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PREP

FRANCHISE DISCLOSURE DOCUMENT

PREP Franchise, LLC
a Delaware Limited Liability Company
2310 Canyon Lakes Drive
San Ramon, California 94582
(415) 763-7737
www prepcuts com

A *PREP* franchisee will operate an upscale hair styling studio specializing customers between the ages of 6 and 18, although its services can be provided to people of any age

The total investment to begin operation of a *PREP* salon is $240,850 to $524,500~~—This~~**, which** includes ~~the~~**an** initial franchise fee ~~of $25,000~~ that must be paid to the franchisor **The initial franchise fee for a single *PREP* salon is $25,000 The initial franchise fees for the purchase of multiple *PREP* salons are $25,000 for the first salon and $18,750 for each additional *PREP* salon purchased as part of your initial transaction Once you are an existing *PREP* franchisee, if you desire to purchase a franchise for an additional *PREP* salon, the initial franchise fee for each additional *PREP* salon will be equal to 75% of the then-current single *PREP* salon franchise fee**

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, please contact Marius Morf at the above address and telephone number

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

Issuance Date March 1, 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 CERTIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the 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 THAT MEDIATION AND LITIGATION OF DISPUTES TAKE PLACE ONLY IN WHERE THE FRANCHISOR'S PRINCIPAL OFFICE IS LOCATED OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO MEDIATE OR LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE

2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

4 THIS NEW FRANCHISOR HAS BEEN IN BUSINESS FOR SUCH A SHORT PERIOD OF TIME THAT ITS FRANCHISES ARE A HIGHER RISK INVESTMENT THAN FRANCHISORS WITH A LONGER-TERM OPERATING HISTORY

Type of fee	Amount	Due Date	Remarks
Renewal Fee	Reimbursement for our expenses in connection with the renewal of your franchise	Upon signing your renewal Franchise Agreement	We do not provide additional services to you in connection with the renewal of your *PREP* franchise even though a new Franchise Agreement is signed
Media Maintenance Fee	As we reasonably determine	As we determine	We can charge a reasonable fee for maintaining and updating our Internet site and any other media presence we have on which your *PREP* salon is represented
Transfer Fee	50% of our then-current initial fee If the transferee is an existing *PREP* franchisee, the transfer fee is equal to 25% of our then-current initial franchise fee	When we approve your transferee and transfer	If the transferee is an existing *PREP* franchisee, we will not be required to provide any services in connection with the transfer If we do provide services, we can charge for our costs
Late Charge	1½% per month	As we require	A late charge is only payable on past due amounts
Audit Fee	Cost of audit, including costs and time of our employees, accountants and others	Upon payment of amounts due	Only payable if we audit your records and find that you have underreported your gross receipts in excess of 3% for any reporting period or have not provided the financial reports required by your Franchise Agreement

Notes

1 These fees are payable to us and are not refundable Fees payable to us are uniformly imposed on our franchisees

2 This fee is subject to change in our discretion

3 The maximum interest rate that can be charged varies with state law For example, in California the current maximum rate of interest on most debts is 10%

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method Of payment	When due	To whom payment is to be made
Initial franchise fee (See Note 1)	$25,000	Lump sum	On signing of the Franchise Agreement	Franchisor

Since this is our initial franchise offering, we have no current for former franchisees
There are no franchisees who have not communicated with us in the last 10 weeks

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

There are no franchisees that left the system during our last fiscal year

During the last 3 fiscal years no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as franchisees in our system

ITEM 21 FINANCIAL STATEMENTS

Following as Exhibit B is a copy of our audited financial statement as of December 31, 2017, the end of our first fiscal year

ITEM 22 CONTRACTS

Exhibit C to this disclosure document is a copy of our *Franchise Agreement* which contains our *Addendum to Lease Agreement, General Release* and *Continuing Guaranty* Exhibit D to this Financial Disclosure Document is our *Confidentiality and Nondisclosure Agreement* and Exhibit E is our *Acknowledgment at Closing*

ITEM 23 RECEIPT

The last page of this Franchise Disclosure Document is a Receipt form that you must date, sign and return to us immediately upon your receipt of this Financial Disclosure Document and the attached contracts