

ITEM 2

BUSINESS EXPERIENCE

Rhea Lana Riner **President**

Mrs Riner has been President since our formation, and she has been the principal operator of all our consignment sales since the beginning the business in 1997.

Dave Riner **Technical Director**

Mr Riner is the Executive Director of Student Mobilization, a nonprofit Christian organization He has been employed by this Conway, Arkansas, organization since March 1, 1996 He, however, has also created the proprietary software used in the operations of a Rhea Lana's franchise.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this item

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

ITEM 5

INITIAL FEES

Application Fee

No application fee is required for the State of California

Initial Franchise Fee

If you are approved as a Rhea Lana's Franchise owner and you desire to become a Rhea Lana's Franchisee, you may immediately sign the Franchise Agreement and begin the steps to holding your first event After your first event you will pay to us an initial franchise fee of \$8,000 for a small market franchise, or \$10,500 for a large market franchise This initial fee is deferred until immediately after your first event when our initial obligations under the franchise agreement have been completed When earned by us the franchise fee is payable in a lump sum and is not refundable under any circumstances The determination of small market or large market is based on the population of the

SECTION 4

FEES

4 1 **Initial Franchise Fee** Upon completion of the first Rhea Lana's event, you will pay us in cash, credit card or other form of payment acceptable to us, such as cashier's check or wire transfer, an Initial Franchise Fee which has been set forth in Section 1 of this Agreement. The Initial Franchise Fee is deferred until we complete our initial obligations under this agreement. This Fee is fully earned by us on the completion of your first event and is non-refundable.

4 2 **Sale Royalty Fee** Following each and every Consignment Sales Event, within thirty (30) days of the closing of such sale, you will pay us, in cash, credit card or other form of payment acceptable to us, such as cashier's check or wire transfer, a Sale Royalty Fee computed in accordance with the calculations set forth in Section 1 of this Agreement. The Sale Royalty Fee is fully earned by us upon the opening of each and every Consignment Sales Event conducted by you. In the event you convert from a periodic non-continuous sale to a continuous or more than one or twice a year sale of limited duration, you will pay the Sale Royalty Fee on a monthly basis by the 10th date of the next month.

4 3 **Additional Fees and Costs** Additional training, services and other fees and expenses shall be charges as provided in Schedule C. In the event you request training, services or other items from us that are not provided for in Schedule C, we shall use our best efforts to reach an agreement with you regarding those services at the time of the request. Under all circumstances, you will promptly reimburse us for all incidental expenses incurred by us in rendering such services.

4 4 **Direct Purchases by the Public** At this time we do not offer "Retail Products" except t-shirts sold during Consignment Sales Events. In the event Franchisor elects to start offering Retail Products for sale on its website, it is likely that your customers, or anyone else, may purchase our Retail Products directly from us through our website or other Consignment Sales Events. You are not entitled to any payment or commission on Retail Products sold through our website or other Consignment Sales Events even if the customers purchasing the Retail Products are located in your Territory.

4.5 **Transfer Fee** As a condition of transfer of this Franchise, you must pay to us, prior to transfer, a nonrefundable Transfer Fee equal to thirty five percent (35%) of the amount of the Initial Franchise Fee then in effect for new franchisees at the time of transfer.

4 6 **Interest** Any payment not received by us when due will bear interest daily (i) at the rate of ten percent (10%) per annum or (ii) at the highest rate allowed by applicable law on the date when payment is due, whichever is less. If you fail to pay any amounts (including any electronic draft returns, returns for insufficient funds or otherwise), or fail to deliver any report when due, that failure can constitute grounds for Termination of this Agreement, in spite of the provisions of this Section 4.7.

4 7 **Application of Payments**. Notwithstanding any designation by you, we can apply any payments received from you to any past due or other indebtedness of yours as we choose in the exercise of our reasonable business judgment. We can set off, from any amounts that may be owed to you, any amount that you owe to us. We have the right to accept payment from any other person or entity as

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

a The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

b We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rhea Lana Riner at 501-336-4492, the Federal Trade Commission, and the appropriate state regulatory agencies.

c Below are listed the average gross revenues from the sale of consignment items for all Rhea Lana's franchise events for our eleven event seasons from 2006 through 2011. Excluded are all events associated with our three corporate sales in central Arkansas. Only one Rhea Lana's franchise, our first franchise, operated in all eleven event seasons. Three franchises operated for seven event seasons. The remaining thirty-nine operated in six or fewer seasons. The average gross sales of consigned items for comparable events are shown here. We have a total of forty-two (42) franchisees which have held one hundred fifty-one (151) total events over the time span 2006-2011.

<u>Event Season of the Franchise</u>	<u>Average Gross Sales</u>	<u>No. of Rhea Lana's Franchisees</u>	<u>Time Span 2006-2011</u>
First Event	\$17,787	42	
Second Event	\$26,797	36	
Third Event	\$38,714	26	
Fourth Event	\$37,501	19	
Fifth Event	\$49,163	13	
Sixth Event	\$82,836	8	
Seventh Event	\$137,864	3	

One franchise held eighth, ninth, tenth and eleventh events in the time span noted. Each of these events exceeded \$199,000 in gross sales. Confidentiality prevents us from reporting specific sales from a single franchise. As of this Franchise Disclosure document release date no Rhea Lana's franchise has defaulted or been terminated.

All values listed above have been compiled by Rhea Lana's Franchise Systems, Inc. through its centralized online database.

Net revenues for a Rhea Lana's franchisee include 30% share of the above gross sales from consigned items, plus additional revenues from participation fees of \$7-10 per consignor, vendor booth fees, advertising by sponsors, and VIP processing percentages of 40-50% of sales.

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