

FRANCHISE DISCLOSURE DOCUMENT**RHEA LANA'S FRANCHISE SYSTEMS, INC.**

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Department of
Business Oversight



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 March 24, 2016.

STATE COVER PAGE

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

Issue Date: March 24, 2016

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.

FOR FRANCHISE OPERATING IN THE STATE OF CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.
2. Neither Rhea Lana's Franchise Systems, Inc. nor any person or franchise broker listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The franchise agreement requires binding arbitration. The arbitration will occur in Conway, Arkansas with the costs being borne by the prevailing party.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
9. The franchise agreement requires application of the laws of Arkansas. This provision may not be enforceable under California law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
12. The earnings claims figure(s) do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.
13. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE

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