

FRANCHISE DISCLOSURE DOCUMENT

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Bellacures Salons operate upscale nail salons which provide a wide range of nail services and other beauty services to the general public in a relaxing and hygienic environment ("Bellacures Salon(s)").

Business Oversinht

The total investment necessary to begin operation of a Bellacures Salon ranges from \$202,800 to \$396,500. This includes \$82,000 to \$119,000 which must be paid to the franchisor or its affiliates.

Bellacures franchisees may choose to purchase a "Multi-3 Franchise" which will allow you to develop up to three Bellacures Salons if you pay a development fee. The total investment necessary to begin operation of three Bellacures Salons ranges from \$257,800 to \$451,500 including the initial investment necessary to begin operation of your first Bellacures Salon. This amount also includes \$137,000 to \$174,000 which must be paid to the franchisor or its affiliates.

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 affiliates 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 Gerard Quiroga, 205 North Larchmont Blvd., Los Angeles, CA 90004; Phone: (310) 492-5988.

The terms of your contract will govern your franchise relationship. Don't rely on this disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. In addition, there may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: July 24, 2019



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

Call the state franchise administrator listed in <u>Exhibit A</u> 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 REQUIRES YOU TO RESOLVE DISPUTES WITH US FIRST BY MEDIATION, THEN BY ARBITRATION, ONLY IN CALIFORNIA. 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 CALIFORNIA THAN IN YOUR HOME STATE.
- 2. MOST BELLACURES SALONS FOLLOW THE PRACTICE OF CHARACTERIZING THEIR MANICURISTS/PEDICURISTS AS INDEPENDENT CONTRACTORS. THIS RESULTS IN LESS EMPLOYMENT TAXES AND WORKERS' COMPENSATION INSURANCE PREMIUMS, AS WELL AS REDUCING OTHER COSTS. SOME BELLACURES SALONS, HOWEVER, CHARACTERIZE THEIR MANICURISTS AS EMPLOYEES, THE FRANCHISOR MAKES NO REPRESENTATIONS REGARDING WORKERS' CLASSIFICATIONS. ANY RISK OF WORKERS BEING CLASSIFIED AS EMPLOYEES VERSUS INDEPENDENT CONTRACTORS RESTS SOLELY AND EXCLUSIVELY WITH THE FRANCHISEE AND THE FRANCHISOR TAKES NO RESPONSIBILITY OR LIABILITY AS A RESULT OF STATE-SPECIFIC AUDITS OR WORKER RECLASSIFICATION EFFORTS.
- 3. THE TERRITORY IS NOT EXCLUSIVE IN ALL RESPECTS.
- 4. THE FRANCHISE AGREEMENT REQUIRES THAT SPOUSES MUST SIGN A GUARANTY MAKING SUCH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE AGREEMENT, PLACING PERSONAL ASSETS AT RISK.
- 5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is <u>our</u> agent and 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 the franchise.

Effective Dates: See next page for state effective dates.

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STATE EFFECTIVE DATES

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

This disclosure document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

Effective Dates for States Requiring Registration and Notice Filings:

STATE	EFFECTIVE DATE
California	
Connecticut	Not Registered
Florida	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Kentucky	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
Nebraska	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Texas	Not Registered
Utah	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

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