

FRANCHISE DISCLOSURE DOCUMENT

Merle Norman Cosmetics, Inc.
A California Corporation
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The Studio Owner will operate a retail store known as a “Studio,” which sells Merle Norman cosmetic products.

The total investment necessary to begin operation of a Merle Norman Cosmetic Studio ranges from approximately \$91,891 to \$190,778 for a Studio located in a regional mall and from approximately \$61,891 to \$125,778 for a Studio that is not located in a regional mall and uses standard New Design fixtures and from \$51,936 to \$95,649 for a Studio that is not located in a regional mall and uses E-Design fixtures. This includes the price for one of several initial packages of Merle Norman Cosmetics, supplies and other items which range from approximately \$13,000 to \$24,000 that must be paid to Merle Norman. The total investment does not include rent for the business location.

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. 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, 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.

Issuance Date: April 27, 2012.

STATE COVER PAGE

Your state may have a franchise law that requires us to register or file with a state 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 administrator listed in Exhibit A for more 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 ONLY WHERE OUR PRINCIPAL OFFICE IS LOCATED, WHICH CURRENTLY IS CALIFORNIA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO FILE SUIT IN CALIFORNIA THAN IN YOUR HOME STATE.
2. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

The states of California, Hawaii, Illinois, Maryland, Michigan, Minnesota, North Dakota, Rhode Island and Virginia require additional disclosures related to the information contained in this Disclosure Document. The additional disclosures are contained in an addendum immediately following Item 23 of this Disclosure Document.

This Disclosure Document is for use in the District of Columbia and all states.

The Effective Date of this Disclosure Document for the following states is listed below:

<u>State</u>	<u>Effective Date</u>
Hawaii	May 7, 2012
Illinois	April 27, 2012
Maryland	May 8, 2012
Minnesota	May 7, 2012
New York	April 27, 2012
North Dakota	May 2, 2012
Rhode Island	May 21, 2012
South Dakota	April 30, 2012
Virginia	May 4, 2012
Washington	May 18, 2012
Wisconsin	April 30, 2012

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