

FRANCHISE DISCLOSURE DOCUMENT

AEFC, INC.

A NORTH CAROLINA CORPORATION

302 Meadowland Drive

Hillsborough, North Carolina 27278

919-644-8100

www.adamevestores.com

franchising@adameve.com



The Franchisee will operate a store for the marketing and retail sale of lingerie, apparel, shoes, leather accessories, a selection of intimate novelty items, DVDs, and other associated products. This Disclosure Document describes the offer of the right to establish and operate both a single Adam & Eve Store and multiple Adam & Eve Stores.

The total investment necessary to begin operation of a new Adam & Eve Store is \$171,050 to \$350,700. This includes between \$96,000 to \$132,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a conversion Adam & Eve Store is \$100,550 to \$226,700. This includes between \$85,000 to \$115,000 that must be paid to the franchisor or affiliate.

We may also offer a multi-unit operator agreement to an individual or company that agrees to develop at least two Adam & Eve stores in a specific geographic area. A multi-unit operator will pay a development fee that is equal to 100% of the initial franchise fee for the first store to be developed, plus a deposit of \$15,000 for each additional store that will be developed. We will apply a pro rata portion of the development fee toward the initial franchise fee due for each store, and the balance of the reduced initial franchise fee is payable by you when you sign the Franchise Agreement for each store. The total investment necessary under the multi-unit operator agreement will vary depending on the number of stores to be developed.

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 David Keegan at 302 Meadowland Drive, Hillsborough, North Carolina 27278 and (919) 644-8100.

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.

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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 OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

Call the state franchise administrator listed in **Exhibit B** for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY 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:

1. THE FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN NORTH CAROLINA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN NORTH CAROLINA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT STATE THAT NORTH CAROLINA LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for California, Illinois, Indiana, Maryland, Minnesota, New York, Rhode Island, Virginia, Washington and Wisconsin effective dates.

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