

SEP 10 2013

FRANCHISOR'S COSTS AND SOURCE OF FUNDS

- 1 Disclose the Franchisor's total costs for performing its pre-opening obligations to provide goods or services in connection with establishing each franchised business, including real estate, improvements, equipment, inventory, training and other items stated in the offering

External Marketing Costs for Prospective Franchisees	\$1,000
Real Estate & Improvements – help review business location and fixtures	\$8,200
Equipment (specify/approve/order inventory and equipment)	\$900
Training/Operations Manual	\$8,500
Help Franchisee Develop and Implement Business Plan	\$6,000
Other (legal, accounting, internal franchise marketing department administration, etc)	\$9,700
Total	\$34,300

- 2 State separately the sources of all required funds

Franchisor's operating funds and initial franchise fees collected

DISCLOSURE DOCUMENT



RECEIVED LOS ANGELES OFFICE

SEP 10 2013

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B3 Franchising LLC
an Oregon limited liability company
1000 N W Marshall Street
Portland, Oregon 97209
Telephone (503) 206-8308
Website www.barre3.com
Email chris@barre3.com

B3 Franchising LLC franchises the right to operate “barre3®” exercise service businesses providing specialized exercise classes using a ballet barre and other equipment in combination with ballet, Pilates and yoga techniques, the retail sale of related merchandise and other related services and products

The total investment necessary to begin operation of a Studio ranges from \$103,450 to \$374,500 This includes \$23,200 to \$31,075 that must be paid to the franchisor or its affiliate

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.**

The terms of your contract will govern your franchise relationship. Do not 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 like “*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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Circle, N W, 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 franchise 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 administrator 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 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 a franchise

1 THE FRANCHISE AGREEMENT REQUIRES THAT DISAGREEMENTS FIRST BE MEDIATED IN PORTLAND, OREGON IF A DISPUTE IS NOT RESOLVED BY MEDIATION, IT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN PORTLAND, OREGON ANY DISPUTES NOT SUBJECT TO ARBITRATION MUST BE LITIGATED IN PORTLAND, OREGON OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN OREGON THAN IN YOUR OWN STATE

2 THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE OF OREGON GOVERNS THE AGREEMENT OREGON LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THE FRANCHISE AGREEMENT REQUIRES THE FRANCHISEE'S SPOUSE TO SIGN A GUARANTY MAKING SUCH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND PLACING THE SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK

4 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

5 IF YOU PLAN TO OBTAIN FINANCING FOR YOUR INVESTMENT, THE FINANCING YOU OBTAIN MUST BE ACCEPTABLE TO US OR WE MAY TERMINATE THE FRANCHISE AGREEMENT AND KEEP YOUR FRANCHISE FEE

6 THE FRANCHISOR'S LATEST BALANCE SHEET SHOWS NEGATIVE NET WORTH IN THE AMOUNT OF \$192,144 AND NEGATIVE WORKING CAPITAL IN THE AMOUNT OF \$192,755 A PROSPECTIVE FRANCHISEE SHOULD CAREFULLY REVIEW THE FINANCIAL STATEMENTS

We may use the services of 1 or more **FRANCHISE BROKERS** or referral sources to assist us in selling our franchise A franchise broker or referral source represents us, not you We pay this person a fee for selling our franchise or referring you to us You should be sure to do your own investigation of this franchise

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