

FRANCHISE DISCLOSURE DOCUMENT

COBE NAILS

COBE NAILS FRANCHISE SYSTEMS, INC.

A North Carolina Corporation

5000 Highway 70 West, Suite 108

Morehead City, North Carolina 28557

(252) 497-1934

www.cobenails.com

The franchisee will operate a Cobe Nails Salon location, a modern, high style, turnkey nail salon inside a Wal-Mart, Meijer, or other large retail store.

The total investment necessary to begin operation of a typical Cobe Nails franchise is from \$65,900 to \$101,800. This includes \$53,000 to \$84,400 that must be paid to the franchisor.

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 government 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 Boa Nguyen, COBE NAILS FRANCHISE SYSTEMS, INC., 5000 Highway 70 West, Ste. 108, Morehead City, NC 28557 (252) 497-1934.

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

Call the state franchise administrator listed in Exhibit E 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 this franchise.

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN RALEIGH, NORTH CAROLINA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN NORTH CAROLINA THAN IN YOUR HOME STATE. FOR SOME LEASE RELATED MATTERS YOU ARE REQUIRED TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN NORTH CAROLINA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE US IN NORTH CAROLINA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT NORTH CAROLINA 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. THE MASTER LEASE AGREEMENT STATES THAT NORTH CAROLINA LAW (EXCLUDING THE LAW REGARDING CONFLICT OF LAW) GOVERNS THAT AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. OUR BUSINESS MODEL AND YOUR ABILITY TO OPERATE YOUR FRANCHISED BUSINESS DEPEND ON OUR ABILITY TO MAINTAIN A MASTER LEASE AGREEMENT FOR SALON FACILITIES. IF OUR MASTER LEASE AGREEMENT ENDS (IN TOTAL OR FOR YOUR SPECIFIC LOCATION) FOR ANY REASON, YOUR FRANCHISE SUBLEASE AND YOUR FRANCHISE AGREEMENT ALSO END AND WE HAVE NO LIABILITY TO YOU.

4. YOUR AND/OR YOUR BUSINESS MUST BE LICENSED TO OPERATE A NAIL SALON BUSINESS UNDER LOCAL LAWS GOVERNING LICENSING OF NAIL SALON ESTABLISHMENTS. YOU SHOULD INVESTIGATE THESE LAWS BEFORE INVESTING IN THIS FRANCHISE.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

STATE EFFECTIVE DATES

The following states require that the Franchise 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 Franchise 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:

State	Effective Date
California	
Hawaii	Not requested
Illinois	Not requested
Indiana	Not requested
Maryland	Not requested
Michigan	
Minnesota	
New York	Not requested
North Dakota	
Rhode Island	Not requested
South Dakota	
Virginia	Not requested
Washington	Not requested
Wisconsin	Not requested

In all other states, the effective date of this Franchise Disclosure Document is the Issuance Date of January 10, 2014.

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