

LICE CLINICS OF AMERICA® FRANCHISE

DISCLOSURE DOCUMENT

LSI FDD 4/18
4847-7726-9859 v5

FRANCHISE DISCLOSURE DOCUMENT



Larada Sciences, Inc.
A Delaware corporation
154 E Myrtle Ave., Ste. 304
Murray, Utah 84107
(801) 533-5423

www.liceclinicsofamerica.com
www.airalle.com

We (Larada Sciences, Inc. or LSI) offer individual franchises for the operation of Lice Clinics of America[®] businesses, which include a main “Clinic” and offer lice screening and diagnosis, lice-treatment services using the patented AirAlle[®] heated-air device, and other lice-treatment services and related products.

The total investment necessary to begin operation of a single Clinic is from \$68,000 to \$104,500. This includes \$43,850 to \$45,850 that must be paid to us or our 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 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 Adam Ward at 154 East Myrtle Avenue, Suite 304, Murray, UT 84017, telephone (801) 533-5423.

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 27, 2018

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 D** 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 BY ARBITRATION ONLY IN A VENUE IN SALT LAKE CITY, UTAH. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE FOR ARBITRATION IN UTAH THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT UTAH 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.
3. THE FRANCHISE AGREEMENT REQUIRES YOU TO PERFORM A MINIMUM NUMBER OF TREATMENTS EACH YEAR DURING THE TERM. FAILURE TO PERFORM THE MINIMUM NUMBER OF TREATMENTS FOR A PARTICULAR YEAR CONSTITUTES A BREACH OF THE FRANCHISE AGREEMENT THAT YOU CAN CURE BY PAYING THE DIFFERENCE BETWEEN THE ACTUAL USE FEES PAID TO US FOR THAT YEAR AND THE APPLICABLE MINIMUM USE FEES FOR THAT YEAR.
4. YOU MUST MAINTAIN MINIMUM PERFORMANCE LEVELS. YOUR INABILITY TO MAINTAIN THESE LEVELS MAY RESULT IN MINIMUM USE PAYMENTS OR LOSS OF ANY TERRITORIAL RIGHTS YOU ARE GRANTED, TERMINATION OF YOUR FRANCHISE, AND LOSS OF YOUR INVESTMENT.
5. THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.
6. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$68,000 TO \$104,500. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDER'S "NEGATIVE" EQUITY OF \$4,617,323 AS OF DECEMBER 31, 2017.
7. THE AUDITED FINANCIAL STATEMENTS OF THE FRANCHISOR INDICATE A DEFICIT OF 4,617,323, AS OF DECEMBER 31, 2017. AS A RESULT, THE STATE OF HAWAII HAS IMPOSED

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