

FRANCHISE DISCLOSURE DOCUMENT

RHEA LANA'S FRANCHISE SYSTEMS, INC.

(an Arkansas corporation)

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Rhea Lana's Franchise Systems, Inc. (pronounced "Re-Ah") is offering prospective franchisees the opportunity to purchase and own Rhea Lana's franchises to establish and operate periodic, non-continuous consignment sales of children's clothing and related items. This Franchise Disclosure Document (this "Disclosure Document") describes the terms and conditions on which such offer is being made, including those contained in the franchise agreement to be entered into between the franchisee and Rhea Lana's (the "Franchise Agreement") as more particularly described herein.

a. The total investment necessary to begin operation of a Rhea Lana's franchise is \$16,050-\$33,050. This includes \$8,000 -\$10,500 that must be paid to the franchisor or affiliate.

b. This disclosure document summarizes certain provisions of the 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 in this document.**

c. 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.

d. 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 <http://www.ftc.gov> for additional information. Call your state agency or visit your public library for other sources of information on franchising.

e. There may also be laws on franchising in your state. Ask your state agencies about them.

f. The issuance date of this disclosure document is May 7, 2015.

STATE COVER PAGE

INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY STATES IN THE NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC. (“NASAA”)

Issue Date: May 7, 2015

Your state may have a franchise law or laws requiring a franchisor to (among other things) register or file with a state franchise administrator before offering or selling franchises in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT.

Call the appropriate state franchise administrator listed in **Exhibit A** 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 IN PULASKI COUNTY, ARKANSAS. IT MAY COST YOU MORE TO RESOLVE DISPUTES WITH US IN ARKANSAS THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT REQUIRES THAT ARKANSAS LAW GOVERNS THE AGREEMENT, AND ARKANSAS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE’S LAW. ACCORDINGLY, YOU MAY WANT TO COMPARE THESE LAWS.
3. RHEA LANA’S FRANCHISE SYSTEMS, INC. WAS FORMED IN 2011 AND HAS A LIMITED OPERATING HISTORY. OUR PARENT AND PREDECESSOR, RHEA LANA, INC., HAS BEEN CONDUCTING CHILDREN’S CONSIGNMENT SALES IN CONWAY, ARKANSAS SINCE ITS FORMATION IN 2004 AND IN LITTLE ROCK, ARKANSAS SINCE 2005. RHEA LANA, INC. BEGAN OFFERING FRANCHISES FOR SALE IN 2008.
4. THERE CAN BE NO ASSURANCE OR GUARANTEE OF FINANCIAL PERFORMANCE OR THAT ANY PARTICULAR FRANCHISE WILL BE PROFITABLE TO THE EXTENT ANTICIPATED.
5. THE CHILDREN’S CONSIGNMENT INDUSTRY IS REGULATED AT FEDERAL, STATE AND LOCAL LEVELS, AND THE REGULATIONS AND APPLICABLE LAWS VARY FROM STATE TO STATE THROUGHOUT THE UNITED STATES. ANY CHANGES IN SUCH LAWS AND REGULATIONS COULD HAVE A NEGATIVE EFFECT ON A FRANCHISE’S ABILITY TO PERFORM AS EXPECTED.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

STATE OF WASHINGTON FRANCHISE AGREEMENT ADDENDUM

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

Franchisor Name

Prospective Franchisee

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