Securities Registration Division 101 East Wilson Street 4 th Floor Madison, WI 53703 (608) 266-1365 (p)	Commissioner of Securities Wisconsin Securities Commission 345 W. Washington Ave., 4 th Floor P.O. Box 1768 Madison, WI 53703
ALL OTHER STATES	None	Jania Bailey FranNet Franchising, LLC 10302 Brookridge Village Blvd, Suite 201 Louisville, KY 40291

EXHIBIT "B" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

LICENSE AGREEMENT

FRANNET, LLC
LICENSE AGREEMENT

Licensee

Term of Agreement

License No.

Office Address / Territory

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EXHIBIT A - Territory

EXHIBIT B - Commissions and Other Compensation

EXHIBIT C - Production Schedule

OWNER'S GUARANTY AND ASSUMPTION OF LICENSEE'S OBLIGATIONS

FRANNET FRANCHISING, LLC
LICENSE AGREEMENT

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

1. **INTRODUCTION**

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

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

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

2. **GRANT OF LICENSE**

2.1 **Grant**

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

2.2 Term of License

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

2.3 Full Term Performance

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

2.4 Business Office and Customer Restrictions

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

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

2.5 Our Territorial Restrictions

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

2.6 Reservation of Rights

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

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

2.7 Modifications to the System

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

3. SERVICES OF LICENSOR

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

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

4. TRAINING

4.1 Training Programs

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

4.2 Meeting Attendance

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

4.3 Our Right to Terminate this Agreement

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

5. GUIDANCE OPERATIONS MANUALS

5.1 Guidance and Assistance

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

5.2 Operations Manuals

We will loan to you during the term of this Agreement our confidential, proprietary Systems Documentation Materials including all system and procedures for dealing with

Prospects and Franchisors (the “Operations Manuals”). The Operations Manuals will contain mandatory and suggested specifications, standards and operating procedures which we prescribe from time to time for FranNet Businesses. The Operations Manuals may be modified from time to time by us to reflect changes in operating procedures and other aspects of operating your FranNet Business. 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.

6. MARKS

6.1 Ownership and Goodwill of the Marks

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

6.2 Limitations on Use of the Marks

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

6.3 Discontinuance of Use of Marks

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

7. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

7.1 Independent Contractor; No Fiduciary Relationship

This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and nothing in this Agreement is intended to make either party a general

or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You will conspicuously identify yourself in all dealings with customers, suppliers, public officials and others as the owner of your Business pursuant to a license agreement with us.

7.2 No Liability; No Warranties

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

7.3 Taxes

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

7.4 Indemnification

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

8. CONFIDENTIAL INFORMATION; OTHER ACTIVITIES

8.1 Types of Confidential Information

We own, and may develop in the future, certain confidential and proprietary information and/or trade secrets consisting of the following categories of information: (1) methods, techniques, formats, specifications, procedures, information related to, and knowledge of and experience in, the development, operation and licensing of FranNet Businesses; (2) the contents of the Operations Manuals; and (3) marketing and promotional programs for FranNet Businesses. You acknowledge and agree that all such information ("Confidential Information") is confidential and proprietary. If you are aware during the term of this Agreement of any unauthorized access or use of this Confidential Information, you are required to timely inform us of any such unauthorized use.

8.2 Nondisclosure Agreement

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

8.3 Other Activities

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

9. FEES

9.1 License Fee

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

9.2 Insurance Premiums

You will pay to us ongoing periodic premiums for your pro-rata share (based on the number of Licensees covered) of premiums for errors and omissions insurance coverage, if we offer group coverage for such insurance as described in Section 10.3 below. Premiums not paid within ten (10) days of the due date will be subject to a late fee equal to the lesser of: ten percent (10%) of the delinquent amount or the highest applicable legal rate for open account business credit in your state. You acknowledge that your failure to pay all amounts when required under this Agreement shall constitute grounds for termination of this Agreement.

9.3 Ongoing Monthly Fees

You shall pay ongoing monthly fees as set forth in the FranNet Marketing Program described in Section 11.2 of this Agreement, administered by the franchise advisory council established by us (the "Council"). The Council will make recommendations to FranNet licensees regarding the use of marketing program fund monies. The Council's annual budget must be approved by a majority of FranNet Businesses.

9.4 Other Fees

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

9.5 Services Approved by Council

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

10. OPERATION OF THE BUSINESS

10.1 Importance of System Image

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

10.2 Compliance with Laws and Good Business Practices

You agree to secure and maintain in force in your name all required licenses, permits and certificates. You agree to operate your Business in full compliance with all applicable laws, ordinances and regulations, and pay all taxes applicable to your Business; including any law, ordinance or regulation relating to terrorist activities. You shall (1) in all dealings with customers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct, (2) comply with all federal, state and local laws and regulations applicable to Franchise sales activities (including, without limitation, laws and regulations relating to disclosure, earnings claims, registration and advertising), and (3) not make any representations to any Prospects about the Franchises or otherwise which are misleading, incomplete, fraudulent or untrue, or which are contradicted by or inconsistent with the written materials provided to you (including, without limitation, Franchise agreements, disclosure documents, and Franchise operations manuals).

10.3 Insurance

During the term of this Agreement, you must maintain general liability insurance and errors and omissions insurance coverage at your sole expense and under policies of insurance issued and administered by carriers approved by us. The insurance policies must name FranNet LLC as an additional insured and must provide coverage for anyone in your office that works

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

10.4 Production Schedule

You are required to meet the minimum production schedule as an annual quota, as described in Exhibit "C." In the event that you do not meet the production schedule, at our option, we shall have the right to any or all of the following remedies: (1) to suspend our performance and obligations under this License Agreement; (2) to terminate the territorial protection granted under Section 2.5 above, in which event we will have the right to establish and operate, and license others to establish and operate, FranNet Businesses within the Territory; (3) to reduce the size of the Territory for which you are granted territorial protection under Section 2.5 above; and (4) upon thirty (30) days prior notice to terminate this License Agreement.

10.5 Computer System

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

11. MARKETING

11.1 Local Marketing, Advertising, and Promotion

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

11.2 FranNet Marketing Program

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

11.2.1 Program Funding The Marketing Program is funded by contributions from other FranNet Licensees and our self. The Marketing Program shall be managed entirely by the Council. The Council shall have sole discretion over how the Marketing Program contributions are expended. All sums paid by you to the Marketing Program will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except as otherwise described herein. We are not be obligated to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular licensee benefits directly or from expenditures by the Marketing Program. It is anticipated that all contributions to and earnings of the Marketing Program fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. You acknowledge that monies in the Marketing Program are not a trust or asset of ours, and that neither we nor the Council are a trustee of the Marketing Program or the monies in it or a fiduciary to you with respect to them.

11.2.2 Licensee Participation You will participate in the Marketing Program, with a quarterly contribution of One thousand three hundred and ninety five dollars (\$1395) for each quarter as described in this Section 11.2.2. Said contribution amounts will not be increased by more than ten percent (10%) total in any calendar year, unless the Council implements a program(s) causing additional fees to be paid. You shall make payment for the upcoming quarter directly to us for the Marketing Program by the tenth (10th) day of January, April, July, and October during the term hereof. Payments are considered late if received after the tenth (10th) day of such month. If any payment is late, we will have the right, in addition to our other rights and remedies hereunder, to deny you access to any and all leads, programs and/or materials created by, and benefits of, the Marketing Program until such payment has been made. Upon the completion of our initial training program as required by Section 4 above, you will remit sufficient payments for the quarterly contribution to cover all amounts due for the days remaining in the quarter of completion of said Basic Training (pro-rated) plus pre-payment of the following quarter’s

amount. The Council shall have sole discretion to establish the budget for the Marketing Program, including the monthly marketing contribution.

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

11.3 Internet Leads/Lead Assignment

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

11.4 Program Changes

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

11.5 Non-Solicitation

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

11.6 Separate Identity

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

11.7 Approval of Promotional Materials Required

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

11.8 Approval of Franchisors Required

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

11.9 Web Site

You specifically acknowledge and agree that any Web Site (as defined below) will be deemed “advertising” under this Agreement, and will be subject to (among other things) our approval under Section 11.7 above. As used in this Agreement, the term “Web Site” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers and/or other devices linked by communications software. The term Web Site includes, but is not limited to, the Internet and World Wide Web.

11.9.1 We will have the right, but not the obligation, to establish and maintain a Web Site (which may, without limitation, promote the Marks and/or the System, or serve as an intranet, extranet, or other means of electronic communication within the System). We will have the sole right to control all aspects of the Web Site, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Web Site at any time without notice to you.

11.9.2 Except as approved in advance in writing by us, you must not establish or maintain a separate Web Site, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Business. If such written approval is granted by us, you must establish and operate such Web Site in accordance with our standards and policies provided to you in the Operations Manuals or otherwise in writing from time to time.

11.9.3 We will have the right to modify the provisions of this Section 11.9 relating to Web Sites in the Operations Manuals, as we solely determine is necessary or appropriate for the best interests of the System.

12. RECORDS

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

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

13. OWNERSHIP AND TRANSFER REQUIREMENTS

13.1 Transfer by Licensor

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

13.2 Transfer by Licensee

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

13.3 Conditions for Approval of Transfer

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

13.3.1 the transferee must have sufficient business experience, aptitude and financial resources to operate a FranNet Business;

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

If the proposed transfer is to or among owners of Licensee, to or among the immediate family members of Licensee (and, if a corporation, partnership or limited liability company is the Licensee, the members of the immediate family of any shareholder, partner, or member), or to a corporation or limited liability company formed by Licensee for the convenience of ownership, the requirements contained in (3) and (4) above will not apply if the transferee (or each owner of the transferee, as applicable) has already completed training.

13.4 Death or Disability

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

13.5 Effect of Consent to Transfer

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

13.6 Addition of Additional Sales Personnel by You in Your Territory

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

14. TERMINATION OF THE LICENSE

14.1 Notice Without Opportunity to Cure

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

- 14.1.1 If you fail to complete our initial training program to our satisfaction, or if we, in our sole discretion, determine upon your completion of training that you would not be a suitable licensee, in which case we will refund to you fifty percent (50%) of your initial license fee;
- 14.1.2 If you abandon or cease to actively operate the Business for more than thirty (30) days without our advance written approval;
- 14.1.3 If you or any of your owners has made any material misrepresentation or omission in applying for the License;
- 14.1.4 If you or any of your owners are convicted by a trial court of or plead no contest to a felony or other crime or offense that is likely to adversely affect your reputation, our reputation, or the reputation of your Business or any other FranNet Business;
- 14.1.5 If you make an unauthorized direct or indirect transfer of this Agreement, any material asset of your Business, an ownership interest in Licensee or fail to assign this Agreement or the interest in Licensee of a deceased or disabled controlling owner thereof as required by this Agreement;
- 14.1.6 If you or any of your owners make any unauthorized use, duplication or disclosure of any Confidential Information, the Marks or the Operations Manuals;
- 14.1.7 If you or any of your owners are in violation of any law, ordinance or regulation relating to terrorist activities or your assets, property or interests are “blocked” under any such law, ordinance or regulation;
- 14.1.8 If you fail on two (2) or more separate occasions within any period of twelve (12) consecutive months, to pay when due any amounts due to us or our affiliates, or otherwise fail to comply with this Agreement, whether

or not those failures to comply are corrected after you receive notice of default;

14.1.9 If you fail to achieve the annual quotas set forth in Exhibit “C”; or

14.1.10 If you provide Services to an unapproved Franchisor as described in Section 11.6 of this Agreement.

14.2 Notice With Opportunity to Cure

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

14.2.1 If you fail to make payment of any amounts due to us or our affiliates and do not correct that failure within ten (10) days after written notice of the failure is delivered to you; or

14.2.2 If you fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure we prescribe.

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

15.1 Payment of Amounts Owed to Licensor

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

15.2 Marks

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

evidence satisfactory to us of your compliance with the above obligations; and (f) assign any internet address, telephone advertising, telephone number, or website containing any of our Marks which cannot be immediately discontinued.

15.3 Confidential Information

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

15.4 Continuing Obligations

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

15.5 Non-Competition Covenant

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

16. SUCCESSOR LICENSE

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

17. MISCELLANEOUS

17.1 Severability and Substitution of Valid Provisions

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

17.2 Waiver of Obligations

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

17.3 Arbitration

All controversies, disputes or claims arising between us and our officers, directors, agents, employees and attorneys (in their representative capacity) and you (and your owners and guarantors, if applicable), excluding claims for which we seek injunctive relief under Section 18 of this Agreement and claims relating to the Marks, will be submitted for arbitration to the office of the American Arbitration Association located in the state in which our headquarters is located on demand of either party. Such arbitration proceedings will be conducted in the city in which our headquarters is located in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. The arbitrator will have the right to award or include in his award any relief which he deems proper under the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), and attorneys' fees and costs in accordance with Section 17.5. The award and decision of the arbitrator will be conclusive and binding upon all of the parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. The parties further agree to be bound by the provisions of any statute of limitations applicable to the controversy, dispute or claim which is the subject of any arbitration proceeding initiated hereunder pursuant to state law. The parties agree, in connection with any such arbitration proceeding, to be bound by the provisions of the Federal Rules of Civil Procedure with respect to compulsory counterclaims (as the same may be amended from time to time), provided any such compulsory counterclaim will be filed within thirty (30) days of the filing of the original claim. Without limiting the foregoing, the parties will be entitled in any such arbitration proceeding to the entry of an order by a court of competent

jurisdiction pursuant to an opinion of the arbitrator for specific performance of any of the requirements of this Agreement. This agreement to arbitrate will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. You and us agree that arbitration shall be conducted on an individual, not a class-wide, basis.

17.4 Cumulative Remedies

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

17.5 Costs and Attorneys' Fees

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

17.6 Governing Law

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

17.7 Consent to Jurisdiction

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

17.8 Entire Agreement

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

17.9 Construction

All headings of the various Sections and subsections of this Agreement are for convenience only and do not affect the meaning or construction of any provision. The usage of terms in the singular in this Agreement includes the plural, the plural includes the singular and the masculine and neuter usages include the other and the feminine. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If two or more persons are at

any time Licensees under this Agreement, whether or not as partners or joint venturers, their obligations and liabilities to Licensor are joint and several. Time is of the essence in this Agreement. Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

17.10 Waiver of Punitive Damages

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

17.11 Waiver of Jury Trial

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

17.12 Limitations of Claims

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

17.13 Agreement Not to be Construed Against Drafter

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

18. INJUNCTIVE RELIEF

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

19. NOTICES AND PAYMENTS

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

20. ACKNOWLEDGMENTS

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

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

LICENSEE (Print Name)

FRANNET, LLC

LICENSEE (Signature)

By: _____
Title: _____

Social Security or Tax I.D. Number

EXHIBIT A
TERRITORY

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

LICENSEE (Print Name)

FRANNET, LLC

LICENSEE (Signature)

By: _____
Title: _____

EXHIBIT B

COMMISSIONS AND OTHER COMPENSATION

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

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

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

c. **Royalty Engagement Income.** For any Gross Consulting Income produced as a result of a transaction attributable to you, that is based on a Franchisor paying a percentage of royalties collected from a franchisee referred by you to the Franchisor, you will receive a commission of either: (1) up to eighty percent (80%) of the monies paid by the Franchisor to FranNet based on a percentage of up front fees for a Prospect who enters into a Franchise Agreement (“Initial Gross Consulting Income”) and fifty percent (50%) of the Gross Consulting Income from a Percentage of Royalties (“Residual Fees”); or (2) at your option selected at the time this Agreement is executed, up to eighty-five percent (85%) of the Initial Gross Consulting Income and none of the Gross Consulting Income from a Percentage of Royalties. Your option is: _____.

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

e. **Income Recognized as Received.** The commission that FranNet pays you will be based on Gross Consulting Income received by FranNet. FranNet will not use any form of accrual accounting to recognize Gross Consulting Income that may be due and payable at some future date in determining the commissions to you. Any commission payable to you based on the above, shall be vested and will be payable upon receipt by FranNet, even if the Gross Consulting Income is received by FranNet after the termination of this Agreement. Notwithstanding the foregoing, in the event, in any calendar year, the total of such commissions is less than One Thousand Dollars (\$1000.00), FranNet shall no longer have any obligation to continue making future payments under this provision.

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

g. **Commission Payment Schedule.** FranNet will prepare commission statements weekly. The business week will close at the end of business each Friday. A Statement of your commission activity for the previous week will be sent to you by FranNet, along with a payment of all commissions due you, by Tuesday of the following week. If the commission due you on any weekly statement is in excess of one thousand dollars (\$1000.00) then this statement shall be sent via overnight service. These weekly commission statements and payments will be sent by FranNet only if (1) you had commission activity in the preceding week; and (2) you are up-to-date in providing accurate activity reports to FranNet as defined in FranNet's Operations Manual.

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

LICENSEE (Print Name)

FRANNET, LLC

LICENSEE (Signature)

By: _____
Title: _____

EXHIBIT C

PRODUCTION SCHEDULE

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

“Year” means the twelve-month period following the Effective Date of this Agreement, and then each subsequent twelve-month period following the anniversary date of the Effective Date.

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

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

LICENSEE (Print Name)

FRANNET, LLC

LICENSEE (Signature)

By: _____
Title: _____

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

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

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

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

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

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

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

GUARANTOR(S)

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

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

BACKGROUND

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

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

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

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

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

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

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

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

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

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

In Witness Whereof, the parties have executed this Addendum to Franchise Agreement as of the ____ day of _____, 2009.

FranNet, LLC

Licensee:

By: _____

Signature

Title: _____

Print Name

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FranNet, LLC

Licensee:

By: _____

Signature

Title: _____

Print Name

EXHIBIT "C" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

Financial Statements

FranNet, LLC
Financial Statements and
Supplementary Information
December 31, 2009

FranNet, LLC
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December 31, 2009

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Including the practice of
Fishbein & Company, P.C.

110 Gibraltar Road, Suite 116
Horsham, PA 19044
Tel 215.259.1000
Fax 215.259.1010

www.weiserLLP.com

Independent Auditors' Report

To the Member of
FranNet, LLC

We have audited the accompanying balance sheet of FranNet, LLC as of December 31, 2009, and the related statements of income and member's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FranNet, LLC as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Horsham, PA
April 5, 2010

FranNet, LLC
Balance Sheet
December 31, 2009

Assets

Current assets

Cash	\$ 459,532
Restricted cash for marketing expenses	56,274
Account receivable, net of allowance for doubtful accounts of \$7,748	552,244
Other	42,317
Total current assets	<u>1,110,367</u>

Property and equipment, net of accumulated depreciation of \$26,504	88,882
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Other assets

Investment in affiliate	<u>8,315</u>
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Total assets	<u>\$ 1,207,564</u>
---------------------	----------------------------

Liabilities and member's equity

Current liabilities

Accounts payable	\$ 373,078
Accrued expenses	152,992
Deposits	58,700
Marketing liability	56,274
Total current and total liabilities	<u>641,044</u>

Commitments

Member's equity	<u>566,520</u>
-----------------	----------------

Total liabilities and member's equity	<u>\$ 1,207,564</u>
--	----------------------------

The accompanying notes are an integral part of these financial statements.

FranNet, LLC
Statement of Income and Member's Equity
Year Ended December 31, 2009

Revenue	
Franchise sales	\$ 115,000
Royalties	321,734
Commissions income	7,907,326
Meetings income	455,350
Sponsor income and other related income	436,756
Training	86,535
Administrative income	345,849
	<u>9,668,550</u>
Direct costs	
Commissions	7,243,010
Franchise referral	32,443
Meetings expense	215,672
Royalty expense	227,287
Sponsor fees	166,983
Training	82,116
	<u>7,967,511</u>
Gross profit	<u>1,701,039</u>
Operating expenses	
General and administrative	1,122,443
Depreciation	15,554
	<u>1,137,997</u>
Income from operations	<u>563,042</u>
Other income (expenses)	
Interest income	721
Loss from affiliate	(1,685)
	<u>(964)</u>
Net income	562,078
Member's equity	
Beginning	261,212
Member's distributions	(256,770)
Ending	<u>\$ 566,520</u>

The accompanying notes are an integral part of these financial statements.

FranNet, LLC
Statement of Cash Flows
Year Ended December 31, 2009

Cash flows from operating activities	
Net income	\$ 562,078
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	15,554
Bad debts	7,748
Loss from affiliate	1,685
Increase (decrease) in cash resulting from changes in operating assets and liabilities:	
Accounts receivable	(221,610)
Restricted cash for marketing expenses	(41,893)
Other current assets	(27,837)
Accounts payable	256,581
Accrued expenses	(44,211)
Deferred revenue	29,300
Marketing liability	41,893
Net cash provided by operating activities	<u>579,288</u>
Cash flows from investing activities	
Acquisition of property and equipment	(76,005)
Investment in affiliate	(10,000)
Net cash used in investing activities	<u>(86,005)</u>
Cash flows from financing activities	
Member's distributions, net cash used in financing activities	<u>(256,770)</u>
Net increase in cash	236,513
Cash	
Beginning	223,019
Ending	<u>\$ 459,532</u>

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation and Nature of Business

FranNet, LLC, is a limited liability company (the “Company”) organized in the state of New Jersey. The Company is offering licenses to operate new FranNet franchises and conversion licenses to existing FranNet businesses. FranNet businesses offer specialized franchise-consulting services to franchisors, potential franchisors, licensors and other business opportunity companies in connection with the sale (or resale) of their franchises, licenses and business opportunities throughout the United States and Canada. On December 31, 2009, the Company merged with FranNet Franchising, LLC, an affiliated entity through common ownership. Accordingly, the results of operations for FranNet Franchising, LLC have been included in the accompanying financial statements as of January 1, 2009, as required by the pooling of interests method of accounting. All significant intercompany transactions and balances have been eliminated. The surviving entity will continue as FranNet, LLC.

The Company, as franchisor, offers 10-year nonexclusive franchise agreements which are sold at fees ranging from \$15,000 to \$35,000. As of January 1, 2009, the Company had thirty-three FranNet franchises. During the year ended December 31, 2009, the Company entered into three new FranNet franchises and nine conversion licenses to existing FranNet businesses located in Canada. The agreements may be extended for an unlimited number of successor terms of ten years each. The agreements provide the license to offer consulting services to franchisors, potential franchisors, licensors, and other business opportunity companies in connection with the sale of their franchises, business opportunities, licenses and existing resales. When an individual franchise is sold, the Company agrees to provide certain services to the licensee. Generally, these services include training, furnish guidance and operation manuals, and provide specification for the Marks - certain trademarks, service marks and other commercial symbols, including the mark “FranNet.” As provided in the agreements, the franchisees make payments to the Company for license fees, insurance premiums and other services provided by the Company. The Company may terminate an agreement if the franchisee fails to comply with any of its provisions. A one-year non-competition provision in the agreements becomes effective upon termination or expiration.

Use of Estimates

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

Cash

The Company places its cash with commercial banking institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at estimated collectible amounts. The Company provides for probable uncollectible amounts, as necessary, through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Restricted Cash

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

Investment in Affiliate

The Company has a 50% interest in Franchise Development Partners, LLC. The investment is accounted for using the equity method, i.e., at cost, increased or decreased by the Company's proportionate share of its undistributed earnings or losses.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions are capitalized; expenditures for maintenance and repairs will be charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (5 - 15 years).

Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

Revenue Recognition

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

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

FranNet, LLC
Notes to Financial Statements
Year Ended December 31, 2009

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

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

Advertising

Advertising costs are charged to expense as incurred. Total advertising costs charged to expense, included in selling expense, was \$44,269 for the year ended December 31, 2009.

Income Taxes

The Company and the remaining affiliate is a New Jersey limited liability company.

As a result, income and losses of the Company are passed through to its members for federal and New Jersey state income tax purposes. Accordingly, no provision is made for federal or state income taxes for the Company.

Foreign Operations

The Company experienced a net foreign currency transaction loss of \$3,842 in 2009. This amount is included in operating expenses in the accompanying financial statements.

Subsequent Events

The Company has evaluated subsequent events through April 5, 2010, the date the financial statements were available for issuance. The Company had been in arbitration with a franchisor. In March, 2010, the Company was awarded a settlement of \$276,395 by the arbitrator, of which approximately \$120,000 will be disbursed to FranNet franchises.

2. Property and Equipment

Leasehold improvements	\$ 2,134
Office furniture and equipment	<u>113,252</u>
	115,386
Less: Accumulated depreciation and amortization	<u>26,504</u>
	<u>\$ 88,882</u>

FranNet, LLC
Notes to Financial Statements
Year Ended December 31, 2009

3. Investment in Affiliate

Following is a summary of financial position of Franchise Development Partners, LLC, and the related statement of operations and members' equity for the period from July 15, 2009 (date of inception) to December 31, 2009.

Current assets	\$ 6,036
Property and equipment	5,258
Intangible assets	<u>5,335</u>
 Total assets	 <u>16,629</u>
 Members' equity	 <u>\$ 16,629</u>
 Revenues	 \$ -
Operating selling and administrative fees	<u>2,730</u>
 Loss from operations	 (2,730)
 Amortization	 <u>(640)</u>
 Net loss	 <u>\$ (3,370)</u>

4. Lease Commitments and Rent Expense

The Company leases office space from a company affiliated through common ownership under an operating lease expiring in August, 2012. The total rent charged to the Company was \$30,104 for the year ended December 31, 2009. The lease also provides that the Company pay all operating expenses including real estate taxes. The Company also leases office equipment under an operating lease expiring in March, 2011. Total rental expense, including additional charges included in office supplies and expenses, was \$4,579 in 2009.

Future minimum rental payments under these leases are as follows:

Years Ending December 31,

2010	\$ 35,413
2011	34,140
2012	<u>22,852</u>
	<u>\$ 92,405</u>

5. Profit Sharing Plan

The Company maintains a qualified profit sharing plan (“the Plan”) under Section 401(k) of the Internal Revenue Code, covering all full-time employees who meet specified age and service requirements. Employees may contribute up to 90% of their eligible compensation to the Plan. Contributions to the Plan by the Company are made at the discretion of the Company’s Board of Directors. No contributions were made for the year ended December 31, 2009. Effective December 31, 2009, the Company elected to terminate the Plan.

6. Related Party Transactions

The Company pays consulting fees to two of its officers. Consulting fees for officers totaled \$24,000 for the year ended December 31, 2009. Accounts payable included \$24,000 due to officers at December 31, 2009.

7. Business Combination

As discussed in Note 1, FranNet, LLC merged with FranNet Franchising, LLC on December 31, 2009. FranNet, LLC had revenue and net income in 2009 of approximately \$983,000 and \$17,000, respectively. FranNet Franchising, LLC had revenue and net income in 2009 of approximately \$8,686,000 and \$545,000, respectively.



Including the practice of
Fishbein & Company, P.C.

110 Gibraltar Road, Suite 116
Horsham, PA 19044
Tel 215.259.1000
Fax 215.259.1010

www.weiserLLP.com

Independent Auditors' Report on Supplementary Information

To the Member of
FranNet, LLC

Our report on our audit of the basic financial statements of FranNet, LLC for the year ended December 31, 2009 appears on page one. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in the following section of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weiser LLP

Horsham, PA
April 5, 2010

Supplementary Information

FranNet, LLC
Schedule of General and Administrative Expenses
Year Ended December 31, 2009

Payroll	\$ 530,277
Payroll taxes	44,168
Employee benefits	37,453
Consulting	50,240
Advertising	44,269
Bad debts	7,748
Dues and subscriptions	25,453
Donations	13,166
Foreign exchange loss	3,842
Insurance	1,025
Licenses and permits	2,105
Miscellaneous	312
Office supplies and expenses	50,864
Postage	8,229
Professional fees	177,434
Real estate taxes	4,551
Recruiting	1,420
Rent	30,104
Repairs and maintenance	5,472
Sundry taxes	14,860
Telephone	20,818
Utilities	3,085
Travel and entertainment	45,548
	<hr/>
	\$ 1,122,443

EXHIBIT "D" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

List of current Franchisees
(as of December 31, 2009)

State	Name		Address 1	Address 2	City	Zip	Phone
CA	Gordon	Dupries	35 Mitchell Blvd	Suite 3	San Rafael	94903	415-491-4452
CA	*Blair	Nicol	2385 Camino Vida Roble	Suite 212	Carlsbad	92011	760-448-2400
CA	*Vic	Scimo	1463 Knoll Park Lane		Fallbrook	92028	760-451-0843
CO	Stacy	Swift	1873 S. Bellaire Street	Suite 1110	Denver	80222	303-715-0397
CA	Cari	Vinci	970 Reserve Dr.	Suite 100	Roseville	95678	916-517-1612
CT	Luc	Deslauriers	75 Silo Rd.		Bristol	6010	860-986-4596
FL	Pat	Deering	2451 McMullen Booth Road	Suite 235	Clearwater	33759	727-669-7360
FL	Mike	Murray	324 Newbury Port Ave.		Altamont Springs	32701	407-478-3722
FL	Marshall	Reddy	4 Sawgrass Village Dr.	Suite 110	Ponte Vedra Beach	32082	904-280-1949
FL	Jose	Torres	9100 S. Dadeland Blvd	Suite 1500	Miami	33156	786-497-7730
GA	Phil	Kuban	5555 Glenridge Connector	Suite 200	Atlanta	30342	770-973-0221
IL	Gerald	Moriarty	195 N. Harbor Dr.	Unit 3205	Chicago	60601	312-861-0383
KY	Thom	Crimans	455 South Fourth Avenue	Suite 407	Louisville	40202	502-561-0620
MA	*Mike	Martuza	27 Lake St.		Arlington	02474	617-337-3033
MI	Mark	Cory	14950 E. Jefferson	Suite 170	Grosse Pointe	48230	313-821-5060
MN	Dale	Dissmeyer	7101 York Avenue S.	Suite 304	Edina	55435	612-929-4715
MO	Ken	Coleman	321 Westport Plaza Dr.	Suite 212	St. Louis	63146	314-878-1625
NC	Mike	Hall	4525 Hedgemore Dr.	Suite K	Charlotte	28209	704-522-9394
NJ	*Jack	Armstrong	214 Bridge Street	Building D	Metuchen	8840	732-494-1411
NY	Frank	Dunne	353 Northern Parkway		Ridgewood	07450	914-260-9082
OH	Barney	Greenbaum	PO Box 623		Blacklick	43004	614-882-7777
OH	*Dick	Munson	8160 Corporate Park Dr.	Suite 140	Cincinnati	45242	513-469-2900
OR	Page	Nicol	4800 SW Meadows Rd.	Suite 300	Lake Oswego	OR	503-534-3695
PA	Ken	Garron	650 Sentry Parkway	Suite 1	Blue Bell	19422	610-941-2195
PA	Lou	Lavetan	335 Harvest Field Lane		York	17403	800-575-1036
PA	John	Tubridy	416 Englewood Dr		Pittsburgh	15237	412-231-6995
TN	Dan	Aronoff	231 Venture Circle		Nashville	37228	615-202-0225
TX	Diana	Trondsen	1200 Smith St.,	Suite 1600	Houston	77002	832-215-2903
TX	Merri	Cronk	6836 Bee Caves Road	Suite 285	Austin	78746	512-617-6385
TX	Mike	Ingram	6380 LBJ Freeway	Suite 181	Dallas	75240	972-980-8100
VA	Tom	Lawrence	12313 Chadsworth Court		Glen Allen	23059	804-514-8409
VA	Heather	Rosen	10033 Glencroft Ct.		Vienna	22181	703-291-0939

VA	Tom	Thompson	E. Market & 5 th St.		Charlottesville	22902	410-576-8911
WI	Paul	Bors	2701 Larsen Rd.		Green Bay	54303	847-267-0456
Canada	Ross	Gilker	8 Evergreen Row SW		Calgary, Alberta	T2Y 5B1	403-454-1606
Canada	Lloyd	Shears	1002-717 Jervis St.		Vancouver, BC	V6E 4L7	604-331-4648
Canada	Dave	Broughton	100 Fullerton St.		London, ON	N6A 1K1	519-858-1614
Canada	*Gary	Prenevost	5925 Airport Rd.	Suite 200	Mississauga, ON	L4V 1W1	905-405-6300
Canada	Bill	Rankin	1055 West Hastings	Suite 300	Vancouver, BC	V6E 2E9	604-684-2024

**Note: Hold two territories: Blair Nicol, Vic Scimo, Mike Martuza, Jack Armstrong, Dick Munson, and Gary Prenevost

EXHIBIT "E" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

List of Former Franchisees
(as of December 31, 2009)

- 1 Keld Alstrup, 54 Barr Lane, Monroe, NY 10950 845-774-7475
- 2 Joe Cooney, 16635 Westfield Circle, Omaha, NE 68130 402-330-7306
- 3 Eric Hayman & Steve Rosen, 650 Sentry Parkway, Blue Bell, PA 19422 610-941-2195
- 4 Jack McGinnis, 3100 Sawgrass Road, Edmond, OK 73003 405-463-0034
- 5 Rick Shampaine, 9924 Menander Wood Court, Odessa, FL 33556 813-920-0100
- 6 Bob Stack, 219 South Main Street, Collierville, TN 38017 901-221-0056
- 7 Michael Bush, 6513 NW 54th Street, Ft. Lauderdale, FL 33319 954-980-0555

EXHIBIT F

FranNet LLC

Operations Manual Table of Contents

<u>Topics</u>	<u># of Pages</u>
Welcome to FranNet	9
Marketing	35
Standards Manual	11
Sample Ads	27
Prospect Networking	8
Webinars	3
Internet Leads	23
Out Placement	10
Seminars	45
Anchors	2
Exercise	1
Meet the Zor Event	50
Qualifying Leads	8
NLP	3
PFA Manual	82
Matchins Process	1
Meeting Preparation	16
Matching Zors with Clients	18
Fetch	9
High Touch Process	62

High Touch Stylized Questions	39
Leal Issues	24
Lead Tracking & Goal Setting	20
Forms	3

EXHIBIT "G" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

Licensee Disclosure Questionnaire

LICENSEE DISCLOSURE QUESTIONNAIRE

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

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

Yes _____ No _____ Your Initials: _____

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

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

Yes _____ No _____ Your Initials: _____

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

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

LICENSE APPLICANT

Print Name

Date: _____

EXHIBIT "H" TO FRANCHISE DISCLOSURE DOCUMENT

FRANNET, LLC

State Addendum
(if applicable)

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STATE OF CALIFORNIA

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

**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RECEIPT

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

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

You must also receive a Franchise Agreement containing all material terms at least five business days before you sign any Franchise Agreement.

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

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

The franchise seller is Jania Bailey, located at 10302 Brookridge Village Blvd., Suite 201, Louisville, KY 40291. Her telephone number is 502-753-2380.

The issuance date of this Disclosure Document is April 1, 2010.

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

I have received a disclosure document dated April 1, 2010 that included the following Exhibits:

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

Date

Prospective Franchisee's Signature

Prospective Franchisee's Printed Name

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

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