

FRANCHISE DISCLOSURE DOCUMENT

Blushington Franchising, LLC
a Delaware limited liability company
315 West 57th Street, New York, NY 10019
646-752-3019

franchise@blushington.com
blushington.com

Instagram: @blushington; Facebook: Blushington; Twitter: @blushington
Pinterest: @blushington; LinkedIn: Blushington Inc.

BLUSHINGTON

WE ARE BEAUTY

The franchise is for the establishment and operation of a personal care lounge business which provides blow-out services, makeup application, skincare services, hair treatment, and styling and offers and sells various lines of retail products (“Blushington Lounge” or “Lounge”).

The total investment necessary to begin operation of one Blushington Lounge is between \$485,500 to \$680,100. This includes an initial franchise fee of \$50,000 and a required Lounge Opening Package ranging from \$31,050 to \$39,250 that must be paid to us and/or our affiliate(s).

This disclosure document summarizes certain provisions of your Franchise Agreement and any 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, contact Natasha Cornstein at franchise@blushington.com and 646-752-3019.

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 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.

Date of Issuance: April 23, 2024

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Blushington Lounge business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Blushington Lounge franchisee?	Item 20 or Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Attachment A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement require you to resolve disputes with the franchisor by mediation or litigation only in New York. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New York than in than in your own state.
2. **General Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you. Short operating history. The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda: (if any) to see whether your state requires other risks to be highlighted.

TABLE OF CONTENTS

	<u>Page</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	2
ITEM 3 LITIGATION	2
ITEM 4 BANKRUPTCY	3
ITEM 5 INITIAL FEES	3
ITEM 6 OTHER FEES	3
ITEM 7 ESTIMATED INITIAL INVESTMENT	7
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	10
ITEM 9 FRANCHISEE'S OBLIGATIONS	13
ITEM 10 FINANCING	15
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	15
ITEM 12 TERRITORY	20
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	22
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	23
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	24
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	25
ITEM 18 PUBLIC FIGURES	28
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	28
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	29
ITEM 21 FINANCIAL STATEMENTS	32
ITEM 22 CONTRACTS	32
ITEM 23 RECEIPTS	32

Exhibits

Exhibit A –	Financial Statements
Exhibit B –	Franchise Agreement, including attachments and state-specific addenda
Exhibit C –	List of Franchised Outlets
Exhibit D –	List of Franchisees Who Left the System
Exhibit E –	Operations Manual Table of Contents
Exhibit F –	Form of General Release

Attachments

Attachment A –	List of State Administrators
Attachment B –	Agents for Service of Process
Attachment C –	State-Specific Addenda to Franchise Disclosure Document
Attachment D –	State Effective Dates

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor, and any Parents, Predecessors, and Affiliates

The franchisor is Blushington Franchising, LLC, referred to in this disclosure document as “we,” “us,” or “our”. We refer to the person interested in buying the franchise as “you” or “your”. If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this disclosure document where appropriate.

We were formed in Delaware on December 3, 2021, and our principal business address is 315 West 57th Street, New York, NY 10019. We do business under our corporate name and under the name “Blushington”. Our immediate parent company is Blushington Holdings, Inc. (“Parent”), a Delaware corporation, and its principal business address is 315 West 57th Street, New York, NY 10019.

Our agents for service of process in the states which require franchise registration are listed in Attachment B.

We sell franchises for personal care lounge businesses that do business under the mark “BLUSHINGTON” (“Blushington Lounges” or “Lounges”). We do not operate Blushington Lounges, but one of our affiliated entities, Cali Beauty LLC opened a Blushington Lounge in New York City, New York in September 2022.

Prior to the Covid-19 pandemic, several of our affiliated entities operated company-owned Blushington Lounges that offered some, but not all, of the services that your Lounge will offer (the “Prior Blushington Lounges”). There were a total of 5 Prior Blushington Lounges. As of March 13, 2020, all of the Prior Blushington Lounges had closed as a result of the pandemic and its impact on the provision of in-person services like those provided by Blushington Lounges.

We began offering franchises on February 1, 2023. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

Except as described above, we have no parents, affiliates, or predecessors.

The Franchise

We sell franchises for the right to establish and operate Blushington Lounges under the Blushington Lounge system (the “System”). The System includes distinctive interior and exterior design, signs, color scheme, standards and specifications for products, inventory, and supplies; uniform standards, hours of operation, specification and procedures for operations; procedures for management and quality control; marketing, advertising, and accounting systems; training and assistance.

You must operate your Blushington Lounge under the “Blushington Lounge” mark and use other trade names, service marks, trademarks, logos, and other symbols we designate (or may later designate) in writing for use in the System.

The Franchise Agreement (Exhibit B to this disclosure document) gives you the right to establish and operate 1 Lounge at a specified location within the Designated Area.

We may require your current and future Principals (as defined in the Franchise Agreement) to sign a Principals’ Guaranty and Assumption Agreement (“Guaranty”), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. Those of your Principals who are not required to sign the Guaranty will each sign a

Confidentiality Agreement and Ancillary Covenant Not to Compete, with Principals' undertakings, in the form attached to the Franchise Agreement. (See Item 15.)

The Franchise Agreement requires you to designate an "Operating Principal." Your Operating Principal is the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, you must designate someone who meets our requirements and whom we approve to be your Operating Principal. Your Operating Principal will sign the Guaranty.

Competition

The market for personal care services and related products like those offered at Blushington Lounges is developed and competitive. There is competition for personnel and for attractive commercial real estate sites suitable for lounge locations. You must expect to compete with other lounges, spas, salons and other competing concepts. Competitors may be locally-owned or large regional or national chains. The personal care services business is also affected by changes in consumer taste, demographics, traffic patterns and economic conditions.

Industry-Specific Regulation

You must comply with all laws, rules, and regulations governing the operation of the Lounge and obtain permits and licenses necessary to operate the Lounge. Your state or locality may require you to obtain permits and/or licenses in order to provide personal care services. Specifically, some states require that lounges and salons obtain special cosmetology and health department licenses and permits. You will be responsible for ensuring compliance with all requirements. You also will be required to comply with federal, state, and local laws applicable to businesses generally. You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2 BUSINESS EXPERIENCE

Mark Maron: Chairman

Mr. Maron has served as our Chairman since our formation in December 2021. He also serves as Chairman of our affiliate, Blushington LLC, and for our Parent and has held those positions since August 2011 and January 2024, respectively. Mr. Maron has also served as a Managing Partner for the Latigo Group since August 2017. Mr. Maron is based in Los Angeles, California.

Natasha Cornstein: Chief Executive Officer

Ms. Cornstein has served as our Chief Executive Officer since our formation in December 2021. She also serves as Chief Executive Officer of Blushington LLC and our Parent and has held those positions since January 2015 and January 2024, respectively. Ms. Cornstein is based in New York, New York.

Nicki Maron: Chief Marketing Officer

Ms. Maron has served as our Chief Marketing Officer since our formation in December 2021. Ms. Maron is also Co-Founder and Chief Marketing Officer of Blushington LLC and is Chief Marketing Officer for our Parent and has held those positions since June 2014 and January 2024, respectively. Ms. Maron is based in Los Angeles, California.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

Initial Franchise Fee

You must pay an initial franchise fee in the amount of: (i) \$50,000 when you sign the Franchise Agreement if it your first Franchise Agreement for a Blushington Lounge or (ii) \$40,000 when you sign the Franchise Agreement if it is your second or subsequent Franchise Agreement for a Blushington Lounge.

We offer a discount of 15% off the initial franchise fee of \$50,000 for the first Franchise Agreement entered into by military veterans who have a certified DD214 issued by the U.S. Department of Defense evidencing that such veteran was honorably discharged from service, as long as the qualifying veteran owns 25% or more of the franchisee.

We may negotiate the amount of the initial franchise fee in our sole discretion. In determining whether an adjustment is warranted, we consider factors like the size and experience of the franchisee, whether we have previously dealt with the franchisee, the impact of market forces in a given location, and other relevant circumstances.

The initial franchise fee is not refundable.

Lounge Opening Package

When you sign the Franchise Agreement, you must purchase a Lounge Opening Package from us, which includes an initial supply (for 60 to 90 days of operation) of professional/back bar inventory and retail inventory, uniforms/aprons, interior signage, and branded collateral. We estimate that the cost of the Lounge Opening Package will range from \$31,050 to \$39,250 (excluding shipping and taxes) and is fully earned when paid and is not refundable.

**ITEM 6
OTHER FEES**

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	7% of Gross Sales	On or before each Tuesday for the preceding week.	See Note 2 for the definition of Gross Sales. We require you to pay the royalty fee by electronic funds transfer.
Advertising Assessment (including Advertising Fund contribution and local advertising requirement)	3% of Gross Sales	The Fund contribution is due on or before each Tuesday for the preceding week. Payments for local advertising are due when billed by the local advertiser.	See Note 2 for the definition of Gross Sales. Currently, 2% of the Advertising Assessment is allocated to the Fund and 1% to local advertising. We may require you to allocate differing amounts to local advertising (individually or through a cooperative) or to the Fund. We require you to pay the Advertising

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
			Assessment by electronic funds transfer.
Technology Fee	Up to \$300 per month. Currently, \$150.	When billed.	This fee covers, among other things, Website maintenance, ongoing access to the online reservation system, and email hosting and maintenance. A portion of the technology fee is passed-through to vendors. The Technology Fee is currently \$150 per month, but we have the right to change the Technology Fee amount and charge up to \$300 per month upon 30 days prior written notice to you.
Additional Opening Assistance	Varies	When billed.	We provide 5 days of on-site assistance in connection with the opening of your Lounge. We may charge you a fee and require you to reimburse us for our costs of providing additional opening assistance.
Merchandise for Resale	Our cost, plus shipping and handling charges	On demand.	We may provide to you at cost certain collateral merchandise for resale that identifies the system (for example, caps and t-shirts).
Marketing and Communications Software	Currently, \$240 per month	When billed.	You must pay the software supplier we require a monthly software fee in the amount they require. The amount you are required to pay is determined by the software provider.
Software License Fee	Currently, \$525 per month	When billed.	You must pay us our costs or our designated supplier the amount they charge for these services.
Interest	18% per year or the maximum lawful rate	On demand.	We may charge interest on all overdue amounts.
Additional Training	At our option, a reasonable fee based on our costs of providing the training. Our current fee is \$400 per day.	Before additional training.	You must also pay the expenses of your personnel attending training.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
On-site Remedial Training	The then-current per diem fee for remedial training, plus costs. Our current per diem rate is \$400.	When billed.	If you ask or if we believe it is appropriate, we will (subject to availability) provide trained representatives to conduct on-site remedial training at your Lounge.
Fee for Non-Attendance of Annual Convention	Up to \$500 per person	When billed.	If you fail to attend our annual franchisee convention, we may charge you up to \$500 for each person that was required to attend the meeting and failed to do so.
Transfer Fee	\$1,500 for (a) transfers of ownership interests that will not result in a transfer of a Controlling Interest or (b) the assignment of the Franchise Agreement to an entity formed solely for convenience of ownership if the original franchisee owns all the ownership interests in the entity (or, if franchisee is more than one individual, each individual has the same proportionate ownership interest in the entity as he or she had in franchisee before the transfer). All other transfers: 75% of the then-current initial franchise fee (or 50% if the transfer is to an individual or entity that owns another Blushington Lounge).	Upon application for consent to transfer	If a transfer does not occur for any reason, we will refund any remaining balance of the transfer fee after deducting \$5,000, plus Franchisor's outside counsel costs incurred in connection with the transfer request.
Securities Offering Fee	\$5,000, plus our reasonable costs and expenses associated with the proposed offering	When billed.	We limit our review to the manner in which the offering materials treat your and our relationship.
Renewal Fee	\$5,000, plus our outside counsel fees to document the renewal	Signing of renewal franchise agreement.	You must give us at least 6 months and not more than 9 months' notice to renew and meet other renewal conditions.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed.	Before approving a supplier, we may require you to pay the cost of testing the supplier's products and inspecting its facilities.
Indemnification	Varies according to loss	On demand.	You must indemnify us when certain of your actions result in loss to us.
Audit Fee	Cost of audit	When billed.	Payable if an audit shows you have understated any amount owed to us by 2% or more.
Insurance Fee	A reasonable amount based on our expenses	On demand.	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee, plus our expenses.
Enforcement Costs	Will vary	As incurred.	You must pay our costs of enforcement (including attorneys' fees and costs) if you do not comply with the Franchise Agreement.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

(2) "Gross Sales" is the total selling price of all services and products and all income of every other kind and nature related to the Lounge, including income from the sale of products and services over the Internet and from temporary locations not at the Location if these activities are permitted in writing by Franchisor, whether for cash or credit and regardless of collection in the case of credit. Gross Sales includes the full value of products or services furnished to your employees as an incident to their employment (except you may credit the value of any discounts against Gross Sales during the week in which the products or services are provided). Gross Sales does not include (i) receipts from any public telephone or vending machine installed in your Lounge, except for your share of the revenues; (ii) sales (or similar) taxes that you collect from your customers if you transmit them to the appropriate taxing authority; (iii) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your Lounge; (iv) tips or gratuities paid directly by Lounge customers to your employees or paid to you and then turned over to your employees by you in lieu of direct tips or gratuities; and returns to shippers or manufacturers. Proceeds from the sale of coupons, gift cards, gift certificates or vouchers will not be included in Gross Sales when the coupons, gift cards, gift certificates or vouchers are sold (and we may require such proceeds to be transferred to a designated vendor that administers certain promotional programs on our behalf); rather, the retail price of services and products purchased with coupons, gift cards, gift certificates or vouchers will be included in Gross Sales for the Blushington Lounge that honors such coupons, gift cards, gift certificates or vouchers during the period in which the coupon, gift card, gift certificate or voucher is redeemed. You must include in Gross Sales the

proceeds related to coupons, gift cards, gift certificates, or vouchers sold or distributed by other Blushington Lounges and honored by your Lounge in accordance with the Franchise Agreement.

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 (1)	\$50,000	Lump sum	Upon signing Franchise Agreement	Us
Initial Inventory (2)	\$28,000 to \$35,000	Lump Sum	Upon signing Franchise Agreement and as invoiced	Our Affiliate
Computer Systems (3)	\$5,700 to \$7,500	As arranged	As invoiced	Suppliers
Lease, Utility, and Security Deposits	\$6,000 to \$12,000	As arranged	As arranged	Lessor and Suppliers
Three Months' Rent (4)	\$18,000 to \$36,000	As arranged	As arranged	Landlord
Leasehold Improvements (5)	\$250,000 to \$325,000	As arranged	As arranged	Landlord, Contractor, Suppliers, or our Affiliate
Furniture and Fixtures	\$20,000 to \$30,000	As arranged	As arranged	Suppliers
Security System	\$2,200 to \$2,500	As arranged	As arranged	Suppliers
Office Equipment and Supplies (6)	\$6,000 to \$9,600	As arranged	Upon signing Franchise Agreement and as invoiced	Suppliers and our Affiliate
Exterior & Interior Signage (7)	\$10,000 to \$15,000	As arranged	Upon signing Franchise Agreement and as invoiced	Suppliers and our Affiliate
Business Licenses and Permits (8)	\$800 to \$2,000	As arranged	As invoiced	Government Agencies
Design and Architect Fees (9)	\$10,000 to \$30,000	As arranged	Upon securing location	Architect
Training Expenses (10)	\$7,000 to \$12,000	As arranged	As arranged	Employees and Suppliers
Professional Services (11)	\$3,000 to \$10,000	As arranged	As arranged	Accountants, Lawyers, etc.

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Insurance (12)	\$6,000 to \$8,000	As arranged	As arranged	Insurance Broker
Grand Opening and Advertising Program (13)	\$12,500 to \$20,000	As arranged	As arranged	Suppliers
Uniforms (14)	\$300 to \$500	As arranged	Upon signing Franchise Agreement and as invoiced	Our Affiliate
Additional Funds for the start-up phase (For Initial 3-Month Period) (15)	\$50,000 to \$75,000	As arranged	As arranged	Employees and various Suppliers
TOTAL (16)	\$485,500 to \$680,100			

Notes:

- (1) See Item 5.
- (2) The initial inventory amount is an estimate of your cost for the initial supply (for 60 to 90 days of operation) of professional/back bar inventory and retail inventory that you must purchase from us as part of the Lounge Opening Package. The range of costs does not include taxes and shipping costs, which may vary depending on where your Lounge is located, the number of items you purchase, and your state and local tax rates.
- (3) This amount estimates your cost for the purchase and installation of the software, computers, and other technology we require.
- (4) Blushington Lounges are typically located in new commercial in-line shopping center buildings. You may purchase or lease the building for your Lounge. The range of amounts listed is an estimate of the total rent for your Lounge during the first 3 months. We are unable to estimate real estate costs because of wide variations in prices depending on factors like location, type building on the property, size of the property, the type of interest you acquire and market conditions. We estimate that the size of your Lounge will range between 1,200 and 1,500 square feet. If the size of your Lounge is more than 1,500 square feet, then you should expect that your costs will be greater than the high amount of the range of total estimated expenditures.
- (5) This estimate is based on our affiliates' past experience in developing Blushington Lounges. The low figure reflects the estimated cost of leasehold and millwork improvements for a 1,200 square foot Lounge, and the high figure reflects the estimated cost of leasehold and millwork improvements for a 1,500 square foot Lounge. This estimate can vary due to your locality. The estimate is for the total construction/renovation cost of a Blushington Lounge, excluding construction management and architect fees and excluding the cost of building permits, which vary due to wide variations in building and site conditions. The estimate also excludes financing costs, which may vary widely based on factors like the type of loan, the size and location of the Lounge, and your creditworthiness. Building construction and renovation costs vary greatly from region to region depending on material, labor costs, union or non-union practices, your ability to negotiate with the landlord, and other variables. You will incur costs to bring the property into conformity with the System. These costs necessarily vary in each individual situation based on the physical condition of the property, fixtures, equipment, furnishings, furniture, signage, and similar items already present on the property. This estimate assumes that you receive tenant improvement allowance of \$15,000 to \$35,000. If you do not receive a tenant improvement allowance of at least \$15,000

to \$35,000 then the amounts in the leasehold improvement range of costs will be greater than the amounts stated in the table. The millwork is based on 10 stations, front desk and 3 retail display units. This does not include any back of house millwork, which is not required but you may choose to install.

(6) The range of costs includes office equipment and supplies that you will need for your Blushington Lounge. It does not include taxes and shipping costs, which may vary depending on where your Lounge is located, the number of items you purchase, and your state and local tax rates.

(7) This range assumes that you will only install one exterior sign, temporary storefront signage, and one interior sign (the interior signage is part of the Lounge Opening Package and must be purchased from us at a cost of \$1,250). Signage requirements must meet local requirements and the requirements of the retail development management company/developer, which may require you to install more than one sign or to install signage that is different from our standard signage, in which case, you should expect to pay more.

(8) Each state varies on the requirement for licenses and permits.

(9) This estimate is for architectural fees that you will incur in adapting our prototype architectural plans. This amount includes architectural renderings and mechanical, electrical, and plumbing plans.

(10) We provide initial training to your initial Operating Principal, General Manager and Lounge Coordinator at no additional charge. Therefore, these amounts include only your out-of-pocket costs for the training of these people. This estimate is based on your travel expenses to our corporate office in New York City, New York for your initial training. You will be responsible for all of your and your employee's expenses like lodging, meals, and wages. These costs will vary depending upon your selection of salary levels, lodging, and dining facilities, and mode and distance of transportation. (See Item 11.)

(11) This estimate is for the cost to establish an entity to hold the franchise and review the franchise documentation. The cost of professional services can vary widely.

(12) This amount represents an estimate of the down payment on your annual insurance premiums. Your total annual premiums will be more than this initial amount. You must obtain the insurance coverage described in the Franchise Agreement and in Item 8 of this disclosure document. We must be named as an additional insured on these policies. Your cost of insurance may vary depending on the insurer, the location of your Lounge, your claims history, and other factors.

(13) You must carry out a grand opening promotion for the Lounge in compliance with our written specifications. You must spend at least \$12,500 on the Lounge's grand opening promotion and you must provide us with the evidence of these expenditures. This includes \$1,500 to \$2,500 of branded collateral materials that must be purchased from us as part of the Lounge Opening Package. We must approve all advertising items, methods, and media.

(14) The amount for uniforms is an estimate of your cost for staff uniforms that you must purchase from us as part of the Lounge Opening Package. The range of costs does not include taxes and shipping costs, which may vary depending on where your Lounge is located, the number of items you purchase, and your state and local tax rates.

(15) This is an estimate of your working capital needs for the during the first 3 months of operation. These expenses include payroll costs during the Lounge's operation but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs during the Lounge's first 3 months of operation depend on many factors, including the following: (i) how closely you follow our methods and procedures; (ii) your management skill, experience, and business acumen; (iii) local economic conditions; (iv) the local market

for your products; (v) the prevailing wage rate; (vi) competition; and (vii) the sales level reached during the initial period.

(16) This estimated initial investment is for one Blushington Lounge. The total does not include costs for real estate, building permits, or financing. We have relied on our affiliates' experiences to compile these estimates. You should review these figures carefully with a business advisor before deciding to acquire the franchise.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.

We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

Currently, except as described below, you have no obligation to purchase or lease from us, our affiliates, or other designated third-party suppliers any of the products, services, supplies, fixtures, equipment (including computer hardware and software and electronic cash register systems), inventory, or real estate used in establishing or operating the Lounge:

Architectural Services

You must use an architect and draftsperson approved by us for architectural and design services related to the development of your Lounge.

Millwork

You must purchase the millwork for the Lounge from a third-party supplier that we designate, which is currently RPG based in New York City, New York.

Music Equipment/Streaming Service

You must install Sonos speakers at the Lounge in accordance with the standards. Currently, we require you to stream music from Sonos and maintain a Sonos business membership.

Lounge Opening Package

You must purchase the Lounge Opening Package, which includes an initial supply (for 60 to 90 days of operation) of professional/back bar inventory and retail inventory, uniforms/aprons, interior signage, and branded collateral, from us.

Professional/Back Bar Inventory and Retail Inventory

You must offer and sell, and use in the provision of Lounge services, the brands and types of skin care, make-up, and hair products that we require and only those that we require. You must purchase all such products used in the provision of Lounge services (professional/back bar inventory) and those products that are for resale to Lounge customers (retail inventory) from us.

Uniforms

You and your employees must wear the uniforms that we require. You must purchase the uniforms from us.

Marketing Collateral

You must purchase certain marketing collateral that we require from us.

Point of Sale and Other Software

You must obtain the point of sale system hardware and software that we require and pay all related costs and fees. Currently, you must use the Boulevard appointment booking platform and Boulevard's DUO point of sale system.

System Merchandise

We have the right to make available to you for resale in the Lounge merchandise identifying the System. This may include Blushington Lounge memorabilia, like T-shirts, cups and mugs. If we make this type of merchandise available, we may require you to purchase it from a supplier we designate, which may be us, in amounts necessary to meet your customer demand.

Purchases According to Specifications

You must comply with all of our standards and specifications relating to the purchase of all supplies, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Lounge. Among other things, the following must comply with our specifications:

Site Selection and Construction

You must locate a site for the Lounge that satisfies our site selection requirements. Within 15 days after you acquire the site for the Lounge, you must engage an architect we approve, and you must use our in-house draftsman to modify our prototypical design plans, if modifications are required, for the construction or remodeling of your Lounge. We must approve all changes to the plans in advance. We will review your plans internally and will use commercially reasonable efforts to finalize the design layout within 30 days of completing the preliminary design modifications. You may not use any plans until we have approved them in writing, and our silence with respect to approval or rejection of the plans will not be deemed to be approval of the plans. We maintain the right to reject, in our sole discretion, all requests for plan modifications. Upon approval, you must work with our approved architecture firm to complete architectural plans and construction documents. You must provide written notice to us, and must obtain our prior written approval, for any proposed changes to the final plans that we previously approved. You must obtain general contractor services from an approved supplier. You may not remodel or make significant modifications to the Lounge without our prior written approval.

Advertising and Promotional Materials

All of your advertising and promotions must conform to our standards and requirements and must be purchased from an approved supplier as discussed above. We must approve all advertising and promotional plans and materials before you use them if we have not prepared them or previously approved them during the 6 months preceding the date of their proposed use. You must submit any unapproved plans and materials to us, and we will approve or disapprove them within 20 days after we receive them. You must not use the plans or materials until we have approved them, and must promptly discontinue using any advertising or promotional plans or materials, whether or not we have previously approved them, if we notify you to do so. In certain circumstances, we may require you to include a reference to the fact that franchises for Blushington Lounges are available in your advertising or promotional material.

Insurance

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Blushington Lounge. These policies must be written by a responsible insurance carrier or carriers rated "A" or better by the A.M. Best Company, Inc.

and that are acceptable to us. At a minimum, you must carry (i) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage in the amount of \$1,000,000, combined single limit per occurrence, \$2,000,000 general aggregate, \$2,000,000 product liability, \$1,000,000 personal and advertising injury, \$300,000 fire legal liability, \$5,000 medical payment limits, or any greater amounts as your lessor may require; (ii) "All Risks" coverage for the full cost of replacement of the Lounge premises and all other property in which we may have an interest with agreed amount endorsement for the premises naming us as loss payee; (iii) an "umbrella" policy providing excess coverage with limits of not less than \$5,000,000 which must be excess to the general liability coverage; (iv) business interruption insurance covering at least 12 months' loss of profits and necessary continuing expenses for interruptions caused by any occurrence; (v) worker's compensation insurance with employer liability limit of bodily injury by accident \$1,000,000 each accident, by disease \$1,000,000 policy limit, and by disease \$1,000,000 each employee; (vi) professional liability insurance for errors and omissions of your professional staff in providing services to your guests with not less than \$1,000,000/\$3,000,000 limit of liability and including abuse and molestation with a minimum limit of \$100,000/\$300,000, (vii) employment practices liability including third party coverage for not less than \$500,000 aggregate, and (viii) any other insurance required by the landlord and the state or locality in which your Lounge is situated.

Approved Suppliers

If we have approved suppliers (including manufacturers, distributors and other sources) for any supplies, materials, fixtures, furnishings, equipment (including computer hardware and software), services and other products used or offered for sale at the Lounge, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications, who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing and whom we have not later disapproved.

If we require that an item be purchased from an approved supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time. We will approve or disapprove a proposed supplier within 45 days of the date on which we receive all information we request about the proposed supplier. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

Except for Blushington Franchising, LLC, which is wholly-owned by our Parent, of which our Chairman, Mark Maron, holds a controlling ownership interest, none of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers, of the Blushington Lounges franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

Purchasing Arrangements

Neither we nor our affiliates had any revenues from the sale of products or services to franchisees in the last fiscal year, nor did we or our affiliates receive payments from any designated sources because of transactions with franchisees.

We (i) may change the number of approved suppliers at any time and may designate ourselves, an affiliate, or a third party as the exclusive source for any particular item, (ii) may profit from your purchases

from designated or approved suppliers, and (iii) we and/or our affiliates may receive payments, fees, commissions, or reimbursements from such suppliers in respect of your purchases (including, without limitation, for products and services we or our affiliates provide to you and by suppliers that we designate or approve for some or all of our franchisees). We may, but are not required to, refund such amounts to you or contribute such amounts to the Advertising Fund. We also may retain such amounts for our own use in our sole discretion, notwithstanding any designation by the supplier or otherwise. Contributions of any rebates or credits to the Advertising Fund will not reduce your obligation to make the contributions to the Advertising Fund provided for in the Franchise Agreement.

We may negotiate certain purchase arrangements (including price terms) with suppliers for the benefit of our franchisees. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor. If we negotiate a purchase agreement, you must participate in the purchasing program. We do not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that your total initial required purchases will range between 35% to 50% of the cost of your initial purchases or leases (not including the initial franchise fee). We estimate your required purchases for the operation of the Franchised Business will range between 22% and 24% of your annual purchases or leases. The majority of these required purchases will be from third parties under our specifications.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections II.A. through F.	Items 8 and 11
b. Pre-opening purchases/leases	Sections II., VII., VIII. and XII.	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Section II.	Items 1, 7, 8 and 11
d. Initial and ongoing training	Section VI.G.	Items 6, 7 and 11
e. Opening	Sections II., VIII.F. and Attachment C	Items 7 and 11
f. Fees	Sections IV. and VIII.	Items 5 and 6
g. Compliance with standards and policies/ Manuals	Sections II., III., VI., VII., VIII., IX., X., XI., XII.	Items 8, 11, 14 and 16

Obligation	Section in Franchise Agreement	Disclosure Document Item
h. Trademarks and proprietary information	Sections IX. and X. and Attachment B	Items 11, 13 and 14
i. Restrictions on products/services offered	Section VII.	Items 8 and 16
j. Warranty and customer service requirements	Section VII.I.	Item 16
k. Territorial development and sales quotas	Section II.	Item 12
l. Ongoing product/service purchases	Sections VII. and VIII.	Items 8, 11 and 16
m. Maintenance, appearance and remodeling requirements	Sections III. and VII.	Item 8
n. Insurance	Section XII.	Items 7 and 8
o. Advertising	Section VIII.	Items 6, 8 and 11
p. Indemnification	Section XV.	Item 6
q. Owner's participation/ management/ staffing	Sections VI. and VII.	Items 1, 11 and 15
r. Records and reports	Sections IV., VIII. and XI.	Item 11
s. Inspections and audits	Sections II., VII. and XI.	Items 6 and I 1
t. Transfer	Section XIV.	Items 6, 10 and 17
u. Renewal or extension of rights	Section III.	Items 6, 12 and 17
v. Post-termination obligations	Section XVIII.	Item 17
w. Noncompetition covenants	Section X. and Attachment B	Item 17
x. Dispute resolution	Section XIX.G.	Item 17
y. Other (personal guarantee)	Section VI.D(2) of, and Attachment A	Item 15

ITEM 10 FINANCING

Neither we nor any of our agents or affiliates offer any direct or indirect financing to you or guarantee any note, lease or obligation for you.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as described below, we are not required to provide you with any assistance. We may delegate certain of our obligations under the Franchise Agreement to a designee.

Pre-Opening Obligations: Before you open your Lounge, we or our designee will:

1. Provide you with access to a copy of our written site selection guidelines and give you site selection assistance (which may include visits to the site, analysis of the surrounding demographics, and general site selection advice, the extent of which will vary based on the specific circumstances, including the location and condition of the proposed site). (Franchise Agreement, Section II.B.)

You must identify and secure a site for your Blushington Lounge within a non-exclusive Designated Area. We must accept the site as meeting our standards. You cannot place a Lounge at a site we have not first accepted in writing. Your failure to obtain a site that we approve and open within the specified time period is a default under the Franchise Agreement for which we may terminate.

When you identify a proposed site, you must submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines and any other information we may require. You must submit such site information to Franchisor no later than 60 days after the execution of the Franchise Agreement. We will review your proposed site for compliance with our site selection guidelines and accept or not accept the site within 30 days after receiving your site information. (Franchise Agreement, Sections II.C. and D.). In reviewing your proposed site, we consider various factors, including the condition of the building, the location of the site, population, and other demographic factors. If we accept multiple sites, you must notify us within 10 days of our acceptance of the sites of the site that you intend to acquire for the Lounge. Our acceptance of a site does not guarantee that a Blushington Lounge will be profitable or successful at that site. You must provide us with a copy of the proposed lease (which incorporates a rider in substantially the form of Exhibit 1 to the Franchise Agreement) or contract of sale for the site after we have approved the site. (Site Addendum to Franchise Agreement, Section II.D) We typically do not own land or buildings that we lease to Franchisees.

Within 120 days after signing the Franchise Agreement, you must enter into a lease or contract of sale for the site. You must provide us with a copy of the executed lease or contract of sale within 10 days of its signing. (Franchise Agreement, Section II.E.)

You must obtain all zoning classifications, clearances and approvals relating to the site and all required permits, licenses, and certifications. (Franchise Agreement, Section II.H.)

2. Provide you with access to our prototypical design plans and specifications for a Blushington Lounge. (Franchise Agreement, Section II.B.)

3. Provide you with access to 1 set of our Manuals. (Franchise Agreement, Section V.A.)

4. Provide you a list of any approved suppliers. (Franchise Agreement, Section V.G.)

5. Conduct an initial training program. (Franchise Agreement, Sections V.H. and VI.K.)

6. Give you on-site opening assistance, subject (as to scheduling) to the availability of our personnel. (Franchise Agreement, Section V.I.)

Typical Length of Time Before You Open Your Blushington Lounge

We estimate that it will be approximately 280 days from the time you sign the Franchise Agreement to the time you begin operations. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your Blushington Lounge. You must begin business within 365 days after signing the Franchise Agreement, unless we give you a written extension. Failure to open the Lounge within 365 days is considered a material default for which we have the right to terminate the Franchise Agreement without providing you any opportunity to cure. (Franchise Agreement, Section II.F. and XVII.C.)

Continuing Obligations: After your Lounge opens we will:

1. Conduct periodic evaluations of your operations. (Franchise Agreement, Section V.C.)
2. Establish and administer an advertising fund and provide any advertising and promotional materials we develop for local advertising. (Franchise Agreement, Sections V.D. and VIII.)
3. Give you advice and written materials we may develop on the techniques of managing and operating Blushington Lounges. (Franchise Agreement, Section V.E.)
4. At our discretion, make available to you at a reasonable cost any merchandise we develop or approve for resale. (Franchise Agreement, Section V.F.)
5. Give you updated lists of approved suppliers as we deem appropriate. (Franchise Agreement, Section V.G.)
6. Provide additional training programs at our option, in the format we choose. (Franchise Agreement, Sections V.J. and VI.K.)
7. Provide you with access to any proprietary software programs as may be developed by us or on our behalf for use in the System. We reserve the right to charge a reasonable license fee. (Franchise Agreement, Section V.B.)

Advertising

You must participate in all advertising and sales promotion programs that we may authorize or develop for Blushington Lounges. (Franchise Agreement, Section VIII.A(2))

You must carry out a grand opening promotion for the Lounge in accordance with our standards, including those related to the type and size of the grand opening promotion. You must obtain our approval of all advertising items, methods and media you use in connection with such grand opening promotion. You must spend at least \$12,500 on the Lounge's grand opening promotion and submit 1 or more expenditure reports to us, accurately reflecting your grand opening expenditures. (Franchise Agreement, Section VIII.F.)

You must spend at least 3% of your Lounge's Gross Sales on advertising. Initially, you must spend 1% of Gross Sales on local advertising and contribute 2% of Gross Sales to the advertising fund ("Fund"). We may reallocate the proportion of those monies directed to local advertising (individually or through a Cooperative) and to the Fund. (Franchise Agreement, Section VIII.B.)

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention, or special promotional program that we implement for all or part of the Blushington franchise system and sign the forms and take the other action we require for you to participate in these programs. (Franchise Agreement, Section VIII.A(1))

All advertising and promotions you place in any medium must be conducted professionally and must conform to our standards and requirements, as described in Item 8. (Franchise Agreement, Section VIII.G.)

You must give us a quarterly report of your local advertising expenditures within 15 days following the end of each calendar quarter. You cannot include expenditures for any of the following to satisfy your local advertising expenditure requirement: (i) incentive programs for your employees or agents; (ii) non-media promotional costs; (iii) charitable, political, or other contributions or donations; (iv) in-lounge fixtures or equipment; (v) business directory listings, whether online or otherwise; or (vi) grand opening expenses. (Franchise Agreement, Section VIII.C.)

We can designate any geographic area in which 2 or more company-owned or franchised Blushington Lounges are located as a region for an advertising cooperative ("Cooperative"). If we do, the Cooperative must be organized and governed as we determine and as stated in the written governing documents we require. Any Cooperatives we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for members in local advertising. If a Cooperative is established for an area that includes your Protected Area (defined in Item 12 below), you must become a member of the Cooperative and participate in the Cooperative by contributing the amounts required by the Cooperative's governing documents. However, you will not be required to contribute more than the amount you would otherwise be required to spend on local advertising, and your Cooperative contribution will be applied toward satisfaction of your local advertising requirement. You must also submit to the Cooperative and to us all statements and reports that we or the Cooperative may require. Cooperative contributions will be maintained and administered under the Cooperative's governing documents, and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. We have the sole right to form, change, dissolve, and merge Cooperatives and to create and amend any organizational and governing documents of any Cooperative. (Franchise Agreement, Section VIII.D.) Each Cooperative must prepare annual, unaudited financial statements, which will be made available to contributing Cooperative members. Currently, we have not established any Cooperatives.

In addition to local advertising (individually or through a Cooperative), we have established a Fund to produce advertising for the System on a regional and/or national basis. You must make weekly contributions to the Fund. Initially, that contribution will be 1% of your Lounge's Gross Sales. We may increase the amount you must contribute to the Fund, up to a maximum of 3% of your Lounge's Gross Sales, and may require you to allocate to the Fund all or part of your required local advertising expenditures. We and our affiliate's company-owned stores will contribute to the Fund generally on the same basis as you do for Blushington Lounges that we or they operate.

We or someone we designate will administer the Fund. We will direct all advertising programs, including the creative concepts, materials and media used in the programs. We may use the Fund to satisfy the costs of maintaining, administering, directing, preparing and producing advertising. This includes the cost associated with developing, maintaining and updating our Website, of preparing and producing television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; employing advertising agencies; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. We are not required to make expenditures for you that are equivalent or proportionate to your Fund contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising. Except for a portion of the Fund spent on Website development and maintenance (a portion of which may include soliciting the sale of franchises using the Website), the Fund is not used to solicit the sale of franchises.

We anticipate that Fund advertising will be conducted primarily through electronic or print media on a regional or national basis, and that the majority of our advertising will initially be developed in-house.

We will not use your Fund contributions to defray any of our operating expenses, except for any reasonable administrative costs and overhead that we may incur in administering or directing the Fund. We will prepare an annual statement of the Fund's operations and will make it available to you if you request it. We are not required to have the Fund statements audited.

We neither collected nor spent Advertising Fund monies during our 2023 fiscal year.

Although the Fund is intended to be perpetual, we may terminate it at any time. We will not terminate the Fund, however, until all money in the Fund has been spent for advertising or promotional purposes or returned to the contributors on the basis of their respective contributions. (Franchise Agreement, Section VIII.E.)

Computer and Point of Sale System Requirements

You must install and maintain the number of computers and tablets at the Lounge that we require and that are capable of running the software that we require. Currently, we require you to have at least 2 front desk computer stations. The computers must be equipped with computer hardware components, software, and peripherals that we require including printers.

You must install, run, and pay all related fees for the appointment booking and point of sale systems that we require. Currently, you must use the Boulevard appointment booking platform and Boulevard's DUO point of sale system and pay software license fee (currently \$525 per month) to Boulevard.

You must install Internet navigation software and maintain a high-speed Internet connection (with email capability) at the bit speed we require.

We estimate the cost of the computer system will be approximately \$5,700 to \$8,150, depending on the size of the Blushington Lounge.

We have the right to require you to pay up to \$300 per month as a Technology Fee, which covers, among other things, digital and online marketing of your Lounge, website hosting and maintenance, and e-mail hosting and maintenance. As of the date of this disclosure document, we charge \$150 per month as the Technology Fee.

Except for the services covered by the technology fee neither (i) we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system nor (ii) are there any optional or required maintenance/upgrade contracts for the point of sale or computer system.

You must acquire and install software from any marketing and communications supplier that we designate (currently Mailchimp). The current monthly license fee for Mailchimp is \$240 and is subject to change in the discretion of the software provider.

You must install any other hardware or software for the operation of the Blushington Lounge that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Blushington Lounges. We may require you to submit sales data electronically to allow us to compile sales data, consumer trends, costs, and other financial and marketing information we deem appropriate. We may require you to provide us with independent access to information and data maintained on your computer system. There is no contractual limitation on the frequency or cost of these obligations or on our ability to access your information.

Operations Manual

During our initial training, we will provide you with access to our Manuals, all of which may be online. A copy of the table of contents of the Manuals is attached as Exhibit E. The total number of pages in the Manuals is 207. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. You may not make any copies of the Manuals.

Training

Before the Opening Date of your Lounge, your Operating Principal and General Manager (if applicable) and Lounge Coordinator, must have attended and satisfactorily completed our initial training program. (Franchise Agreement, Section VI.G.)

Our training is administered and directed by Natasha Cornstein, who has been our Chief Executive Officer since December 2021. Ms. Cornstein has 9 years of experience working in the personal care and salon industry. Ms. Cornstein may be assisted by other qualified members of Blushington staff.

Our initial training program is offered as needed during the year depending on the number of new franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new Blushington Lounges.

The subjects covered and other information relevant to our initial training program are described below:

INITIAL TRAINING PROGRAM

<u>Subject</u>	<u>Hours of Classroom Training (See Note 1)</u>	<u>Hours of On-the Job Training (See Note 1)</u>	<u>Location</u>
Blushington Welcome, Intro, Mission, History	2	0	New York City, NY
Overview of the Relationship with the Franchisor	2	0	New York City, NY
Overview of the Pre-Opening Process	2	0	New York City, NY
Grand Opening and Ongoing Marketing	2	1	New York City, NY
Human Resources Best Practices	2	0	New York City, NY
Daily Procedures	2	4	New York City, NY
Client Service	3	3	New York City, NY
Scheduling and Managing the Front Desk	2	5	New York City, NY
Membership Sales	1	0	New York City, NY
Artist Daily Procedures	2	2	New York City, NY
Blushington Services	2	0	New York City, NY
Operational Reporting and KPIs	2	0	New York City, NY
Inventory Management and Merchandising	2	1	New York City, NY
Safety and Security	1	1	New York City, NY
Cleaning and Maintenance	1	1	New York City, NY
Franchise Reporting	1	0	New York City, NY
TOTALS	29	18	-

Note:

(1) The time periods allocated to the subject listed above are approximations, and the time actually spent by your Operating Principal and General Manager (if applicable), and Lounge Coordinator may vary based on the experience and performance of those persons trained.

The instructional materials used in training include manuals, PowerPoint presentation, handouts, demonstrations, quizzes, classroom lectures, and discussions.

We provide instructors and training materials at no charge, but you must pay all expenses you and your personnel incur in initial training, including costs of travel, lodging, meals and wages. We may charge a reasonable training fee for training all successor or replacement personnel. (Franchise Agreement, Section VI.G.)

We may require your Operating Principal, General Manager, Lounge Coordinator and/or employees to attend or participate in additional training programs and other informational programs, including 2 to 5 days of refresher training per year. We have the right to charge a reasonable fee for these additional training and other informational programs. You must pay all expenses you or your personnel incur in any training or other informational program (including the classroom and internship components of the initial training program), including the cost of travel, lodging, meals and wages. (Franchise Agreement, Section VI.G.)

We may conduct seminars or conventions from time-to-time for the benefit of all franchisees whose attendance may or may not be mandatory. When attendance is mandatory, we will provide you with reasonable notice in writing. Your failure to attend mandatory seminars or conventions will be treated as a default under the Franchise Agreement. However, under our current policy (which we may change at any time) you will have the ability to cure the default by attending a similar seminar or convention that is regularly offered by us within a period of 120 days from the original seminar or convention. In any event, if you fail to attend our annual franchisee convention, we may charge you up to \$500 for each person that was required to attend the meeting and failed to do so. We will bear the expense of materials and location and you must pay for the expense of salaries, travel, meals, lodging, and miscellaneous expenses of your personnel attending such seminars or conventions.

ITEM 12 TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, your Lounge will be located in a Protected Area, described below.

The Franchise Agreement gives you the right to operate a Blushington Lounge at a site we accept as meeting our site selection guidelines (the "Location"). You must select the site for your Lounge from within the Designated Area identified in Attachment C of the Franchise Agreement. If you are in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish or authorize anyone except you to establish a Blushington Lounge in the geographic area identified in Attachment C of the Franchise Agreement (the "Protected Area") during the term of the Franchise Agreement. The Protected Area will generally be a geographic area in which there is population of at least 10,000 to 15,000. However, the actual size and shape of the Protected Area will be determined based on several factors, including population density, income level and the number of households and businesses in the area.

Continuation of your Protected Area does not depend on the achievement of a certain sales volume, market penetration or other contingency. There are no circumstances that would permit us to modify your territory rights during the term of the Franchise Agreement, but we may modify your Protected Area upon renewal. You do not receive the right to acquire additional franchises within or outside of your Protected Area unless you sign another Franchise Agreement with us. We do not grant rights of first refusal under any agreements.

You must operate the Lounge only at the Location. You may not actively solicit or accept business from consumers located outside your Protected Area through any method of distribution, including alternative channels such as the Internet, catalog sales, telemarketing, or other direct marketing. You cannot relocate the Lounge without our consent. If you lose possession of the Location through no fault of your own, you must apply to us within 30 days for our approval to relocate your Lounge. You must relocate to another site in the Protected Area.

We may solicit and enter into agreements with National Account Clients as described in Item 16. If we establish a national or regional program to perform services for national account clients in your Protected Area, we may provide services in connection with National Account Clients ourselves, may subcontract servicing rights to one or more third parties, or may offer you the right to provide services, and if you agree, you must provide the services in accordance with terms, fees, and conditions we establish for the program, including those within your Protected Area. We may offer you the opportunity to provide services to National Account Clients outside of your Protected Area, and if you agree to provide such services, you must provide the services in accordance with terms, fees, and conditions we establish for the program, including those within your Protected Area. If you agree to accept any such opportunity but fail to service the applicable customers within the time required, we may immediately arrange to service such customers directly or engage other franchisees to do so.

We retain all other rights. Among other things, this means we can:

- (i) Develop and establish other business systems using the Marks, or other names or marks, and grant licenses to use those systems without providing any rights to you;
- (ii) Advertise and promote the System in the Protected Area;
- (iii) Operate, and license others to operate, Blushington Lounges at any location outside the Protected Area and in any Reserved Area. A “Reserved Area” includes any mall (defined as an enclosed retail space consisting of 250,000 or more square feet); amusement park; sports stadiums or arenas; airport; train station; hospital; school; hotel, resort, or other lodging facility; office building; or military base; and
- (iv) Within and outside the Protected Area, offer and sell, and authorize others to offer and sell, any similar or dissimilar products and services, (under the Marks or under other names or marks) through any channel or by any method of distribution (including the Internet) other than a Blushington Lounge on any terms and conditions we deem appropriate.

There are no restrictions on our right to solicit or accept business from consumers inside the Protected Area without paying any compensation to you.

Except as described above, the continuation of any territorial rights granted to you does not depend on the achievement of a certain sales volume, market penetration, or other contingency, and we may not alter your territory.

You may only use the Internet to advertise on our Website in compliance with the Franchise Agreement.

ITEM 13 TRADEMARKS

The Franchise Agreement gives you a license to operate a Blushington Lounge under the mark “The Blushington Lounge” and to use any future Marks we authorize.

Our Parent owns the registrations for the following Marks on the Principal Register of the U.S. Patent and Trademark Office. Our Parent intends to renew the registrations and to file all appropriate affidavits at the appropriate times required by law.

MARK	REGISTER	REGISTRATION ISSUE DATE	U.S. TRADEMARK REGISTRATION
BLUSHINGTON	Principal	May 4, 2011	85312275

BLUSHINGTON	Principal	September 27, 2011	85312279
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There is no presently effective determination of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Mark which is relevant to its ownership, use or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Mark, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

Our rights to the Marks and the proprietary System know-how are derived from a nonexclusive perpetual license ("Intercompany License") between us and our Parent. The Intercompany License grants us the right to use the Marks and the proprietary information related to the System, such as the know-how and the Manuals, for the purpose of licensing them to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany License is terminable only for material breach and only if we do not cure or begin to cure the breach within 90 days after notice. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to you.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Mark or if the proceeding is resolved unfavorably to you.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals must agree not to communicate with any person other than us, any designated affiliate and our or their counsel about any infringement, challenge or claim of this type. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or Patent and Trademark Office (or other) proceeding, arising out of any infringement, challenge or claim concerning any of the Marks. You must execute all instruments and documents and give us any assistance that, in our counsel's opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding of this type or to otherwise protect and maintain our or their interest in the Marks.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must execute any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents or patent applications that are material to the franchise. We do claim copyright protection and proprietary rights in the original materials used in the System, including our

Manuals, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials relating to the operation of Blushington Lounge and the System.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You and your Principals must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Principals must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Principals can give this confidential information only to your employees who need it to operate your Blushington Lounge. You must have your General Manager, Lounge Coordinator and any of your other personnel who have received or will have access to our confidential information, sign similar covenants.

If you or your Principals develop any new concept, process or improvement in the operation or promotion of your Blushington Lounge, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your Principals agree that any of these concepts, processes or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

When you sign the Franchise Agreement, you must designate an individual to serve as your "Operating Principal." If you are an individual, you will be the Operating Principal. If you are not an individual, your Operating Principal must maintain a direct or indirect ownership interest in you of not less than 10%, unless we consent otherwise. This interest may not be pledged, mortgaged, hypothecated, or be subjected to any lien, charge, or encumbrance, voting agreement, proxy, security interest, or purchase right or option, without our consent.

The Operating Principal must meet our qualifications and must be approved by us. The Operating Principal for all Blushington Lounges operated by you and, if applicable, your affiliates, must be the same person.

Unless a General Manager is appointed, as discussed below, your Operating Principal must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreements and may not engage in any other business. He or she must satisfy our training requirements and our other standards and must guaranty your performance under the Franchise Agreement. Your Operating Principal will be individually, jointly and severally bound by all of your obligations and the obligations of the Operating Principal and a Principal under the Franchise Agreement.

You may, at your option and subject to our written consent, designate a General Manager to supervise your operations under the Franchise Agreement. Even if we permit you to designate a General Manager to supervise your operations under the Agreements, your Operating Principal remains ultimately responsible for the General Manager's performance. The General Manager must devote his or her full time and best efforts to the supervision of your operations under the Agreements.

You must notify us promptly if your Operating Principal or General Manager cannot continue to serve or no longer qualifies as an Operating Principal or a General Manager. You will have 30 days from

the date of the notice (or from any date that we independently determine the Operating Principal or General Manager no longer meets our standards) to take corrective action. During that 30-day period, you must provide for interim management of your operations in compliance with the Franchise Agreement.

You must designate and retain at all times during the term of the Franchise Agreement at least 1 Lounge Coordinator to coordinate the day-to-day operations of the Lounge. You must also designate retain at all times during the term of the Franchise Agreement at least 10 licensed cosmetologists. The cosmetologists must at all times maintain all licenses and/or registrations required under applicable laws or regulations.

We may require your current and future Principals to sign a Guaranty in the form of Attachment A to the Franchise Agreement guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. If you are an individual, your spouse may be required to sign the Guaranty, making your spouse jointly and severally liable for your obligations.

At our request, you must have your General Manager and Lounge Coordinator and any other personnel who will have access to our training sign covenants not to compete and agree to maintain the confidentiality of information they have access to through their relationship with you. These covenants will be in substantially the form of Attachment B to the Franchise Agreement. Those of your Principals who are not signing the Guaranty also must execute these covenants. We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who must sign an agreement described in this paragraph.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products and services you use or sell at the Lounge must conform to our standards and specifications. (See Item 8.) These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Lounge.

You must offer and sell all products and services we require. You must sell only the products and services that we have expressly approved in writing. You must stop selling any products or services that we disapprove in writing. You must open and operate the Lounge during the hours we specify in the Manual or otherwise in writing. We have the absolute right to remove all unapproved products, goods and materials from Blushington Lounges.

We may periodically enter into agreements with national or regional clients that we consider to be national account clients (“National Account Clients”) who require services in your Protected Area. We may establish National Account and other regional national or regional programs. We may provide services in connection with National Account Clients ourselves, may subcontract servicing rights to one or more third parties, or may offer you the right to provide services, and you agree, you must provide the services in accordance with terms, fees, and conditions we establish for the program, including those within your Protected Area.

We reserve the right to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

You may not advertise, promote, post, or list information relating to the Lounge on the Internet (through the creation of a Website or otherwise), unless we decide to include information about your Lounge on our Website or we otherwise approve of such activity in writing.

You may offer and sell Lounge products and services which we have approved in writing only through your internal page on our Website in accordance with our standards, protocols and restrictions. You must cease offering or selling Lounge products and services through the Internet immediately upon written notice from us.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or on sell or the customers to whom you may offer or sell.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

These tables list certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the Franchise Agreement attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section III.A.	10 year initial term.
b. Renewal or extension of the term	Section III.B.	3 additional 5 year terms.
c. Requirements for franchisee to renew or extend	Section III.B.	Your renewal rights permit you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document. Other conditions include: Give written notice; update required items; not be in default; pay all money owed; retain right to Location; pay is a renewal fee; execute general release (See Exhibit F); comply with then-current qualifications and training requirements.
d. Termination by franchisee	None except as may be permitted under applicable law.	Not applicable
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section XVII.	We may terminate on your default of the Franchise Agreement. Termination of any Franchise Agreement between you and us provides us the right to terminate any other Franchise Agreement between you (or your affiliate) and us.

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined - curable defaults	Section XVII.D.	For any default except those specified non-curable you have 30 days to cure (5 days for failure to submit a required report or pay monies; 24 hours for misuse of the Marks; 7 days if you fail to obtain the required insurance coverages; 10 days if you fail to comply with the noncompetition covenants).
h. "Cause" defined - non-curable defaults	Sections XVII.B. and XVII.C.	Insolvency; general assignment for benefit of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; operation of Lounge at location that we have not accepted; failure to obtain acceptance of proposed site or acquire Location, to construct or remodel in accordance with prototypical plans, to begin business within the required time period; abandonment or forfeiture of right to do business; conviction of certain crimes; threat to public health or safety; unauthorized transfer; failure to comply with certain confidentiality covenants; false records or submission of false reports; breach of any covenants or false representations; failure to comply with quality assurance program; default of any other franchise agreement; repeated defaults whether or not cured.
i. Franchisee's obligations on termination/non-renewal	Section XVIII.	Stop operating your Lounge and using the System's confidential methods, procedures techniques and marks; cancel any registration containing the Marks; pay amounts due and our damages and enforcement costs; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; at our option, sell or assign us your rights in business telephone numbers, advertising and promotional materials, furnishings equipment, and the premises.
j. Assignment of contract by franchisor	Section XIV.A.	We may transfer our rights without restriction.
k. "Transfer" by franchisee – definition	Sections XIV.B. and XIV.D.	You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the franchised business without our consent. A Principal not signing the Guaranty may assign a non-controlling interest in you without our consent on notice to us.

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of Transfer by franchisee	Section XIV.B.	We must consent and you must meet conditions before transferring.
m. Conditions for franchisor approval of transfer	Section XIV.B.	Pay all amounts due; not be in default; execute a general release (see Exhibit F); pay transfer fee; remain liable for pre-transfer obligations. Transferee must meet our criteria, complete required training, guaranty obligations; enter into then-current franchise agreement and upgrade the Lounge.
n. Franchisor's right of first refusal to acquire franchisee's business	Section XIV.E.	On 30 days written notice, we have the option to purchase an interest being transferred on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Sections XVIII.A (8) and (9) and XVIII.B.	Upon termination or expiration we have the option to purchase your advertising materials bearing the Marks at your cost. We have the option to purchase the furnishings, equipment, signs, fixtures, supplies, materials and other assets, at fair market value, and, if you own the land where the Lounge is located, we have the option to lease the land (and any building on the land used for the operation of the Lounge), for fair market value. We have the option to have the lease for the premises of the Lounge assigned to us.
p. Death or disability of franchisee	Section XIV.F.	On death or permanent disability of you or a Principal the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section X.C.(1)	You may not operate or have an interest in a business which is similar to the franchised business.
r. Non-competition covenants after the franchise is terminated or expires	Sections X.C.(2)	For 2 years you may not divert any of your business or customers to a competitor or have an interest in any business that is similar to the franchised business at the Location, within the Protected Area, or within a 5-mile radius of the location of any Blushington Lounge then in existence or under construction.
s. Modification of the agreement	Sections X.A. and XIX.B.	Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended.

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	Section XIX.B.	Except as otherwise required by applicable state law, only the terms of the Franchise Agreement, franchise disclosure document, and other related written agreements are binding. No other representations or promises are binding. Notwithstanding the foregoing, nothing in any Franchise Agreement is intended to disclaim the express representations made in this franchise disclosure document. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section XIX.G.	Except as otherwise required by applicable state law, claims, controversies or disputes arising out of or relating to the Franchise Agreement must be mediated, except for actions we bring for monies owed, injunctive or other equitable relief, or relief relating to real property.
v. Choice of forum	Sections XIX.G. and XIX.H.	Except as otherwise required by applicable state law, mediation in New York, New York, except actions for monies owed, injunctive relief, or relief related to real property, the Marks or confidentiality information. (See state specific addenda) Venue for any other proceeding is New York state courts or the federal district court for the Southern District of New York.
w. Choice of law	Section XIX.I.	Except as otherwise required by applicable state law, the Franchise Agreement is to be interpreted and construed under Delaware law, except for Delaware choice of law rules. (See state specific addenda.)

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote the franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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.

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 us by contacting Natasha Cornstein at natasha@blushington.com and 646-752-3019, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2021 to 2023⁽¹⁾

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned ⁽²⁾	2021	0	0	0
	2022	0	1	1
	2023	1	1	0
Total Outlets	2021	0	0	0
	2022	0	1	1
	2023	1	1	0

Notes:

1. All numbers are as of our December 31 fiscal year end.
2. See Item 1 regarding the Prior Blushington Lounges.

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023⁽¹⁾**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Notes:

1. All numbers are as of our December 31 fiscal year end.

Table No. 3

**Status of Franchised Outlets
For years 2021 to 2023⁽¹⁾**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other Reasons	Outlets at End of the Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Notes:

1. All numbers are as of our December 31 fiscal year end.

Table No. 4

**Status of Company-Owned Outlets
For years 2021 to 2023^{(1) (2)}**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New York	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1

Notes:

1. All numbers are as of our December 31 fiscal year end.
2. See Item 1 regarding the Prior Blushington Lounges.

Table No. 5

Projected Openings As Of December 31, 2023

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
California	0	1	0
Florida	0	1	0
Texas	0	1	0
Total	0	3	0

The names, addresses, and telephone numbers of our franchisees and their outlets as of December 31, 2023 are attached as Exhibit C.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a Franchise Agreement terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has left the system during the most recently completed fiscal year, or has not communicated with us within 10 weeks of date of disclosure document is listed on Exhibit D.

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

As of the date of this disclosure document, we are not offering any outlets we control that were previously owned by a franchisee. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a supplement to this disclosure document.

During the last three fiscal years, no current or former franchisees signed provisions restricting their ability to speak openly about their experience with Blushington Franchising, LLC.

As of the date of this disclosure document, no independent trademark-specific franchisee organizations have asked to be included in this disclosure document and there are no franchisee organizations sponsored or endorsed by us.

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements as of December 31, 2021, December 31, 2022, and December 31, 2023. Our fiscal year end is December 31.

ITEM 22 CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement (with attachments).
2. Form of General Release.

ITEM 23 RECEIPTS

Attached as the last 2 pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

EXHIBIT A
FINANCIAL STATEMENTS

Exhibit A

BLUSHINGTON FRANCHISING, LLC

FINANCIAL STATEMENTS

December 31, 2023 and 2022

BLUSHINGTON FRANCHISING, LLC

T A B L E O F C O N T E N T S

	Page(s)
Independent Auditors' Report	1–2
Financial Statements:	
Balance Sheets	3
Statements of Operations and Member's Equity (Deficit)	4
Statements of Cash Flows	5
Notes to Financial Statements	6–7



1723 Cloverfield Blvd, Santa Monica, CA 90404

Phone 310-828-9798 | Fax 310-453-7610 | bpm@bpm.com

INDEPENDENT AUDITORS' REPORT

To the Member
Blushington Franchising, LLC
West Hollywood, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Blushington Franchising, LLC (the "Company"), a wholly owned subsidiary of Blushington LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blushington Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liquidity and Related Party

As described in Note 4 to the financial statements, the Company has had numerous transactions with its member and is dependent upon its member to achieve its business objectives. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BPM LLP

Santa Monica, California
March 14, 2024

BLUSHINGTON FRANCHISING, LLC

BALANCE SHEETS

As of December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 500	\$ 20,000
Total assets	<u>\$ 500</u>	<u>\$ 20,000</u>
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)		
Current liabilities:		
Due to related party	\$ 50,933	\$ -
Commitment and contingencies	-	-
Member's equity (deficit)	<u>(50,433)</u>	<u>20,000</u>
Total liabilities and member's equity (deficit)	<u>\$ 500</u>	<u>\$ 20,000</u>

BLUSHINGTON FRANCHISING, LLC

STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)

For the years ended December 31, 2023, and 2022

	2023	2022
Operating expenses:		
Consulting	\$ 12,500	\$ 19,599
Legal	57,091	53,341
Software and subscriptions	842	-
Taxes, permits, licenses and fees	-	515
Total operating expenses	70,433	73,455
Net loss	70,433	73,455
Member's equity, beginning of period	20,000	-
Member contributions	-	93,455
Member's equity (deficit), end of period	<u>\$ (50,433)</u>	<u>\$ 20,000</u>

BLUSHINGTON FRANCHISING, LLC

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023, and 2022

	2023	2022
Cash flows from operating activities:		
Net loss	\$ (70,433)	\$ (73,455)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in operating liabilities:		
Due to related party	50,933	-
Net cash used in operating activities	(19,500)	(73,455)
Cash flows from financing activities:		
Contributions from member	-	93,455
Net change in cash	(19,500)	20,000
Cash, beginning of period	20,000	-
Cash, end of period	\$ 500	\$ 20,000

BLUSHINGTON FRANCHISING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. Description of Business

Blushington Franchising, LLC (the "Company"), a wholly owned subsidiary of Blushington LLC, was formed on December 2, 2021, as a single member Limited Liability Company, under the laws of the state of Delaware and holds franchise licenses in several states throughout the United States. The Company is required to file disclosure statements with various regulatory agencies in the states in which it operates. Under its franchise agreements, the Company intends to license the right to operate stores, which will provide makeup services, under the name "Blushington Lounge".

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Company in the preparation of the accompanying financial statements is set forth below.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash equivalents to be only those investments which are highly liquid, readily convertible to cash and which have a maturity date within ninety days from the date of purchase. The carrying amounts for the Company's cash equivalents approximate fair value due to their short-term maturities. Cash equivalents are recorded at fair value and would consist primarily of bank deposits and money market funds. As of December 31, 2023, and December 31, 2022, there were no cash equivalents held by the Company.

Income Taxes

The Company is a limited liability company. Consequently, all tax effects of its activities are reported directly on the member's tax returns.

3. Concentrations

Cash

The Company maintains non-interest-bearing cash balances at one bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The Company has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash.

BLUSHINGTON FRANCHISING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

4. Related Party and Economic Dependence

During the year ended December 31, 2022, the Company's member contributed \$93,455 to the Company, of which \$73,455 was in relation to expenses paid by the member on behalf of the Company. During the period ended December 31, 2023, the Company's member made no cash contributions to the Company but did incur \$70,433 of expenses on behalf of the Company, which was recorded as due to related party. This amount is non-interest bearing and due on demand.

The member has the ability to influence the manner in which costs are allocated to the Company. This could result in operating results or the financial position of the Company being significantly different than if the enterprises were autonomous. To date, the Company has funded operations through the contributions from its member. Due to the Company's limited activity, it is dependent on its member to achieve its business objectives and continue as a going concern. The member has indicated that it will provide adequate funding to the Company.

5. Commitments and Contingency

Litigation

The Company from time to time may become a party to litigation and administrative proceedings relating to claims arising from its operations in the normal course of business. Based on the information presently available, management believes that resolution of any matters will not have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows.

6. Subsequent Events

The Company has evaluated subsequent events through March 14, 2024, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in the financial statements.

BLUSHINGTON FRANCHISING, LLC

FINANCIAL STATEMENTS

December 31, 2022 and 2021

BLUSHINGTON FRANCHISING, LLC

T A B L E O F C O N T E N T S

	Page(s)
Independent Auditors' Report	1–2
Financial Statements:	
Balance Sheets	3
Statements of Operations and Accumulated Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6–7



1723 Cloverfield Blvd, Santa Monica, CA 90404

Phone 310-828-9798 | Fax 310-453-7610 | bpm@bpm.com

INDEPENDENT AUDITORS' REPORT

To the Member
Blushington Franchising, LLC
West Hollywood, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Blushington Franchising, LLC (the "Company"), a wholly owned subsidiary of Blushington LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and accumulated deficit, and cash flows for the year ended December 31, 2022, and the period from December 2, 2021 (inception) to December 31, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blushington Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liquidity and Related Party

As described in Note 4 to the financial statements, the Company has had numerous transactions with its member and is dependent upon its member to achieve its business objectives. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BPM LLP

Santa Monica, California
January 17, 2023

BLUSHINGTON FRANCHISING, LLC

BALANCE SHEETS

As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 20,000	\$ -
Total assets	<u>\$ 20,000</u>	<u>\$ -</u>
LIABILITIES AND MEMBER'S EQUITY		
Commitment and contingencies	-	-
Member's equity	<u>\$ 20,000</u>	<u>\$ -</u>
Total liabilities and member's equity	<u>\$ 20,000</u>	<u>\$ -</u>

BLUSHINGTON FRANCHISING, LLC

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

For the year ended December 31, 2022, and the period from
December 2, 2021 (inception) to December 31, 2021

	2022	2021
Operating expenses:		
Consulting	\$ 19,599	\$ -
Legal	53,341	-
Taxes, permits, licenses and fees	515	-
Total operating expenses	73,455	-
Net loss	73,455	-
Member's equity, beginning of period	-	-
Member contributions	93,455	-
Member's equity, end of period	<u>\$ 20,000</u>	<u>\$ -</u>

BLUSHINGTON FRANCHISING, LLC

STATEMENTS OF CASH FLOWS

For the year ended December 31, 2022, and the period from
December 2, 2021 (inception) to December 31, 2021

	2022	2021
Cash flows from operating activities:		
Net loss	\$ (73,455)	\$ -
Cash flows from financing activities:		
Contributions from member	93,455	-
Net change in cash	20,000	-
Cash, beginning of period	-	-
Cash, end of period	\$ 20,000	\$ -

BLUSHINGTON FRANCHISING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. Description of Business

Blushington Franchising, LLC (the "Company"), a wholly owned subsidiary of Blushington LLC, was formed on December 2, 2021, as a single member Limited Liability Company, under the laws of the state of Delaware and is in the process of applying for franchise licenses in several states throughout the United States. The Company will be required to file disclosure statements with various regulatory agencies in the states in which it operates. Under its franchise agreements, the Company intends to license the right to operate stores, which will provide makeup services, under the name "Blushington Lounge".

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BLUSHINGTON FRANCHISING, LLC

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The Company has evaluated subsequent events through January 17, 2023, the date which the financial statements were issued. There were no subsequent events noted that would require adjustment to or disclosure in the financial statements.

EXHIBIT B
FRANCHISE AGREEMENT
(INCLUDING STATE-SPECIFIC AMENDMENTS)

Exhibit B

BLUSHINGTON BEAUTY LOUNGE
FRANCHISE AGREEMENT

Form dated April 23, 2024
FDD dated April 23, 2024

**BLUSHINGTON BEAUTY LOUNGE
FRANCHISE AGREEMENT**

TABLE OF CONTENTS

	<u>Page</u>
I. GRANT	1
II. LOCATION, CONSTRUCTION AND OPENING DATE.....	2
III. TERM AND RENEWAL	4
IV. FEES	5
V. FRANCHISOR'S OBLIGATIONS	7
VI. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS	8
VII. LOUNGE OPERATIONS	12
VIII. ADVERTISING AND RELATED FEES.....	16
IX. MARKS	18
X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS	19
XI. BOOKS AND RECORDS.....	22
XII. INSURANCE.....	23
XIII. DEBTS AND TAXES	25
XIV. TRANSFER OF INTEREST	25
XV. INDEMNIFICATION.....	28
XVI. RELATIONSHIP OF THE PARTIES.....	30
XVII. TERMINATION.....	30
XVIII. POST-TERMINATION.....	33
XIX. MISCELLANEOUS	35
XX. ACKNOWLEDGMENTS	39
XXI. CERTAIN DEFINITIONS	40

ATTACHMENTS

Attachment A Principals' Guaranty and Assumption Agreement
Attachment B Confidentiality Agreement and Ancillary Covenants Not To Compete
Attachment C Selected Terms: Designated Area, Location, Protected Area, and Opening Date
Attachment C-1 Map of Protected Area
Attachment D Statement of Ownership Interests and Franchisee's Principals
Attachment E Electronic Funds Transfer Authorization

STATE AMENDMENTS

State-Specific Amendments To Franchise Agreement

BLUSHINGTON BEAUTY LOUNGE FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into this ____ day of _____, 20__, by and between Blushington Franchising, LLC, a Delaware limited liability company (“Franchisor”), and _____ (“Franchisee”) and shall be effective as of the date on which Franchisor executes this Agreement (“Effective Date”). Certain initially capitalized terms used frequently in this Agreement are defined in Section XXI.

RECITALS:

Franchisor has the right to use and license the use of a system (the “System”) for the establishment and operation of Blushington Beauty Lounge businesses under the Marks (defined below) (“Blushington Lounge” or “Lounge”).

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which may be changed, deleted, improved, and further developed by Franchisor from time to time.

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark “BLUSHINGTON” and such other trade names, service marks, trademarks, logos, emblems and indicia of origin as are now designated, and may hereafter be designated by Franchisor in writing, for use in connection with the System (the “Marks”).

Franchisee wishes to obtain the right to use the System for the operation of a Blushington Lounge at the location specified in Attachment C to this Agreement (the “Location”), as well as to receive the training and other assistance provided by Franchisor, and acknowledges the importance of operating the Lounge in conformity with Franchisor’s high standards of quality and service.

Franchisor wishes to grant Franchisee a franchise for the operation of a Blushington Lounge upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

I. GRANT

A. Grant of Rights. Franchisor hereby grants Franchisee the right and license, and Franchisee hereby accepts the right and obligation, to establish and operate a Lounge under the Marks and the System in accordance with this Agreement at the Location. This Agreement only grants Franchisee the right and license to operate the Lounge at the Location.

B. Protected Area. Upon Franchisee’s acquisition of the site for the Lounge, Franchisee’s Protected Area will be described in Attachment C. Except as provided in this Agreement (including Section I.C. hereof), and subject to Franchisee’s full compliance with this Agreement and any other agreement between Franchisee or its Affiliates and Franchisor or its Affiliates, neither Franchisor nor any Affiliate of Franchisor will establish, or authorize any person or entity other than Franchisee to establish, a Blushington Lounge in the Protected Area during the term of this Agreement; provided that an acquisition by Franchisor or its Affiliates (or the acquisition of Franchisor by a third party) may result in converted Blushington Lounge operating in the Protected Area, and the operation of such converted Blushington Lounge in the Protected Area shall not be a breach of this Agreement by Franchisor.

C. Reserved Rights. The rights granted to Franchisee under this Agreement are nonexclusive, and Franchisor and its Affiliates have and retain all rights within and outside the Protected Area except those expressly granted to Franchisee. Accordingly, Franchisor, its Affiliates, and any other authorized

person or entity shall have the right, among others, (i) to develop and establish other business systems using the Marks, or other names or marks, and to grant licenses to use those systems without providing any rights to Franchisee, including, without limitation, academies and other educational businesses that operate under the Marks, (ii) to advertise and promote the System in the Protected Area, (iii) to operate, and license others to operate, Blushington Lounges at any location outside the Protected Area and in any Reserved Area, including locations that are adjacent to the Protected Area, and (iv) except for the restriction set forth in Section I.B. against the establishment of another Blushington Lounge in the Protected Area, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all services and products, under the Marks, or under other names or marks, within and outside the Protected Area, through any method of distribution, including, but not limited to, mail order catalogs or the Internet, regardless of the proximity to, or the competitive impact on, Franchisee's Lounge.

D. National Accounts. Franchisor may solicit and enter into agreements with National Account Clients that require services authorized under this Agreement to be performed within Franchisee's Protected Area (and, notwithstanding anything to the contrary in this agreement, Franchisor may directly service such customers). Franchisor may, but is not required to, offer Franchisee the opportunity to perform services for National Account Clients within and outside of the Protected Area. Franchisee agrees that if it accepts any such opportunity but fails to service the applicable customers within the time required, Franchisor, in its sole discretion, may immediately arrange to service such customers directly or with other franchisees for the remaining term of this Agreement. Additionally, Franchisor may establish national account and other national or regional programs, which will be subject to the terms and conditions established by Franchisor, as may be modified from time to time, in Franchisor's sole discretion.

II. SITE SELECTION, LOCATION, CONSTRUCTION AND OPENING DATE

A. Designated Area. Franchisee assumes all cost, liability, expense, and responsibility for locating, obtaining, and developing a site for the Lounge within the geographic area described in Attachment C ("Designated Area"). The Designated Area excludes any Reserved Area and any geographic portion of the Designated Area that may be included within the protected area of another Blushington Lounge franchisee. Franchisee acknowledges and agrees that it acquires no rights in or to the Designated Area, other than the right to select a site for the Lounge from within its boundaries. Following Franchisee's selection and Franchisor's acceptance of a site for the Lounge, the Location will be identified in Attachment C, and the Designated Area will be of no further force or effect.

B. Site Selection Assistance. To assist Franchisee in its selection of a site for its Lounge, Franchisor will provide to Franchisee:

(1) Franchisor's written site selection guidelines and such site selection assistance as Franchisor deems advisable.

(2) Such on-site evaluation as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for site approval; provided, however, that Franchisor shall not provide an on-site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site pursuant to Section II.C. below. Franchisor (or its designee) will provide at no additional charge to Franchisee one (1) on-site evaluation for the Lounge. Thereafter, if additional on-site evaluations are deemed appropriate by Franchisor, or upon Franchisee's reasonable request, Franchisor reserves the right to charge a reasonable fee for performing each such evaluation and a further amount representing the reasonable expenses incurred by Franchisor (or its designee) in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

(3) On loan, a set of prototypical architectural and design plans and specifications for a Blushington Lounge.

C. Submission of Site Information. Before acquiring a site for a Lounge, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a description of the site, evidence satisfactory to

Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines and such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Recognizing that time is of the essence, Franchisee agrees that it will submit such site information to Franchisor no later than sixty (60) days after the execution of the Franchise Agreement.

D. Site Approval. Franchisor shall have thirty (30) days after receiving Franchisee's site information to accept or not accept, in its sole discretion, the proposed site as the location for the Lounge. No site may be used for a Lounge unless it is first accepted in writing by Franchisor, and Franchisee shall not make any binding commitment with respect to a site for a Lounge unless the site is first accepted in writing by Franchisor. If Franchisor accepts multiple sites for a Lounge, Franchisee shall notify Franchisor in writing within ten (10) days of the date of such acceptance of the site that Franchisee intends to acquire for the Lounge. After Franchisor accepts the site, Franchisee must submit a copy of the proposed contract of sale or lease, as applicable. No lease shall be approved by Franchisor unless an addendum to the lease, containing covenants, in substantially the form of those in Exhibit 1 hereto, is attached to the lease and incorporated therein. Franchisor's approval of a lease does not mean that the economic terms of the lease are favorable to Franchisee; it means only that the lease contains the lease terms that Franchisor requires. Franchisee acknowledges that Franchisor's acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Lounge operated at that site will be profitable or otherwise successful.

E. Site Acquisition. Promptly following Franchisor's acceptance of the site for the Lounge, but in no event no later than one hundred twenty (120) days after the execution of the Franchise Agreement, Franchisee shall acquire the site by purchase or lease, at Franchisee's expense. Franchisee shall furnish to Franchisor a copy of the executed lease or contract of sale within ten (10) days after execution.

F. Contractual Designation of Site. After a site for the Lounge is accepted by Franchisor and acquired by Franchisee, the address of the site shall be entered on Attachment C to the Franchise Agreement as the Location of the Lounge.

G. Location; Relocation. Franchisee has been granted the right to operate a Lounge at the Location listed in Attachment C to this Agreement. Franchisee shall not relocate the Lounge without Franchisor's express prior written consent. If Franchisee is unable to continue the operation of the Lounge at the Location because of the occurrence of an event of Force Majeure (or for other reasons not constituting an event of default under this Agreement), Franchisee may request Franchisor's consent to relocate the Lounge to another location in the Protected Area. If Franchisor elects to grant Franchisee the right to relocate the Lounge, then Franchisee will pay to Franchisor a site relocation fee in an amount equal to 50% of the then-current initial franchise fee being charged by Franchisor, comply with Franchisor's then-current site selection and construction procedures, and the Protected Area may be modified as deemed appropriate by Franchisor's in its sole discretion.

H. Licenses; Permits. Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the premises of the Lounge. Before beginning construction of the Lounge, Franchisee shall (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Lounge, and (ii) certify in writing to Franchisor that they have been obtained and that the insurance coverage specified in Section XII. of this Agreement is in full force and effect. At Franchisor's request, Franchisee shall provide to Franchisor copies of all such approvals, clearances, permits, licenses and certifications.

I. Construction and Finish-Out. Franchisee shall obtain all architectural, engineering, design, construction, and other services Franchisor requires for the construction of the Lounge and pay all related fees. All architectural, general contractor, and construction management services must be obtained from a supplier approved by Franchisor, which may be Franchisor, and Franchisee shall provide to Franchisor

upon request a copy of the construction contract for the Lounge and the final architectural plans after they have been approved as set forth in Section II.I(1) below.

(1) Within fifteen (15) days after Franchisee acquires the Location, Franchisee shall engage an architect approved by Franchisor and shall use the draftsman Franchisor requires, which may be Franchisor, to adapt Franchisor's prototypical architectural and design plans and specifications for a Lounge for the construction of the Lounge licensed under this Agreement. Franchisor will use commercially reasonable efforts to either approve or reject the plans within thirty (30) days after Franchisor receives preliminary modifications to the plans. Franchisee may not use any plans until Franchisor has approved them in writing, and Franchisor's silence with respect to approval or rejection of the plans shall not be deemed to be approval of the plans. Franchisor maintains the right to reject, in its sole discretion, all requests for plan modifications. Franchisee shall provide written notice to Franchisor and shall obtain Franchisor's prior written approval of any proposed changes to the final plans previously approved by Franchisor. Franchisee acknowledges that Franchisor's review of such plans is only for purposes of determining compliance with System standards, and that acceptance of such plans by Franchisor does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor that such plans are accurate or free of error concerning their structural application. Franchisor shall not be responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor shall Franchisor be responsible for any errors, omissions, or discrepancies of any nature in the plans.

(2) Franchisee shall promptly commence and diligently pursue construction of the Lounge. Commencement of construction is defined as the time at which any site work is initiated. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises, depending on whether the Lounge is to be located in a freestanding building or contained within a shopping mall, strip center or other interior location. During construction, Franchisee shall provide Franchisor with such periodic progress reports as Franchisor may reasonably request. In addition, Franchisor shall make such on-site inspections as it may deem reasonably necessary to evaluate such progress. Franchisee agrees that Franchisor shall have right to consult or work directly with the contractors engaged by Franchisee to construct and/or finish out the Lounge. Franchisee shall notify Franchisor of the scheduled date for completion of construction no later than sixty (60) days prior to such date. Within a reasonable time after the date construction is completed, Franchisor shall, at its option, conduct an inspection of the completed Lounge. Franchisee shall not open the Lounge for business without the written authorization of Franchisor, which authorization shall be conditioned upon Franchisee's strict compliance with this Agreement.

J. Opening Date. Franchisee shall open the Lounge and commence business within three hundred sixty five (365) days after the execution of this Agreement or one hundred eighty (180) days after executing the lease for the location, whichever is earlier, unless Franchisee obtains a written extension of such time period from Franchisor. Franchisee acknowledges that time is of the essence. The Opening Date shall be entered in Attachment C. Before the Opening Date, Franchisee shall complete all exterior and interior preparations for the Lounge, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications approved by Franchisor, and shall comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Section VI. of this Agreement. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening. Franchisee's failure to open the Lounge in compliance with these provisions shall be deemed a material event of default under this Agreement.

III. TERM AND RENEWAL

A. Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement will begin on the Effective Date and will continue until the date that is ten (10) years from the Opening Date.

B. **Renewal.** Franchisee may, at its option, renew its rights under this Agreement for three (3) additional consecutive terms of five (5) years each, subject to any or all of the following conditions which must, at Franchisor's option, be met prior to and at the time of any renewal:

(1) Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than nine (9) months before the end of the initial term;

(2) Franchisee shall refurbish, repair or replace, at Franchisee's cost and expense, all equipment, electronic cash register systems, computer systems, signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Lounge as Franchisor may reasonably require and shall otherwise upgrade the Lounge to reflect the then-current standards and image of the System;

(3) Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto; neither Franchisee nor its Affiliates shall be in default of any other agreement with Franchisor or any of its Affiliates; and Franchisee and its Affiliates shall have substantially and timely complied with the terms and conditions of such agreements during the respective terms thereof;

(4) Franchisee shall have timely satisfied all monetary obligations owed to Franchisor and its Affiliates under this Agreement and any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates;

(5) Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the premises of the Lounge during the renewal term or obtain Franchisor's consent to a new site for the Lounge;

(6) Franchisee shall execute Franchisor's then-current form of renewal franchise agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee and advertising contribution or expenditure requirement;

(7) Franchisee shall pay to Franchisor a renewal fee equal to Five Thousand Dollars (\$5,000), plus Franchisor's outside counsel fees incurred in connection with the renewal.

(8) Franchisee and its Principals shall execute a general release of any and all claims against Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders; and

(9) Franchisee shall comply with Franchisor's then-current qualification and training requirements.

IV. FEES

A. **Initial Franchise Fee.** Franchisee shall pay Franchisor an initial franchise fee equal to (i) of Forty Thousand Dollars (\$40,000) upon the execution of this Agreement if this is Franchisee's first franchise agreement for a Blushington Lounge or (ii) Thirty-Six Thousand Dollars (\$36,000) if this is Franchisee's second or subsequent Franchise Agreement for a Blushington Lounge. The initial franchise fee shall be deemed fully earned and nonrefundable upon execution of this Agreement.

B. **Royalty Fee.** During the term of this Agreement, Franchisee shall pay to Franchisor a continuing weekly royalty fee in an amount equal to seven percent (7%) of the Lounge's Gross Sales for the immediately preceding week. The royalty fee shall be paid by Franchisee to Franchisor via electronic funds transfer, or any other means reasonably specified by Franchisor, and shall be due each Tuesday during the term of this Agreement, provided such day is a Business Day. If the date on which a royalty payment would otherwise be due is not a Business Day, then payment shall be due on the next Business Day. For purposes of this Section IV.B., the Lounge's first week of operation shall begin on the Opening Date and

shall end on the following Sunday, and each subsequent week shall begin on Monday and conclude on the following Sunday. On or before each Monday during the term of this Agreement, Franchisee shall provide a Gross Sales Report to Franchisor.

C. Technology Fee. During the Term of this Agreement, Franchisee must pay to Franchisor the then-current weekly technology fee (the "Technology Fee"). The Technology Fee defrays the costs of certain technology-related expenses incurred by Franchisor during the Term and may be adjusted at any time with 30 days' prior written notice to Franchisee; provided that Franchisor will not increase the Technology Fee to an amount greater than \$300 per month during the Term.

D. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by Franchisor on or before the due date shall be deemed overdue. Time is of the essence for all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of eighteen (18%) percent per annum, or the maximum rate allowed by applicable law. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party making the payment.

(2) Acceptance by Franchisor of any payments due subsequent to the due date shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Principals of any terms, provisions, covenants or conditions of this Agreement.

(3) Franchisor shall have the right to apply any payment it receives from Franchisee to any amounts Franchisee owes Franchisor or its Affiliates under this Agreement or any other agreement between them, even if Franchisee has designated the payment for another purpose or account. Franchisor may accept any check or payment in any amount from Franchisee without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be considered as an accord or satisfaction.

(4) Franchisee shall have no right to withhold any payments due Franchisor on account of Franchisor's breach or alleged breach of this Agreement, and no right to offset any amount due Franchisor against any obligation that Franchisor may owe to Franchisee.

E. Other Fees and Payments. In addition to the initial franchise fee and weekly royalty, Franchisee shall pay when due all other fees or amounts described in this Agreement.

F. Electronic Funds Transfer. At Franchisor's request, Franchisee shall execute Attachment E to this Agreement and all other documents necessary to permit Franchisor to withdraw funds from Franchisee's designated bank account by electronic funds transfer ("EFT") in the amount of the royalty fee in Section IV.B. and the advertising contribution described in Section VIII.B., at the time such amounts become due and payable under the terms of this Agreement. Any fee calculated by reference to Gross Sales shall be based on the information obtained by Franchisor pursuant to Section VII.G. of this Agreement or the Gross Sales Report. If the Gross Sales Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the subject week based on the most recent Gross Sales Report provided to Franchisor by Franchisee; provided, that if a Gross Sales Report for the subject week is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations. Should any EFT not be honored by Franchisee's bank for any reason,

Franchisee agrees that it shall be responsible for that payment, any service charge, and an insufficient funds fee in the amount of \$250 to Franchisor. If any payments are not received when due, interest may be charged in accordance with Section IV.D. Upon written notice to Franchisee, Franchisor may designate another method of payment.

V. FRANCHISOR'S OBLIGATIONS

Franchisor agrees to provide, or cause the following services to be provided:

- A. Manuals. On loan, one (1) set of the Manuals.
- B. Software Programs. For a reasonable fee, any Software Programs that Franchisor acquires, develops, or requires for use in the System; provided, that Franchisor is under no obligation to acquire, develop, or require such Software Programs.
- C. Inspections. Inspections of the Lounge and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor.
- D. Advertising. Administration of an advertising fund and/or advertising cooperatives in accordance with Section VIII., as well as the provision of certain grand opening materials and other advertising and promotional materials developed by Franchisor from time to time for use in marketing and conducting local advertising for System Lounges.
- E. Operational Advice. Advice and written materials concerning techniques for managing and operating Blushington Lounges, including new developments and improvements in System equipment and System products.
- F. Collateral Merchandise. From time to time in Franchisor's discretion and at a reasonable cost, certain merchandise identifying the System, such as caps, t-shirts and other System memorabilia, in sufficient amounts to meet customer demand.
- G. Approved Suppliers. From time to time as Franchisor deems appropriate a list of approved suppliers.
- H. Training. An initial training program for Franchisee's Operating Principal, General Manager and Lounge Coordinator, and additional training programs in accordance with Section VI.G.
- I. Opening Assistance. Franchisor provides five (5) days of on-site assistance in connection with the opening of Franchisee's Lounge as part of the initial franchise fee. If Franchisee requests additional pre-opening and opening assistance, or Franchisor otherwise deems such additional assistance appropriate, Franchisor may charge a reasonable fee for its services, in addition to requiring Franchisee to pay or reimburse Franchisor for any expenses incurred by Franchisor's representatives.
- J. Required Annual Training/Conventions. Franchisee's Operating Principal, General Manager, Lounge Coordinator, and any of Franchisee's other personnel whom Franchisor may designate, must (i) attend and complete ongoing training (which may, in Franchisor's discretion, be provided virtually) of up to five (5) days a year that Franchisor may from time to time require and (ii) attend required national business meetings and conventions for up to three (3) days a year. Franchisee is responsible for the costs of travel, lodging, meals, and wages of all personnel attending such required annual training and business meetings/conventions.
- K. Remedial Training. Upon Franchisee's reasonable request or if Franchisor shall determine it to be necessary during the term of this Agreement, on-site remedial training; provided, that remedial training shall be conducted subject to the availability of Franchisor's personnel, and provided further, that Franchisor may require Franchisee to pay the per diem fee then being charged for on-site remedial training, and pay or reimburse Franchisor for the expenses incurred by its representatives, including the costs of travel, lodging, meals, and wages.

VI. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

A. Continuing Obligations. Franchisee and its Principals make the following representations, warranties and covenants and accept the following obligations. Such representations, warranties and covenants are continuing obligations, and Franchisee and its Principals acknowledge and agree that any failure to comply with them shall constitute a material event of default under this Agreement. Franchisee will cooperate with Franchisor to verify compliance with the following representations, warranties and covenants.

B. Organization. If Franchisee is a corporation, partnership, limited liability company or other legal entity:

(1) Franchisee is duly organized and validly existing under the law of the state of its formation;

(2) Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(3) Franchisee's corporate charter or written partnership or limited liability company agreement shall at all times provide that the activities of Franchisee are confined exclusively to the operation of Blushing Lounges;

(4) The execution of this Agreement and the performance of the transactions contemplated hereby are within Franchisee's corporate power, if Franchisee is a corporation, or if Franchisee is a partnership or a limited liability company, are permitted under Franchisee's written partnership or limited liability company agreement and have been duly authorized by Franchisee; and

(5) If Franchisee is a corporation, copies of Franchisee's articles of incorporation, bylaws, other governing documents, any amendments thereto, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by Franchisor shall have been furnished to Franchisor prior to the execution of this Agreement; or, if Franchisee is a partnership or limited liability company, copies of Franchisee's written partnership or limited liability company agreement, other governing documents and any amendments thereto shall have been furnished to Franchisor prior to the execution of this Agreement, including evidence of consent or approval of the execution and performance of this Agreement by the requisite number or percentage of partners or members, as applicable, if such approval or consent is required by Franchisee's written partnership or limited liability company agreement.

C. Ownership.

(1) If Franchisee is a corporation, partnership, limited liability company or other legal entity, the ownership interests in Franchisee are accurately and completely described in Attachment D. If Franchisee is a corporation, Franchisee shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Franchisee or, if Franchisee is a partnership, limited liability company or other form of legal entity, Franchisee shall maintain at all times a current list of all owners of an interest in the partnership, limited liability company or other entity. Franchisee shall make its list of owners available to Franchisor upon request.

(2) If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement. If Franchisee is a partnership or limited liability company, its written partnership or limited liability company agreement shall

provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

(3) If required by Franchisor, Franchisee's Principals who do not sign the Principals' Guaranty and Assumption Agreement attached as Attachment A shall each execute the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form of Attachment B to this Agreement.

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Franchisee's Principals or if any individual succeeds to or otherwise comes to occupy a position which, upon designation by Franchisor, would qualify him as one of Franchisee's Principals, Franchisee shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals such person shall execute all documents and instruments (including, as applicable, the Principals' Guaranty and Assumption Agreement) as Franchisor may require others in such positions to execute.

D. Financial Matters.

(1) Franchisee and, at Franchisor's request, each of the Principals have provided Franchisor with the most recent financial statements of Franchisee and such Principals. Such financial statements present fairly the financial position of Franchisee and each of the Principals, as applicable, at the dates indicated therein and, with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments or obligations of any nature, whether accrued, unliquidated, absolute, contingent, or otherwise, which are not reflected as liabilities on the financial statements.

(2) The Principals that Franchisor designates, including, if Franchisee is an individual, Franchisee's spouse, shall jointly and severally guarantee the performance of Franchisee's obligations under this Agreement pursuant to the terms and conditions of the Principals' Guaranty and Assumption Agreement attached hereto as Attachment A, and shall otherwise bind themselves to the terms of this Agreement as stated herein.

(3) Franchisee shall provide Franchisor with any and all loan or other documents regarding the financing of its Lounge that Franchisor may request.

(4) Franchisee shall maintain at all times during the term of this Agreement sufficient working capital to fulfill its obligations under this Agreement.

E. Operating Principal; General Manager. Upon the execution of this Agreement, Franchisee shall designate, and shall retain at all times during the term of this Agreement, an individual to serve as Franchisee's Operating Principal. If Franchisee is an individual, Franchisee shall perform all obligations of the Operating Principal.

(1) The Operating Principal shall maintain a direct or indirect ownership interest of not less than ten (10%) in Franchisee. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Franchisee shall be and remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options. The Operating Principal for all Lounges operated by Franchisee and, if applicable, its Affiliates must be the same person. The Operating Principal shall execute this Agreement as a Principal, and shall be individually, jointly and severally, bound by all obligations of Franchisee, the Operating Principal and a Principal hereunder.

(2) Notwithstanding Section VI.E.(1), Franchisee may, at its option and subject to Franchisor's written consent, designate a General Manager to supervise the operation of Franchisee's Lounge; provided, that Franchisee and its Operating Principal shall remain fully responsible for General

Manager's performance. The General Manager for all Lounges operated by Franchisee and, if applicable, its Affiliates must be the same person. The General Manager shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete attached as Attachment B to this Agreement.

(3) Unless a General Manager is designated pursuant to Section VI.E.(2), Franchisee's Operating Principal shall devote full time and best efforts to the supervision of the Lounge(s) operated by Franchisee and, without Franchisor's written consent, shall not engage in any other business. The foregoing provision shall not apply if a General Manager is designated, provided, the General Manager shall devote his or her full time and best efforts to the supervision and operation of the Lounge business conducted by Franchisee.

(4) The Operating Principal and any General Manager shall meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing and, without limitation, shall be empowered with full authority to act for and on behalf of Franchisee.

Franchisee must promptly notify Franchisor if the Operating Principal cannot continue to serve in that capacity or no longer qualifies as such, and must take corrective action within thirty (30) days thereafter. During such thirty (30) day period, Franchisee must provide for interim management of its operations in accordance with this Agreement. Any failure to comply with this Section VI.E. will be a material breach of this Agreement.

F. Lounge Coordinator and Other Required Personnel.

(1) Not later than forty-five (45) days before the Opening Date, Franchisee shall designate, and shall retain at all times during the term of this Agreement at least one (1) Lounge Coordinator. The Lounge Coordinator shall (i) meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing; and (ii) devote full time and best efforts to the coordination of day-to-day operations of the Lounge and shall not engage in any other business activity without Franchisor's prior written consent.

(2) Not later than forty-five (45) days before the Opening Date, Franchisee shall designate, and shall retain at all times during the term of this Agreement at least ten (10) licensed cosmetologists. The cosmetologists shall at all times maintain all licenses and/or registrations required under applicable laws or regulations.

G. Training. Franchisee's Operating Principal, General Manager and Lounge Coordinator shall successfully complete Franchisor's management training program prior to the Opening Date. Any successor or replacement Operating Principal, General Manager or Lounge Coordinator shall successfully complete Franchisor's management training program within a reasonable time after such persons are designated. Such persons, and any other personnel of Franchisee whom Franchisor may designate, shall attend and complete any additional training and other informational and franchisee meetings or conferences that Franchisor may from time to time require. Training and other meetings shall be conducted at locations designated by Franchisor.

(1) Initial management training for Franchisee's Operating Principal, General Manager and Lounge Coordinator is provided at no additional charge; however, Franchisor reserves the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs. Franchisee shall be responsible for any and all expenses incurred in connection with any initial or additional training, including, without limitation, the costs of travel, lodging, meals and wages incurred by Franchisee, its Operating Principal, General Manager, or Lounge Coordinator, and may be charged a fee for failure to attend any required franchisee meetings or conferences.

(2) If any Operating Principal, General Manager or Lounge Coordinator fails, in Franchisor's sole judgment, to satisfactorily complete Franchisor's management training program, and Franchisee fails to cure such default within ninety (90) days following written notice from Franchisor, Franchisor may terminate this Agreement.

H. Legal Compliance. In addition to complying with its obligations under this Agreement, Franchisee shall comply with all applicable federal, state and local laws, rules, regulations, ordinances and orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is Franchisee's sole responsibility to apprise itself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the term of this Agreement.

I. Powers of Attorney. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact, with full power and authority to (i) assign to Franchisor upon the termination or expiration of this Agreement (a) all rights to the telephone numbers of the Lounge, any related business listings, and all rights to any Website listings or services, search engines or systems, and any other business listings related to the Lounge and (b) at Franchisor's option, Franchisee's interest in any lease for the premises of the Lounge and any equipment used in the operation of the Lounge; and (ii) obtain any and all returns and reports related to the Lounge that Franchisee files with any local, state or federal taxing authority. Such powers of attorney shall survive the expiration or termination of this Agreement and Franchisee shall execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact with full power and authority for the foregoing purposes.

J. No Competing Interests. Franchisee warrants and represents that neither Franchisee nor any of its Affiliates or Principals own, operate or have any financial or beneficial interest in any business that is the same as or similar to a Lounge (including, without limitation, a salon, spa, or lounge business or a business which offers hair blow-outs services, makeup application, hair treatments and styling, facials and other skincare services, or other similar treatments).

K. Anti-Terrorism Laws. Without limiting the generality of Section VI.G., Franchisee certifies that neither Franchisee nor its owners, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.ustreas.gov/offices/enforcement/ofac/>.) Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of its property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section XV. of this Agreement pertain to Franchisee's obligations under this Section VI.K. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's Affiliates in accordance with the terms of Sections XVII.C.(11) and XVIII. of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

VII. LOUNGE OPERATIONS

A. Standards Compliance. Franchisee acknowledges and agrees that maintaining uniformity among all Lounges is important. Franchisee further acknowledges and agrees that local conditions or other special circumstances may warrant a deviation from Franchisor's standards and specification, and Franchisor may, in its sole discretion, allow such deviation. Notwithstanding the foregoing, to protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the Marks, Franchisee shall conduct its business in accordance with the Manuals, other written directives which Franchisor may issue to Franchisee from time to time, and any other manuals and materials created or approved for use in the operation of Lounge.

B. Maintenance of Lounge. Franchisee shall maintain the Lounge in a high degree of sanitation and repair, and shall make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, décor, and equipment (including, but not limited to, point of sale or computer systems) as Franchisor may reasonably direct. Franchisee also shall obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials which Franchisor may reasonably require for Franchisee to offer and sell new services or products from the Lounge or to provide such services or products by alternative means. Except as may be expressly provided in the Manuals, no alterations, improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Lounge without Franchisor's prior written approval.

C. Upgrade of Lounge. Upon Franchisor's request, Franchisee shall make such improvements to the Lounge to conform it to Franchisor's then-current standards and specifications, including then-current trade dress. Without limitation of the foregoing, Franchisee agrees that it will make any capital improvements required by this Section VII.C. if requested by Franchisor on or after the fifth (5th) anniversary of the Opening Date, or at such other time during the term of this Agreement that a majority of the Lounges then operated by Franchisor or its Affiliates have made or are utilizing best efforts to make such improvements. Franchisee may not remodel or make significant modifications to the Lounge without Franchisor's prior written approval.

D. Sourcing. Franchisee shall comply with all of Franchisor's standards and specifications relating to the purchase of supplies, materials, fixtures, furnishings, equipment (including computer hardware and software), services, and other products used or offered for sale at the Lounge. Without limiting the foregoing, Franchisee shall use only the approved architecture firm(s) that Franchisor has approved in connection with the design of the Lounge. If Franchisor has approved suppliers for any such item or service (including manufacturers, distributors and other sources), Franchisee must obtain these items from those suppliers. Franchisor's approved suppliers are those who continue to demonstrate the ability to meet Franchisor's then-current standards and specifications supplies, materials, fixtures, furnishings, equipment, services and other products used or offered for sale at Lounge and who possess adequate quality controls and capacity to supply Franchisee's needs and distribute promptly and reliably over an extended period of time; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier and who have not thereafter been disapproved by Franchisor. Franchisee acknowledges and agrees that (a) Franchisor may change the number of approved suppliers at any time and may designate itself, an Affiliate, or a third party as the exclusive source for any particular item; and (b) Franchisor may profit from Franchisee's purchases from approved suppliers, and Franchisor and/or its Affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of Franchisee's purchases. If Franchisee desires to purchase, lease or use any products, services, or other items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so. Franchisee shall not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and

that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge, not to exceed the cost of the inspection and of the test (including Franchisor's administrative costs attributable to both), shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisee's failure to comply with the provisions of this Section VII.D. shall be deemed a material breach under this Agreement.

E. Operational Requirements. Franchisee shall operate the Lounge in strict conformity with Franchisor's methods, standards and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, Franchisee agrees:

(1) To sell or offer for sale all products and services required by Franchisor (including, without limitation, the brand(s) of makeup and hair products that Franchisor requires and all Lounge treatments that Franchisor requires).

(2) To sell and offer for sale only the products and services that have been expressly approved for sale in writing by Franchisor; to discontinue selling and offering for sale any products or services which Franchisor may, in its sole discretion, disapprove in writing at any time; and to refrain from deviating from Franchisor's standards and specifications without Franchisor's prior written consent. Franchisor has the absolute right to remove all unapproved products, goods and materials from Franchisee's Lounge.

(3) To maintain in sufficient supply and to use and sell at all times only such products, materials, and supplies that conform to Franchisor's standards and specifications; to conduct all Lounge treatments in accordance with Franchisor's procedures contained in the Manuals or other written directives, including, but not limited to, using the brand and/or type of Lounge products required by Franchisor and to refrain from deviating from Franchisor's standards and specifications by the use or offer of non-conforming products or services, without Franchisor's prior written consent.

(4) To permit Franchisor or its agents, at any reasonable time, to remove samples of products from the Lounge, without payment, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the product has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's specifications.

(5) To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including computer systems), decor items, signs, and related items that Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Lounge premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor items, signs or other items not previously approved as meeting Franchisor's standards and specifications, as set forth in the Manuals.

(6) That products, equipment, and technology are constantly changing, whether updated, improved, replaced, or discontinued. Consequently, such changes sometimes create transition and incompatibility challenges. By entering into this Agreement, Franchisee acknowledges the potential of such occurrences and assumes all risk associated therewith, which Franchisee acknowledges may affect its ability to order, receive, or sell products and/or offer services for a period of time and further acknowledges that Franchisor is not responsible for any damages caused by such issues or occurrences, including lost sales or profits.

(7) To grant Franchisor and its agents the right to enter the Lounge at any time for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by

rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct promptly any deficiencies detected during an inspection for the purpose of protecting System standards. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time, as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so taking the corrective action (including, without limitation, any necessary reinspection). Any such fee is payable by Franchisee immediately upon demand.

(8) To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with any dress code Franchisor may prescribe.

(9) To have on duty at the Lounge during all hours of operation the Operating Principal or General Manager or at least one (1) Lounge Coordinator.

F. Pricing. Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices that Franchisee may charge for products or services.

G. Computer Systems.

(1) Franchisee shall install and maintain the computer hardware, software (including, without limitation, point of sale software), and peripheral equipment Franchisor requires for the operation of the Lounge and pay all related fees and shall follow the procedures related thereto that Franchisor specifies in the Manuals or otherwise in writing. Among other things, Franchisor may require that Franchisee install and maintain systems that permit Franchisor to access and retrieve electronically any information stored in Franchisee's computer systems, including, without limitation, information concerning Lounge Gross Sales, at the times and in the manner that Franchisor may specify from time to time. Franchisor also may require Franchisee to enter into software license agreements in the form that Franchisor or third parties require for software Franchisor develops or acquires for use in the System and pay all related costs and fees and may require Franchisee to pay technology set-up, support, and/or maintenance fees, which may change from time to time. All information contained in and collected by any such computer program (including, but not limited to, information pertaining to customers of the Lounge) shall be the sole and exclusive property of Franchisor.

(2) Franchisee acknowledges and agrees that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and the System. Accordingly, Franchisee agrees that it will cause its Lounge business to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards (PCI DSS) council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act (FACTA) and all other successor or additional laws, and all other data security requirements Franchisor prescribes. Franchisee is solely responsible for educating itself as to these regulations and standards and for achieving and maintaining applicable compliance certifications

H. Internet and Social Media.

(1) Franchisee must install and maintain all hardware, software and equipment needed to access the Internet at the speed and in the manner Franchisor requires from time to time.

(2) In no event will Franchisee advertise, promote, post or list information relating to the Lounge, the System, or the Marks on the Internet (including, but not limited to, bulletin boards, chatrooms, emails, websites, Facebook, Twitter, or any other social media sites), except in accordance with this Section VII.H. and in strict compliance with Franchisor's guidelines and policies set forth in the Manuals or otherwise in writing. Without limitation of the foregoing, Franchisee must not transmit or cause

any other party to transmit advertisements or solicitations by email or other electronic media without first obtaining Franchisor's written consent as to the content of such email advertisements or solicitations as well as Franchisor's plan for transmitting such advertisements. In addition, Franchisee will be solely responsible for compliance with any laws pertaining to sending emails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act of 2003).

(3) Franchisor administers an internet website (the "Blushington Website") that provides information about the System and the products and services offered by Blushington Lounges. Franchisor has sole discretion and control over the Blushington Website (including timing, design, contents and continuation). Franchisor may use a part of any technology fee that Franchisee may be required to pay to Franchisor to pay or reimburse the costs associated with the development, maintenance and update of the Blushington Website. In connection with the opening of your Lounge, Franchisor will create a subdomain of the Blushington Website dedicated to your Lounge (the "Franchisee Website") and will license to you the right to use the Franchisee Website during the Term of this Agreement. All information posted on the Franchisee Website must be prepared at Franchisee's expense in accordance with Franchisor's standards and using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting. Any modifications (including customizations, alterations, submissions or updates) to the template made by Franchisee for any purpose will be deemed to be a "work made for hire" under the copyright laws, and therefore, Franchisor will own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as stated above, Franchisee hereby assigns those modifications to Franchisor for no additional consideration and with no further action required and will execute such further assignments(s) as Franchisor may request. Without limiting Franchisor's general unrestricted right to permit, deny and regulate Franchisee's participation on the Blushington Website in Franchisor's discretion, if Franchisee breaches this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate the Franchise Website and remove all references on the Blushington Website to the Lounge operated under this Agreement until the breach is cured.

(4) Franchisor may develop an Intranet through which Franchisor and Franchisor's franchisees can communicate by email or similar electronic means. Franchisee will participate in any such Intranet in strict compliance with Franchisor's standards, protocols, and restrictions, including standards, protocols, and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory, or defamatory statements. Franchisor may, in Franchisor's sole discretion, charge a reasonable fee for Intranet usage, which Franchisee must pay in accordance with Franchisor's invoice.

I. Customer Complaints.

(1) Franchisee shall process and handle all consumer complaints connected with or relating to the Lounge, and shall promptly notify Franchisor of all: (i) safety or health violations, (ii) claims exceeding One Thousand Dollars (\$1,000), and (iii) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Lounge during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.

(2) Upon the occurrence of a Crisis Management Event, Franchisee agrees to immediately inform Franchisor of such event and to cooperate fully with Franchisor and with the appropriate authorities with respect to the investigation of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and the System, Franchisee must cooperate fully with Franchisor with respect to managing statements and other responses to the Crisis Management Event. "Crisis Management Event" means any event that occurs at or about the Lounge premises or in connection with the operation of the Lounge that has or may cause harm or injury to customers or employees, such as food, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real

or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

VIII. ADVERTISING AND RELATED FEES

A. Promotional Programs.

(1) Franchisee will participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention program that Franchisor implements, at Franchisee's expense, for all or part of the franchise system and will sign the forms and take the other action that Franchisor requires in order for Franchisee to participate in such programs. Without limitation, Franchisee will honor coupons, gift cards, gift certificates, or vouchers sold or distributed by other Blushington Lounges and include the related proceeds in Gross Sales. Franchisee will utilize a Franchisor approved vendor for gift card processing. Any coupon offer proposed by Franchisee must be approved by Franchisor prior to being extended.

(2) In addition to the programs described in Section VIII.A.(1), Franchisor may, from time to time, in its sole discretion, develop and administer advertising and sales promotion programs designed to promote all Lounges operating under the System, including but not limited to digital and social media marketing. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor and pay all related costs. The standards and specifications established by Franchisor for such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, shall be final and binding upon Franchisee.

B. Advertising Expenditures. During each calendar year throughout the term of this Agreement, Franchisee shall spend at least three percent (3%) of the Lounge's Gross Sales on advertising. Initially, Franchisee shall spend one percent (1%) of the Lounge's Gross Sales on local advertising, as described in Section VIII.C., and shall contribute two percent (2%) of the Lounge's Gross Sales to the Advertising Fund described in Section VIII.E., at the time and in the manner that royalty payments are made. Upon written notice to Franchisee, Franchisor may vary the amount of the Advertising Assessment that Franchisee is to spend for local advertising, Cooperative advertising, or as an Advertising Fund contribution, provided, that in no event will Franchisee's total required expenditures for advertising exceed the maximum Advertising Assessment specified herein.

C. Local Advertising. The portion of the Advertising Assessment that Franchisee spends on local advertising must be spent on advertising for Franchisee's Lounge in the local market area, which is the same as the Protected Area. Within fifteen (15) days following the end of each calendar quarter, Franchisee shall submit a quarterly advertising expenditure report to Franchisor, accurately reflecting Franchisee's local advertising expenditures for the preceding quarter. Expenditures incurred for any of the following may not be included in local advertising expenditures for purposes of this Section VIII.C., unless Franchisor first approves them in writing:

- (1) Incentive programs for Franchisee's employees or agents, including the cost of honoring any discounts or coupons, and salaries and expenses of any of Franchisee's employees,
- (2) Non-media costs incurred in any promotion;
- (3) Charitable, political or other contributions or donations;
- (4) In-store materials consisting of fixtures or equipment;
- (5) The cost of business directory and other listings; and
- (6) Grand Opening expenditures incurred pursuant to Sections VIII.F. or IV.B.

D. Cooperatives. Franchisor has the right to designate any geographic area in which two (2) or more company-owned or franchised Lounges are located as a region for purposes of establishing an

advertising Cooperative. Each Cooperative will be organized and governed as, and will begin operation on a date, Franchisor determines. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising contributions. If a Cooperative is established for a geographic area that includes the Protected Area, Franchisee shall execute the Cooperative documents promptly upon Franchisor's request and participate as a member of the Cooperative. Among other things, this means that (i) Franchisee must submit to the Cooperative and to Franchisor all statements and reports that Franchisor or the Cooperative may require, and (ii) Franchisee must contribute to the Cooperative the amounts required by the Cooperative's governing documents; provided, that Franchisee's Cooperative contribution will be applied toward satisfaction of its local advertising requirement under Section VIII.C. Franchisor has the sole right to form, change, dissolve, and merge Cooperatives and to create and amend any organizational and governing documents of any Cooperative.

E. Advertising Fund. Franchisor has established an Advertising Fund to produce advertising for the System. Franchisee must contribute to the Fund the amounts required under Section VIII.B. of this Agreement, at the time and in the manner that royalty payments are due under Sections IV.C. and IV.F. Franchisor or its designee will administer the Fund as follows:

(1) Franchisor will direct all advertising production programs and will have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs.

(2) Franchisor or its Affiliates will contribute to the Fund generally on the same basis as franchisees for any Lounges they operate.

(3) Franchisor may use the Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising, including the cost of preparing and producing television, radio, magazine and newspaper advertising campaigns; the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an Internet website; social media participation and campaigns; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares.

(4) The Fund will be operated solely as a conduit for collecting and spending advertising contributions for the System. Franchisee's contributions will not be used to defray any of Franchisor's general operating expenses, except for any reasonable administrative costs and overhead that Franchisor may incur in activities reasonably related to the administration or direction of the Fund. The Fund and its earnings will not otherwise inure to Franchisor's benefit.

(5) Franchisor will prepare an annual statement of the Fund's operations and will make it available to Franchisee upon request. In administering the Fund, Franchisor undertakes no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production of advertising.

(6) Although the Fund is intended to be of perpetual duration, Franchisor may terminate it. Franchisor will not terminate the Fund, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

F. Grand Opening. Franchisee must spend an amount required by Franchisor (currently a minimum of \$12,500) to conduct a marketing and promotional campaign announcing the opening of the Lounge. The grand opening campaign must begin at least 60 days prior to the Opening Date and continue for a minimum of 30 days after the Opening Date. Franchisee must submit to Franchisor, for its approval, the proposed grand opening plan within a reasonable period of time (not less than one month before commencement of the grand opening campaign). At Franchisor's election, Franchisee must provide Franchisor with the funds for the initial launch campaign and Franchisor will disperse the funds on behalf of Franchisee in accordance with the approved initial launch plan.

G. Advertising Approvals. All advertising and promotion by Franchisee in any medium shall be conducted in a dignified manner and shall conform to Franchisor's standards and specifications. Franchisee must obtain all advertising and marketing materials used for the Lounge from a supplier approved by Franchisor. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials, including, without limitation, those placed on the Internet pursuant to Section VII.H., prior to use if such plans and materials have not been prepared or previously approved by Franchisor during the six (6) month period immediately preceding their proposed use. Franchisee shall submit any unapproved plans and materials to Franchisor, and Franchisor shall approve or disapprove such plans and materials within twenty (20) days after receiving them. Franchisee shall not use any unapproved plans or materials until they have been approved by Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor.

IX. MARKS

A. Right to Use the Marks. Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with this Agreement and Franchisor's standards and specifications.

B. Agreements Regarding the Marks. Franchisee expressly acknowledges that:

(1) As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(2) Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the rights of Franchisor or its Affiliates in and to the Marks. Nothing in this Agreement shall give Franchisee any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.

(3) Any and all goodwill arising from Franchisee's use of the Marks shall inure solely and exclusively to the benefit of Franchisor or its Affiliates, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be attributable to any goodwill associated with Franchisee's use of the Marks.

(4) Franchisee shall not contest, or assist others to contest, the validity, or the interest, of Franchisor or its Affiliates in the Marks.

(5) Any unauthorized use of the Marks shall constitute an infringement of Franchisor's or its Affiliates' rights in the Marks and a material event of default under this Agreement. Franchisee shall provide Franchisor with all assignments, affidavits, documents, information and assistance related to the Marks that Franchisor or its Affiliates reasonably request, including all such instruments necessary to register, maintain, enforce and fully vest the rights of Franchisor or its Affiliates in the Marks.

(6) Franchisor shall have the right to substitute different trade names, trademarks, service marks, logos and commercial symbols for the current Marks to use in identifying the System and the Lounges operating under the System if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute marks.

C. Use of the Marks. Franchisee further agrees that Franchisee shall:

(1) Operate and advertise the Lounge only under the name "BLUSHINGTON," without prefix or suffix, unless otherwise authorized or required by Franchisor. Franchisee shall not use the Marks as part of its corporate or other legal name.

(2) Identify itself as the owner of the Lounge in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, and shall display a notice in such content and form and at such conspicuous locations on the premises of the Lounge as Franchisor may designate in writing.

(3) Not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

(4) Comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

D. Infringement. Franchisee shall notify Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Mark and of any claim by any person of any rights in any Mark. Franchisee and the Principals shall not communicate with any person other than Franchisor, its Affiliates, their counsel, and Franchisee's counsel in connection with any such apparent infringement, challenge or claim. Franchisor shall have complete discretion to take any action it deems appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute all such instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any Affiliate in the Marks.

E. Domain Names. Franchisee acknowledges that Franchisor is the lawful, rightful and sole owner of the Internet domain name *www.blushington.com*, and any other Internet domain names registered by Franchisor, and unconditionally disclaims any ownership interest in those or any colorably similar Internet domain name. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or its Affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

A. Manuals. The Manuals are Franchisor's property and shall be returned to Franchisor when this Agreement expires or is terminated for any reason. Franchisee and the Principals shall at all times treat the Manuals, and the information contained therein, as confidential and shall maintain such information as secret and confidential in accordance with this Section X. Franchisee and the Principals shall not at any time copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any unauthorized person. Franchisee shall make the Manuals available only to those of Franchisee's employees who must have access to them in order to operate the Lounge. Franchisee shall, at all times, keep and maintain the Manuals in a secure place at the Lounge. Franchisor has the right to add to or modify the Manuals from time to time to, among other reasons, change operating procedures, maintain the goodwill associated with the Marks, and enable the System to remain competitive. Franchisee shall comply with the terms of all additions and modifications to the Manuals and shall keep the Manuals current. If there is a dispute about the contents of the Manuals, the terms of the master copy at Franchisor's offices shall control. The entire contents of the Manuals, and Franchisor's mandatory specifications, procedures and rules prescribed from time to time, shall constitute provisions of this Agreement as if they were set forth herein.

B. Confidentiality. Neither Franchisee nor any Principal shall, during the term of this Agreement and thereafter, communicate, divulge or use for the benefit of any other person or entity and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information, knowledge or know-how concerning the methods of operation of the franchised business which may be communicated to them, or of which they may be apprised, in connection with the operation of the Lounge under the terms of this Agreement. Franchisee and the Principals shall divulge such Confidential Information only to those of Franchisee's employees who must have access to it in order to operate the Lounge. Neither Franchisee nor the Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(1) These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the Principals.

(2) Franchisee shall require and obtain the execution of covenants similar to those set forth in this Section X.B. from all Principals not signing the Principals' Guaranty and Assumption Agreement, from all General Managers, and, at Franchisor's request, any Lounge Coordinator or other personnel of Franchisee who have access to Confidential Information.

C. Noncompetition Covenants. Franchisee and the Principals specifically acknowledge that, pursuant to this Agreement, they will receive access to valuable training, trade secrets and Confidential Information which are beyond their present skills and experience, including, without limitation, information regarding operational, sales, promotional and marketing methods and techniques of the System. Franchisee and the Principals further acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage, and that gaining access thereto is a primary reason for entering into this Agreement. In consideration therefor, Franchisee and the Principals covenant as follows:

(1) With respect to Franchisee, during the term of this Agreement (or with respect to each of the Principals, for so long as such person satisfies the definition of "Principal" under this Agreement), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Principals shall, directly or indirectly, for themselves or through, on behalf of or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of the franchised business to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Except with respect to Blushington Lounges operated under valid agreements with Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any (i) business that is the same as or similar to a Lounge (including, without limitation, a business which offers hair blow-out services, makeup application, hair treatments and styling, facials and other skincare services, or other similar treatments) or (ii) retail business that offers and sells any products that are offered by any Blushington Lounge, and which is located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the Marks or similar marks or operates or licenses others to operate a business under the Marks or similar marks.

(2) With respect to Franchisee, for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of Franchisee's interest in, this Agreement (or, with respect to each of the Principals, commencing upon the earlier of (i) the expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of "Principal" under this Agreement) and continuing for two (2) years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee, nor any of the Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any other person, persons, partnership, corporation, limited liability company or other entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of the franchised business to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Except with respect to Lounges operated under valid agreements with Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any (i) business that is the same as or similar to a Blushington Lounge (including, without limitation, a business which offers hair blow-out services, makeup application, hair treatments and styling, facials and other skincare services, or other similar treatments) or (ii) retail business that offers and sells

any products that are offered by any Blushington Lounge, which is, or is intended to be, located (i) at the Location, (ii) within the Protected Area, or (iii) within a five (5)-mile radius of the location of any Blushington Lounge then in existence or under construction.

(3) The parties agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each such covenant shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section X.C. is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and the Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section X.C. The time periods relating to the obligations set forth in Section X.C.(2) will be tolled for any period of non-compliance.

(a) Franchisee and the Principals acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section X.C. without their consent, effective immediately upon notice to Franchisee, and Franchisee and the Principals agree that they shall promptly comply with any covenant as so modified.

(b) Franchisee and the Principals expressly agree that the existence of any claims they may have against Franchisor, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section X.C.

(4) Franchisee shall require and obtain the execution of covenants similar to those set forth in this Section X.C. from all Principals not signing the Principals' Guaranty and Assumption Agreement, from all General Managers, and, at Franchisor's request, any Lounge Coordinators or other personnel of Franchisee who have access to Confidential Information. Such covenants shall be substantially in the form set forth in Attachment B. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the scope of the noncompetition covenant set forth in Attachment B or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement under this Section X.C.(4).

D. Injunctive Relief. Franchisee and the Principals acknowledge that any failure to comply with the requirements of this Section X. shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Franchisee and the Principals accordingly consent to the issuance of an injunction prohibiting any conduct by them in violation of the terms of this Section X., without the requirement that Franchisor post a bond. Franchisee and the Principals agree to pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in connection with the enforcement of this Section X., including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of such Section, or any part thereof.

E. New Developments. If Franchisee, its employees, or Principals develop any new concept, process or improvement in the operation or promotion of the franchised business, Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process or improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all patents, patent applications, and other intellectual property rights related thereto. Franchisee and its Principals hereby assign to Franchisor any rights they may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and its Principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and its Principals hereby irrevocably

designate and appoint Franchisor as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such concept, process or improvement. In the event that the foregoing provisions of this Section X.E. are found to be invalid or otherwise unenforceable, Franchisee and its Principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe their rights therein.

XI. BOOKS AND RECORDS

A. Maintenance of Books, Records and Accounts. Franchisee must maintain during the term of this Agreement full, complete, and accurate books, records, and accounts of the Lounge, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals, and ledgers. Franchisee must preserve such books, records and accounts for at least five years from the date of preparation and make all such books, records and accounts directly electronically accessible on a continuous basis to Franchisor or any third-party vendor designated by Franchisor. All such books, records and accounts must be maintained in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing (which requirements will include a standard chart of accounts and standard income statement and balance sheet formats). If Franchisee fails to maintain such books, records and accounts in the form and manner prescribed by Franchisor, Franchisor may require Franchisee to engage an independent third-party accounting firm from Franchisor's preferred list of accounting firms to maintain the books, records and accounts of the Lounge and prepare any financial reports required by this Agreement.

B. Reporting. In addition to the remittance reports required by Sections IV. and VIII. hereof, Franchisee shall comply with the following reporting obligations:

(1) Franchisee shall, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, Franchisee's monthly balance sheet and profit and loss statement (which may be unaudited) within twenty (20) days after the end of each month during the term hereof. Each such statement shall be signed by Franchisee's treasurer, chief financial officer or comparable officer attesting that it is true, complete and correct.

(2) Franchisee shall, at its expense, submit to Franchisor, within ninety (90) days after the end of each fiscal year, Franchisee's complete annual financial statement (which may be unaudited), including a balance sheet, profit and loss statement, and statement of cash flows, prepared in accordance with generally accepted accounting principles by an independent certified public accountant satisfactory to Franchisor and showing the results of Franchisee's operations of Franchisee during such fiscal year.

(3) Franchisee shall, at its expense, submit to Franchisor (i) copies of Franchisee's federal income tax returns (including any extension requests) not later than five (5) days after filing and (ii) copies of Franchisee's state sales tax returns within five (5) days after the end of each calendar quarter. If the Lounge is in a state which does not impose a sales tax, Franchisee shall submit a copy of its state income tax return (including any extension requests) not later than five (5) days after filing.

(4) Franchisee also shall submit to Franchisor such other forms, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor.

C. Audits. Franchisor or its designees shall have the right at all reasonable times to review, audit, examine and copy the books and records of Franchisee at the Lounge. If any required royalty or other required payments to Franchisor are delinquent, or if an audit should reveal that such payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with Section IV.D. If an audit discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition,

reimburse Franchisor for all costs and expenses connected with the audit (including, without limitation, reasonable accounting and attorneys' fees and costs). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

D. No Waiver. Franchisor's receipt or acceptance of any of the statements furnished or amounts paid to Franchisor (or the cashing of any check or processing of any electronic fund transfer) shall not preclude Franchisor from questioning the correctness thereof at any time, and, in the event that any errors are discovered in such statements or payments, Franchisee shall immediately correct the error and make the appropriate payment to Franchisor.

E. Authorization to Release Information. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Lounge which Franchisor may request. Franchisee authorizes Franchisor to disclose data from Franchisee's reports if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

XII. INSURANCE

A. Insurance Coverage Requirements. Not later than sixty (60) days prior to the Opening Date, Franchisee shall procure and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor, its Affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring at or in connection with the operation of the Lounge. Such policy or policies shall be written by a responsible carrier or carriers rated "A" or better by the A.M. Best Company, Inc. and otherwise reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time in writing), the following:

(1) Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of One Million Dollars (\$1,000,000) combined single limit per occurrence, Two Million Dollars (\$2,000,000) general aggregate, Two Million Dollars (\$2,000,000) product liability, One Million Dollars (\$1,000,000) personal & advertising injury, Three Hundred Thousand Dollars (\$300,000) fire legal liability, and Five Thousand Dollars (\$5,000) medical payment limits.

(2) "All Risks" coverage for the full cost of replacement of the Lounge premises and all other property in which Franchisor may have an interest with agreed amount endorsement for the premises naming Franchisor as a loss payee.

(3) An "umbrella" policy providing excess coverage with limits of not less than Five Million Dollars (\$5,000,000) which must be excess to the general liability coverage required herein.

(4) Business interruption insurance covering at least twelve (12) months' loss of profits and necessary continuing expenses for interruptions caused by any occurrence covered by the insurance referred to in (1) and (2) above and Franchisee's royalty and advertising fund contribution calculated on the basis of the Gross Sales used as the basis for calculation of the business interruption insurance award. Such business interruption insurance shall be written on an all risks form, either as an endorsement to the policies described in (1) and (2) above or on a separate policy.

(5) Worker's compensation insurance with employer liability limit of bodily injury by accident One Million Dollars (\$1,000,000) each accident, by disease One Million Dollars (\$1,000,000) policy limit, and by disease One Million Dollars (\$1,000,000) each employee.

(6) Professional Liability Insurance to cover the errors and omission of your professional staff in the providing of services to your guests with not less than One Million Dollars/Three Million Dollars (\$1,000,000/\$3,000,000) limit of liability and including Abuse and Molestation with a minimum limit of One Hundred Thousand Dollars/Three Hundred Thousand Dollars (\$100,000/\$300,000).

(7) Employment Practices Liability including Third Party Coverage for not less than Five Hundred Thousand (\$500,000) aggregate.

(8) Such other insurance as may be required by the landlord of the premises at, and by the state or locality in, which the Lounge is located.

B. Deductibles; Waiver of Subrogation. Franchisee may elect to have reasonable deductibles in connection with the coverage required under Sections XII.A(1)-(8) hereof. Such policies shall also include a waiver of subrogation in favor of Franchisor, its Affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them.

C. Builder's Risk Insurance. In connection with any construction, renovation, refurbishment or remodeling of the Lounge, Franchisee shall maintain Builder's Risks/Installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.

D. No Limitation of Other Obligations. Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section XV. of this Agreement.

E. Additional Insured Designation. All insurance policies required hereunder, with the exception of workers' compensation and employment practices liability, shall name Franchisor and its Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall expressly provide that their interest shall not be affected by Franchisee's breach of any policy provisions. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents or employees.

F. Certificates of Insurance. Upon execution of this Agreement, and thereafter thirty (30) days prior to the expiration of any policy required hereunder, Franchisee shall deliver to Franchisor certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder. All insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to or cancellation of the policies.

G. Remedies. Should Franchisee fail to procure or maintain the insurance required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) to procure such insurance and to charge the cost of such insurance to Franchisee, together with a reasonable fee for Franchisor's expenses in so acting. Such amounts shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

XIII. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. Franchisee shall promptly pay when due all Taxes, levied or assessed and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the franchised business. Without limiting the provisions of Section XV., Franchisee shall be solely liable for the payment of all Taxes and shall indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether or not correctly or legally assessed.

B. No Deduction. Each payment to be made to Franchisor hereunder shall be made free and clear and without deduction for any Taxes.

C. Disputed Liability. In the event of any bona fide dispute as to Franchisee's liability for Taxes or other indebtedness, Franchisee may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against the assets of the franchised business or any improvements thereon.

D. Credit Standing. Franchisee recognizes that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Except for payments which are disputed by Franchisee in good faith, Franchisee agrees to promptly pay when due all amounts owed by Franchisee to Franchisor, its Affiliates, and other suppliers.

E. Notice of Adverse Orders. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business.

XIV. TRANSFER

A. By Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Franchisee's consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all Franchisor's obligations arising hereunder subsequent to the transfer or assignment. Without limitation of the foregoing, Franchisor may sell its assets to a third party; may offer its securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

B. By Franchisee and Principals. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Principals. Accordingly, neither Franchisee nor any Principal, nor any successor or assign of Franchisee or any Principal, shall sell, assign, transfer, convey, merge, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Lounge or in Franchisee, whether or not such sale, assignment, transfer, conveyance, merger, gift, pledge, mortgage, disposition, or encumbrance constitutes a transfer or assignment under applicable law, without the prior written consent of Franchisor, except as provided in Section XIV.D. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach under this Agreement. If Franchisee wishes to transfer all or part of its interest in the Lounge or this Agreement, or if Franchisee or a Principal wishes to transfer any ownership interest in Franchisee (except as provided in Section XIV.D. below), transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in the Lounge or in this Agreement but may require any or all of the following as conditions of its consent:

(1) All accrued monetary obligations of Franchisee and its Affiliates to Franchisor and its Affiliates arising under this Agreement, or any other agreement, shall have been satisfied in a timely manner, and Franchisee shall have satisfied all trade accounts and other debts of whatever nature or kind;

(2) Franchisee and its Affiliates shall not be in default of this Agreement, or any other agreement with Franchisor or its Affiliates, and shall have substantially and timely complied with all the terms and conditions of such agreements during their respective terms;

(3) The transferor and its principals, if applicable, shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims, against Franchisor and its Affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with Franchisor or its Affiliates, and under federal, state or local laws, rules, and regulations or orders;

(4) The transferee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's then-current qualifications, and, at the transferee's expense, its operating principal, General Manager, Lounge Coordinator, and any other personnel required by Franchisor shall complete any training programs then in effect for Blushington Lounges upon such terms and conditions as Franchisor may reasonably require;

(5) The transferee shall, at its expense and within the time period reasonably required by Franchisor, renovate, modernize and otherwise upgrade the Lounge to conform to the then-current System image, standards and specifications;

(6) The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several, liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of Franchisee under this Agreement. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also shall execute such agreement and guarantee the performance thereof;

(7) The transferee shall execute Franchisor's then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement, including higher fees, but the transferee shall not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also shall execute such agreement and guarantee the performance thereof;

(8) The transferor shall remain liable for all of its obligations to Franchisor under this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(9) Franchisee must pay Franchisor a transfer fee in the amount of:

(i) \$1,500 for (a) transfers of ownership interests in Franchisee that will not result in transfer of a Controlling Interest in Franchisee or (b) the assignment of this Agreement to a corporation, limited liability company, or other entity with the same control structure as Franchisee that is formed solely for the convenience of ownership; provided that Franchisee owns all of the ownership interests in such new entity (or, if Franchisee is owned by more than one individual or entity, each individual or entity has the same proportionate ownership interest in the new entity), and

(ii) 75% of the then-current initial franchise fee being charged by Franchisor for new Blushington Lounges for all other transfers (reduced to 50% of the then-current initial franchise fee being charged by Franchisor for new Lounges if the transfer is to an individual or entity (or an Affiliate of

such individual or entity) that operates another Lounge at the time of the transfer). The transfer fee must be paid at the time that Franchisee submits an application for Franchisor's consent to the transfer. If the proposed transfer does not occur for any reason Franchisor will refund any remaining balance of the transfer fee after deducting \$5,000 plus Franchisor's outside counsel costs incurred in connection with the transfer request;

(10) If transferee is a corporation, partnership, limited liability company, or other entity, the transferee shall make all of the representations, warranties and covenants in Section VI. as Franchisor may request, and shall provide evidence satisfactory to Franchisor that such representations, warranties and covenants are true and correct as of the date of the transfer.

(11) If the transfer relates to the grant a security interest in any of Franchisee's assets, Franchisor may require the secured party to agree that, in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but no obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee.

C. Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section XIV.B., except that Sections XIV.B.(3), (4), (5), (7) and (9) shall not apply. In any transfer for the convenience of ownership, Franchisee shall be the owner of all the voting stock or ownership interests in the new entity, or, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in Franchisee prior to the transfer.

D. Transfer of Non-Controlling Interest. If any person holding an interest in Franchisee (other than a Principal signing the Principals' Guaranty and Assumption Agreement) proposes to transfer such interest, then Franchisee shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to the transfer. The transferee shall not be one of Franchisor's competitors and may be required to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form shall be in substantially the same as the form attached to this Agreement as Attachment B. Franchisor reserves the right to require such transferee to sign the Principals' Guaranty and Assumption Agreement.

E. Right of First Refusal. If Franchisee or a Principal wishes to transfer any interest in this Agreement, the Lounge, or Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of the offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing shall occur on or before sixty (60) days from the later of the date of Franchisor's notice to seller of its election to purchase and the date Franchisor receives all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, Franchisor may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two (2) appraisers. Each party shall select one (1) appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If Franchisor exercises its right of first refusal, it shall have the right to set off all appraisal fees and other amounts due from Franchisee to Franchisor or any of its Affiliates. A material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Franchisor's failure to exercise the option afforded by this Section XIV.E. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XIV.B. Failure to comply with this Section XIV.E. shall constitute a material event of default under this Agreement.

F. Death or Permanent Disability. Franchisee or its representative shall promptly notify Franchisor of any death or claim of permanent disability subject to this Section XIV.F. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section XIV.B. for any inter vivos transfer.

(1) Upon the death of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person (the “Deceased”), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within six (6) months after the death of the Deceased.

(2) Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section XIV. within six (6) months after notice to Franchisee. “Permanent disability” shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section XIV.F. The costs of any examination required by this Section shall be paid by Franchisor.

G. Securities Offerings. Interests in Franchisee shall not be offered to the public by private or public offering without Franchisor’s prior written consent, which shall not be unreasonably withheld. As a condition of its consent, Franchisor may, in its sole discretion, require that, immediately after such offering, Franchisee and the Principals retain a Controlling Interest in Franchisee. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the commencement of any offering covered by this Section XIV.G. All offering materials shall be submitted to Franchisor for review prior to being filed with any governmental agency or distributed for use. Franchisor’s review of the offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor. No offering shall imply that Franchisor is participating in an underwriting, issuance or offering of securities. Franchisor may require the offering materials to contain a written statement prescribed by Franchisor concerning the relationship of Franchisee and Franchisor. Franchisee, its Principals and the other participants in the offering must fully indemnify Franchisor, its Affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of Five Thousand Dollars (\$5,000) and shall reimburse Franchisor for its reasonable costs and expenses (including, without limitation, legal and accounting fees and costs) associated with reviewing the offering materials.

H. No Waiver. Franchisor’s consent to the transfer of any interest described in this Section XIV. shall not constitute a waiver of any claims which Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor’s right to demand transferee’s exact compliance with any of the terms of this Agreement.

XV. INDEMNIFICATION

A. Indemnity. Franchisee and each of the Principals shall, at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor, its Affiliates, successors and assigns and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them (“Indemnitees”), from all Losses and Expenses, defined below,

incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or relates to this Agreement in any way or which arises out of or is based upon any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of the Principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties, unless such violation or infringement relates to the use of the Marks or other proprietary information as to which a license has been granted hereunder and such use has been in accordance with this Agreement;

(2) The violation, breach or asserted violation or breach by Franchisee or any of the Principals of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;

(3) Libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of the Principals;

(4) The violation or breach by Franchisee or by any of the Principals of any warranty, representation, agreement or obligation in this Agreement or in any other agreement with Franchisor or any of its Affiliates; and

(5) Acts, errors, or omissions of Franchisee, any of Franchisee's Affiliates, any of the Principals and the respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors servants and employees of any of them in connection with the establishment and operation of the Lounge including, but not limited to, Franchisee's employer/employee relationships and any acts, errors or omissions of any of the foregoing in the operation of any motor vehicle.

B. Defense of Claim. Franchisee and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Franchisee and each of the Principals, Franchisor may elect to assume (but under no circumstance is obligated to undertake) or associate counsel of its own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Franchisee and each of the Principals to indemnify the Indemnitees and to hold them harmless.

C. Remedial Action. In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, Franchisor may, at any time and without notice, as it, in its judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

(1) any of the acts or circumstances enumerated in Section XV.A(1)-(4) above has occurred; or

(2) any act, error, or omission as described in Section XV.A(5) may result directly or indirectly in damage, injury, or harm to any person or any property.

D. Losses and Expenses.

(1) All Losses and Expenses incurred under this Section XV. shall be chargeable to and paid by Franchisee or any of the Principals pursuant to its obligations of indemnity under this Section, regardless of any action, activity or defense undertaken by Franchisor or the subsequent success or failure of such action, activity, or defense.

(2) As used in this Section XV., the phrase "Losses and Expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees and costs, court costs, settlement amounts, judgments, compensation for damages to the Franchisor's reputation and goodwill, costs of or resulting from delays,

financing costs, costs of advertising material and media time/space and costs of changing, substituting or replacing the same, any and all expenses of recall, refunds, compensation, and public notices and all other payments of money incurred in connection with the matters described.

E. Contributory Negligence. The Indemnitees do not assume any liability for acts, errors or omissions of those with whom Franchisee or the Principals may contract, regardless of the purpose. Franchisee and the Principals shall hold harmless and indemnify the Indemnitees as set forth herein without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be gross, sole, joint or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties arising in connection therewith, including, without limitation, the other Indemnitees.

F. No Duty to Mitigate; Survival of Obligations. Under no circumstances shall Franchisor be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under the indemnity and against Franchisee, and the failure of Franchisor to pursue such recovery or mitigate such loss will no way reduce the amounts recoverable by Franchisor from Franchisee. Franchisee and the Principals expressly agree that the terms of this Section XV. shall survive the termination, expiration or transfer of this Agreement or any interest herein.

XVI. RELATIONSHIP OF THE PARTIES

A. Independent Contractor Relationship. Franchisee agrees that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor conducting its Lounge operations pursuant to the rights granted by Franchisor. Further, all employees hired by or working for Franchisee or its Affiliates will be Franchisee's or Franchisee's Affiliates' employees and will not, for any purpose, be deemed employees of Franchisor or its Affiliates or subject to Franchisor's or its Affiliates' control. Franchisor has no authority to hire, fire, promote, or demote any of Franchisee's employees or take any disciplinary action whatsoever against any of them. Additionally, Franchisee must communicate to all employees that Franchisee, not Franchisor, is their employer; and Franchisee must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or Franchisor's name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

B. No Authority. Nothing in this Agreement authorizes Franchisee or any of the Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Principals or any claim or judgment arising therefrom.

XVII. TERMINATION

A. Default and Termination. Franchisee acknowledges that each of Franchisee's obligations described in this Agreement is a material and essential obligation; that nonperformance of such obligations will adversely and substantially affect the Franchisor and the System; and that the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.

B. Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute

of the United States or any state thereof, or if an involuntary petition is filed with respect to Franchisee under any such laws and is not dismissed within 60 days after it is filed; or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against the Lounge premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of Franchisee's Lounge shall be sold after levy thereupon by any sheriff, marshal or constable.

C. Termination on Notice; No Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:

(1) If Franchisee operates the Lounge or sells any products or services authorized by Franchisor for sale at the Lounge at a location other than the Location.

(2) If Franchisee fails to obtain Franchisor's approval of a proposed site or fails to acquire a Location for the Lounge within the time and manner specified in this Agreement.

(3) If Franchisee fails to construct the Lounge in accordance with Franchisor's prototypical plans, as adapted in accordance with Section II and the Development Agreement or Site Addendum hereto, as applicable.

(4) If Franchisee fails to open the Lounge for business within the period specified in Section II.I. of this Agreement.

(5) If Franchisee at any time ceases to operate or otherwise abandons the Lounge, or loses the right to possess the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Lounge is located; provided, that this provision shall not apply in the event of a Force Majeure, if Franchisee applies within thirty (30) days after such event for Franchisor's approval to relocate or reconstruct the Lounge and Franchisee diligently pursues such reconstruction or relocation. Franchisor's approval not be unreasonably withheld but may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Lounge is not in operation.

(6) If Franchisee or any of the Principals is convicted of, or has entered a plea of nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein.

(7) If a threat or danger to public health or safety results from the construction or operation of the Lounge.

(8) If Franchisee or any of the Principals purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Lounge to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal contrary to the terms of Section XIV., or if a transfer upon death or permanent disability is not made in accordance with Section XIV.

(9) If, contrary to the terms of Section X.B., Franchisee or any of the Principals discloses or divulges any Confidential Information.

(10) If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor.

(11) If Franchisee breaches in any material respect any of the covenants, or has falsely made any of the representations or warranties, set forth in Section VI.

(12) If Franchisee fails to comply with Franchisor's quality assurance program and fails to cure any default thereunder within the applicable cure period.

(13) If Franchisee or any Affiliate of Franchisee is in default of any other franchise agreement with Franchisor and fails to cure such default within the applicable cure period, if any.

(14) If Franchisee or any of the Principals repeatedly commits a material event of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.

(15) If Franchisee's assets, property, or interests are 'blocked' under any law, ordinance, or regulation relating to terrorist activities or if Franchisee is otherwise in violation of any such law, ordinance, or regulation.

(16) If Franchisee or any of Franchisee's Affiliates is in default of any other franchise or other agreement with Franchisor or its Affiliates and fails to cure such default within the applicable cure period, if any.

D. Termination on Notice; Opportunity to Cure. Except as provided in Sections XVII.B. and XVII.C. of this Agreement, upon any default by Franchisee which is capable of being cured, Franchisor may terminate this Agreement by giving Franchisee written notice of termination stating the nature of the default and the time period within which the default must be cured. Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the time period set forth below or any longer period that applicable law may require ("cure period"). If any such default is not cured within the cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the cure period. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) If Franchisee fails to procure and maintain the insurance policies required by Section XII. and fails to cure such default within seven (7) days following notice from Franchisor.

(2) If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein and fails to cure such default within twenty-four (24) hours following notice from Franchisor.

(3) If Franchisee fails to obtain the execution of the confidentiality and related covenants as required under Sections X.B. or X.C. of this Agreement within ten (10) days after being requested to do so by Franchisor and fails to cure such default within thirty (30) days following notice from Franchisor.

(4) If Franchisee or any of its Affiliates fails, refuses, or neglects promptly to pay any monies owed to Franchisor or any of its Affiliates, when due under this Agreement or any other agreement, or fails to submit the financial or other information required by Franchisor under this Agreement, and does not cure such default within five (5) days following notice from Franchisor.

(5) If Franchisee or any of the Principals fails to comply with the restrictions against competition set forth in Section X.C. of this Agreement and fails to cure such default within ten (10) days following notice from Franchisor.

(6) If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing, and fails to cure such default within thirty (30) days following notice from Franchisor.

(7) If Franchisee fails to comply with any other requirement imposed by this Agreement, or fails to carry out the terms of this Agreement in good faith and fails to cure such default within thirty (30) days following notice from Franchisor.

(8) If Franchisee fails to designate a qualified replacement Operating Principal or General Manager within thirty (30) days after any initial or successor Operating Principal or General Manager ceases to serve.

XVIII. POST-TERMINATION

A. Franchisee's Obligations Upon Termination. Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate, and Franchisee shall:

(1) Immediately cease to operate the Lounge under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

(2) Immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, methods, procedures, and techniques associated with the System and the Marks. Without limitation of the foregoing, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms and any other items which display the Marks.

(3) Take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "BLUSHINGTON" or any other Mark, and furnish Franchisor with satisfactory evidence of compliance within five (5) days after termination or expiration of this Agreement.

(4) Not use any reproduction, counterfeit, copy or colorable imitation of the Marks, in connection with any other business, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Marks, nor shall Franchisee use any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

(5) Promptly pay all sums owing to Franchisor and its Affiliates, and all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor as a result of any default by Franchisee or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Section XVIII., which obligation shall give rise to and remain a lien in favor of Franchisor against any and all assets of Franchisee, until such obligations are paid in full.

(6) Immediately deliver to Franchisor all Manuals, records, files, instructions, correspondence, Software Programs, and other materials related to the operation of the Lounge in Franchisee's possession or control, and all copies thereof, all of which are acknowledged to be Franchisor's property, and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

(7) Comply with the restrictions against the disclosure of Confidential Information and against competition contained in Section X. of this Agreement and cause any other person required to execute similar covenants pursuant to Section X. also to comply with such covenants.

(8) Promptly furnish to Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks, whether located at the Lounge or at any other location under Franchisee's control. Franchisor shall have the right to inspect these materials and the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost.

Materials not purchased by Franchisor shall not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

(9) At Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Lounge or for any equipment used in the operation of the franchised business. Franchisor may exercise such option at or within thirty (30) days after the termination or expiration of this Agreement. Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete the assignment of Franchisee's interest in any such lease or sublease upon the exercise of Franchisor's option described herein. This power of attorney shall survive the expiration or termination of this Agreement. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Lounge premises, Franchisee shall make such modifications or alterations to the premises as are necessary to distinguish the appearance of the Lounge from that of other Blushington Lounges, and, if Franchisee fails or refuses to do so, Franchisor shall have the right to enter upon the premises, without being guilty of trespass or any other crime or tort, to make or cause such changes to be made, at Franchisee's expense.

(10) At Franchisor's option, assign to Franchisor all rights to the telephone numbers of the Lounge and any related business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Franchisee shall thereafter use different telephone numbers at or in connection with any subsequent business conducted by Franchisee.

B. Additional Franchisor Options. In addition to its options under Sections XVIII.A.(9) and (10), Franchisor shall have the following options, to be exercised within thirty (30) days after termination or expiration of this Agreement:

(1) Franchisor shall have the option to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, materials and other assets related to the operation of the Lounge, at fair market value. In addition, if Franchisee owns the land upon which the Lounge is located, Franchisor shall have the further option to purchase the land, including any building on the land used for the operation of the Lounge, for the fair market value of the land and building. If Franchisee does not own the land, Franchisor may nevertheless exercise this option for the purpose of purchasing any building owned by Franchisee and used in the operation of the Lounge.

(2) With respect to Franchisor's options under Section XVIII.B.(1), Franchisor shall purchase assets only and shall assume no liabilities, unless otherwise agreed in writing by the parties. If the parties cannot agree on the fair market value of the assets within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by three (3) appraisers. Each party shall select one (1) appraiser, and those two (2) appraisers shall select a third appraiser. The average of the determinations of the three (3) appraisers shall be binding. In the event of an appraisal, each party shall bear its own legal and other costs and shall divide the appraisal fees equally. The purchase price shall be paid in cash; provided, that Franchisor shall have the right to set off from the purchase price (i) all fees due from Franchisee for any appraisal conducted hereunder, (ii) all amounts due from Franchisee to Franchisor or any of its Affiliates, and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees and costs).

(3) Closing of the purchase and sale of the properties described above shall occur not later than thirty (30) days after the purchase price is determined, unless the parties mutually agree to designate another date. At closing, Franchisee shall deliver to Franchisor, in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all necessary documents, instruments, or third party

consents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

C. Assignment of Franchisor Rights. Franchisor shall be entitled to assign any and all of its options in this Section XVIII. to any other party, without the consent of Franchisee.

XIX. MISCELLANEOUS

A. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	Blushington Franchising, LLC 315 West 57th Street New York, NY 10019 Attention: Natasha Cornstein Telephone: 646-752-3019 e-mail: franchise@blushington.com
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Notices to Franchisee and
the Principals:

Attention: _____
Telephone: _____
e-mail: _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service, on the next Business Day, or, in the case of or registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

B. Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee and the Principals concerning the subject matter hereof and shall supersede all prior related agreements; provided, however, that nothing in this or any related agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent franchise disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or Franchisee's representative, subject to any agreed-upon changes to the contract terms and conditions described in that franchise disclosure document and reflected in this Agreement (including any riders or addenda signed at the time as this Agreement). Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

C. No Waiver. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Franchisee or the Principals, or as to a subsequent breach or default by Franchisee or the Principals.

D. Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice or suggestion given to Franchisee, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Franchisee or any third party as a result thereof.

E. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, then, in addition to payments required under Section XVII.C.(5), Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event and the Indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Section XV. Except as provided in Section XVII.C.(5) and the immediately preceding sentence, neither party shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.

F. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

G. MEDIATION. EXCEPT FOR ACTIONS WHICH THE FRANCHISOR MAY BRING IN ANY COURT OF COMPETENT JURISDICTION (i) FOR MONIES OWED, (ii) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (iii) INVOLVING THE POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, THE MARKS OR THE CONFIDENTIAL INFORMATION, THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN FRANCHISOR OR ANY OF ITS AFFILIATES (AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND FRANCHISEE (AND FRANCHISEE'S AGENTS, REPRESENTATIVES AND/OR EMPLOYEES, AS APPLICABLE) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE OR THEIR RESPECTIVE AFFILIATES, (b) FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE, (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR OR FRANCHISEE OR THEIR RESPECTIVE AFFILIATES, OR (d) ANY SYSTEM STANDARD, TO MEDIATION PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION SHALL BE CONDUCTED BY EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES, AS AGREED UPON BY THE PARTIES AND, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME (NOT TO EXCEED FIFTEEN (15) DAYS) AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. MEDIATION SHALL BE

HELD AT FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS' FEES AND COSTS INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING UNDER SECTION XIX.H.

H. JURISDICTION AND VENUE. FOR ANY CLAIMS, CONTROVERSIES OR DISPUTES WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED ABOVE, FRANCHISEE AND THE PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE AND THE FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY, OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. FRANCHISEE AND THE PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION AND AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED HEREBY BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. FRANCHISEE AND THE PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY SUCH PROCEEDING SHALL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, THAT FRANCHISOR MAY BRING ANY ACTION (i) FOR MONIES OWED, (ii) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (iii) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, THE MARKS, OR THE CONFIDENTIAL INFORMATION, IN ANY STATE OR FEDERAL DISTRICT COURT WHICH HAS JURISDICTION.

I. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER DELAWARE LAW (EXCEPT FOR DELAWARE CONFLICT OF LAW RULES).

J. MUTUAL ACKNOWLEDGMENTS. THE PARTIES ACKNOWLEDGE THAT THEIR AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF THEM WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH PARTY FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.

K. DAMAGES WAIVER. FRANCHISEE AND THE PRINCIPALS HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST FRANCHISOR, ITS AFFILIATES, AND THE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, MEMBERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES OF EACH OF THEM, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE) AND AGREE THAT IN THE EVENT OF A DISPUTE, FRANCHISEE AND THE PRINCIPALS SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THEM. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR

UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SHALL CONTINUE IN FULL FORCE AND EFFECT.

L. JURY WAIVER. IN ANY LITIGATION BETWEEN THE PARTIES FOUNDED UPON OR ARISING FROM THIS AGREEMENT, THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL AND THE PARTIES HEREBY STIPULATE THAT ANY SUCH TRIAL SHALL OCCUR WITHOUT A JURY.

M. BUSINESS JUDGMENT. FRANCHISEE, THE PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT VARIOUS PROVISIONS OF THIS AGREEMENT SPECIFY CERTAIN MATTERS THAT ARE WITHIN THE DISCRETION OR JUDGMENT OF FRANCHISOR OR ARE OTHERWISE TO BE DETERMINED UNILATERALLY BY FRANCHISOR. IF THE EXERCISE OF FRANCHISOR'S DISCRETION OR JUDGMENT AS TO ANY SUCH MATTER IS SUBSEQUENTLY CHALLENGED, THE PARTIES TO THIS AGREEMENT EXPRESSLY DIRECT THE TRIER OF FACT THAT FRANCHISOR'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION OR JUDGMENT IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF SUCH DISCRETION OR JUDGMENT, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

N. LIMITATIONS OF CLAIMS. EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO (i) ANY MISREPRESENTATION OR OMISSION MADE BY FRANCHISEE OR ITS PRINCIPALS UNDER THIS AGREEMENT OR IN ANY APPLICATION THEREFOR, (ii) FRANCHISEE'S OBLIGATIONS TO PROTECT FRANCHISOR'S CONFIDENTIAL INFORMATION, OR (iii) FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION XV., ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR TWO (2) YEARS FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

O. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

P. Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

Q. Survival. Any obligation of Franchisee or the Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Principals therein, shall be deemed to survive such termination, expiration or transfer. Without limitation of the foregoing, the provisions of Sections XIX.G., H. and I. are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

R. Gender. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations

individually undertaken by the Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, jointly and severally, undertaken by all of the Principals.

S. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its Affiliates, and Franchisor or any of its Affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Section XVII. of this Agreement shall not discharge or release Franchisee or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement. Additionally, Franchisee and the Principals shall pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in obtaining any remedy available to Franchisor for any violation of this Agreement.

T. No Third Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section XIV.), any rights or remedies under or as a result of this Agreement.

U. Further Assurances. The parties will promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

V. Agreement Effective Upon Execution by Franchisor. This Agreement shall not become effective until signed by an authorized representative of Franchisor.

XX. FRANCHISEE'S ACKNOWLEDGMENTS

A. Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

B. Consultation with Advisors. Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

C. FTC Rule Compliance. Franchisee acknowledges that it received a complete copy of Franchisor's disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) within the time period required by applicable law.

D. No Reliance. Franchisee is relying solely on Franchisor, and not on any affiliated entities or parent companies related to Franchisor, with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

XXI. CERTAIN DEFINITIONS

A. “Advertising Assessment” means the aggregate amount Franchisee must spend for advertising pursuant to Section VIII.B. of this Agreement.

B. “Advertising Fund” or “Fund” means the advertising fund described in Section VIII.E. of this Agreement.

C. An “Affiliate” of a named person is any person or entity that is controlled by, controlling or under common control with such named person.

D. “Blushington Lounge” or “Lounge” means the business operated by Franchisee at the Location pursuant to this Agreement, including all assets of Franchisee used in connection therewith.

E. “Business Day” means any day other than Saturday, Sunday or the following national holidays: New Year’s Day, Martin Luther King Day, Presidents’ Day, Memorial Day, Juneteenth, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

F. “Confidential Information” means any confidential information, knowledge or know-how concerning the methods of establishing and operating the Lounge which may be communicated to Franchisee or any of the Principals or of which they may be apprised under this Agreement. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System which Franchisor provides to Franchisee in connection with this Agreement shall be deemed confidential for the purposes of this Agreement.

G. “Cooperative” means an advertising cooperative, as described in Section VIII.D. of this Agreement.

H. “Controlling Interest” means (a) if Franchisee is a corporation, that the Principals, either individually or cumulatively, (i) directly or indirectly own at least fifty-one percent (51%) of the shares of each class of Franchisee’s issued and outstanding capital stock and (ii) be entitled, under its governing documents and under any agreements among the shareholders, to cast a sufficient number of votes to require such corporation to take or omit to take any action which such corporation is required to take or omit to take under this Agreement, or (b) if Franchisee is a partnership, that the Principals (i) own at least fifty-one percent (51%) interest in the operating profits and operating losses of the partnership as well as at least fifty-one percent (51%) ownership interest in the partnership (and at least fifty-one percent (51%) interest in the shares of each class of capital stock of any corporate general partner) and (ii) be entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement.

I. “General Manager” means a qualified individual who meets the requirements in Section VI.E. of this Agreement but who is not required to own an interest in Franchisee, designated by Franchisee and approved by Franchisor to supervise the operations of Franchisee’s Lounge.

J. “Force Majeure” means acts of God, strikes, lockouts or other industrial disturbances, war, terrorism, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee’s control.

K. “Franchisee’s Principals” shall include, collectively and individually, Franchisee’s spouse all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee’s Principals and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee.

L. “Gross Sales” shall mean the total selling price of all services and products and all income of every other kind and nature related to the Lounge, including, without limitation, income from the sale of products and services over the Internet and from temporary locations not at the Location if these activities are permitted in writing by Franchisor, whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following:

(1) Receipts from the operation of any public telephone or vending machines installed in the Lounge, except for any amount representing Franchisee's share of such revenues;

(2) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Lounge, and any other tax, excise or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Lounge, provided that such taxes are actually transmitted to the appropriate taxing authority;

(3) Tips or gratuities paid directly by Lounge customers to employees of Franchisee or paid to Franchisee and then turned over to such employees by Franchisee in lieu of direct tips or gratuities;

(4) Returns to shippers or manufacturers; and

(5) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Lounge or having any material effect upon the ongoing operation of the Lounge required under this Agreement.

Franchisor may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by Franchisor in its discretion. The following are included within the definition of "Gross Sales" described except as noted below:

(a) The full value of Lounge products or services furnished to Franchisee's employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the week in which the products or services were furnished for the purpose of determining the amount of Gross Sales upon which the royalty fee is due; and

(b) Proceeds from the sale of coupons, gift cards, gift certificates or vouchers will not be included in Gross Sales when the coupons, gift cards, gift certificates or vouchers are sold (and Franchisor may require such proceeds to be transferred to a designated vendor that administers certain promotional programs on behalf of Franchisor); rather, the retail price of services and products purchased with coupons, gift cards, gift certificates or vouchers will be included in Gross Sales for the Blushington Lounge that honors such coupons, gift cards, gift certificates or vouchers during the period in which the coupon, gift card, gift certificate or voucher is redeemed. Franchisee will include in Gross Sales the proceeds related to coupons, gift cards, gift certificates, or vouchers sold or distributed by other Blushington Lounges and honored by Franchisee in accordance with Section VII.A(1).

M. "Gross Sales Report" means the report due on or before each Monday during the term of this Agreement, itemizing, in the form and manner Franchisor reasonably requires (including electronic form), the Gross Sales of the Lounge for the preceding week (Monday through Sunday).

P. "Lounge Coordinator" means no fewer than one (1) individual who coordinates certain aspects of the day-to-day operation of the Lounge.

Q. "Manuals" means Franchisor's Confidential Operations Manuals, written directives and any other manuals and written materials as Franchisor shall have developed for use in the System, as revised by Franchisor from time to time.

R. "National Account Client" means a client that contracts with Franchisor or its Affiliate to provide services at more than one physical location.

S. "Opening Date" means the date the Lounge opens for business to the public.

T. "Protected Area" means the geographic area assigned to Franchisee upon the acquisition of the site where the Lounge will be located, which will be described in an amended Attachment C at such time, exclusive of any Reserved Area, within which Franchisee will be afforded the protections described in Section I.B. of this Agreement.

U. “Publicly-held Corporation” is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

V. “Reserved Area” is any mall (defined as an enclosed retail space consisting of 250,000 or more square feet); amusement park; sports stadiums or arenas; airport; train station; hospital; school; hotel, resort, or other lodging facility; office building; or military base.

W. “Software Programs” means the proprietary or other software programs developed or acquired by or on behalf of Franchisor for use by Lounge.

X. “Taxes” means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by Franchisor’s net income.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

Blushington Franchising, LLC,
a Delaware limited liability company

FRANCHISEE:

[Franchisee Entity]
a [State] [type of entity]

By: _____
[Name, Title]

By: _____
[Name, Title]

Date: _____

Date: _____

ATTACHMENT A

PRINCIPALS' GUARANTY AND ASSUMPTION AGREEMENT

This Principals' Guaranty and Assumption Agreement ("Guaranty") is given this _____ day of 20__, by the undersigned.

In consideration of, and as an inducement to, the execution of the Franchise Agreement ("Agreement") by Blushington Franchising, LLC ("Franchisor"), each of the undersigned and any other parties who sign counterparts of this Guaranty (individually, a "Guarantor" and collectively, "Guarantors") hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, that Franchisee will punctually pay its obligations for initial franchise fees, royalties, advertising fund contributions and purchases of equipment, materials, supplies and other amounts due under the Agreement.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this guaranty by the undersigned (including by way of counterparts); and
- (vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (i) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
- (ii) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- (iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Agreement; and
- (v) Franchisee's written acknowledgment, accepted in writing by Franchisor, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor also makes all of the covenants, representations, warranties and agreements of the Principals set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under Sections VI., X., XIV., XV., XVIII., XIX.G., H., I., K, L, and N.

If Franchisor is required to enforce this Guaranty in an administrative, judicial or arbitration proceeding, and prevail in such proceeding, Franchisor will be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTORS

*[Name], an Individual

[Name], an Individual

[Name], an Individual

[Name], an Individual

* Denotes individual who is Franchisee's Operating Principal
419205981-v2\NA_DMS

ATTACHMENT B

CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

This Agreement is made and entered into this ____ day of _____, 20__, between Blushington Franchising, LLC, a Delaware limited liability company (“Franchisor”), _____ (“Franchisee”) and _____ (“Covenantor”) in connection with a franchise agreement between Franchisor and Franchisee dated _____, 20__ (“Franchise Agreement”). Initially capitalized terms used, but not defined in this Agreement, have the meanings contained in the Franchise Agreement.

RECITALS

Franchisor has the right to use and license the use of a System for the establishment and operation of Blushington Lounges.

The System is identified by certain Marks including, the mark “BLUSHINGTON,” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate a Blushington Lounge pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

Confidentiality Agreement

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Blushington Lounge under the Franchise Agreement.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Blushington Lounge.

4. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that all Manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

[Covenants Not to Compete¹

In order to protect the goodwill of the System, and in consideration for the disclosure of the Confidential Information to Covenantor, Covenantor agrees that, during the term of his or her association with or employment by Franchisee, and for a period of one (1) year following the earlier of (i) the termination thereof, or (ii) the termination, expiration or transfer of Franchisee's interest in the Franchise Agreement, Covenantor will not, without Franchisor's prior written consent or as permitted under valid Franchise Agreements for Blushington Lounges:

a. Directly or indirectly divert, or attempt to divert any business opportunity or customer of the Blushington Lounge to any competitor; and

b. Directly or indirectly, for himself or through, on behalf of, or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other association, or entity, own, maintain, operate, engage in or have any financial or beneficial interest in, advise, assist or make loans to, any business which is the same as or similar to a Blushington Lounge (including, without limitation, a business which offers hair blow-out services, makeup application, hair treatments and styling, facials and other skincare services, or other similar treatments) and which is, or is intended to be, located within the Territory or within a five (5)-mile radius of any Blushington Lounge then in existence or under construction.]

[Principal's Undertaking

Covenantor also makes all of the covenants, representations, warranties and agreements of the Principals set forth in Sections X.B., C., D., and E., XIV., and XIX.G., H. I., K, L, and N of the Franchise Agreement and is obligated to perform thereunder.]

Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that:

a. Each of the covenants herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The time periods relating to the obligations set forth in this Agreement will be tolled for any period of non-compliance.

b. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

c. In the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, Franchisor shall be entitled, in addition to any other remedies which it may have at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the

¹ If Covenantor is a Principal not signing the Principals' Guaranty and Assumption Agreement, delete the Covenants Not to Compete section and replace it with the Principal's Undertaking section.

terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach of any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CONFLICT OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

7. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Blushington Franchising, LLC

[]

[]

Attention: []

Telephone: []

e-mail: []

If directed to Franchisee, the notice shall be addressed to:

Attention: _____
Telephone: (____) _____
e-mail: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____
Telephone: (____) _____
e-mail: _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

8. Franchisor and its successors and assigns shall be third party beneficiaries of this Agreement, with the full and independent right, at their option and in their sole discretion, to enforce this Agreement.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective Affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

Blushington Franchising, LLC,
a Delaware limited liability company

FRANCHISEE:

[Franchisee Entity]
a [State] [type of entity]

By: _____
[Name, Title]

By: _____
[Name, Title]

Date: _____

Date: _____

COVENANTOR:

[Name], an Individual

Date: _____

ATTACHMENT C

**SELECTED TERMS:
LOCATION, PROTECTED AREA, AND OPENING DATE**

1. DESIGNATED AREA: _____
2. LOCATION: _____
3. PROTECTED AREA: _____, as set forth on the map attached as Attachment C-1. If there is a conflict between the narrative description in this Attachment C and the map at Attachment C-1, the map will control.
4. OPENING DATE: _____

FRANCHISOR:

Blushington Franchising, LLC,
a Delaware limited liability company

FRANCHISEE:

[Franchisee Entity]
a [State] [type of entity]

By: _____
[Name, Title]

By: _____
[Name, Title]

Date: _____

Date: _____

ATTACHMENT C-1
MAP OF PROTECTED AREA

ATTACHMENT D

STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEE'S PRINCIPALS

- A. The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in Franchisee, and a description of the nature of their interest:

NAME	OWNERSHIP INTEREST IN FRANCHISEE	NATURE OF INTEREST

- B. The following is a list of all of Franchisee's Principals, as defined in and designated pursuant to Section XXI.L. of the Franchise Agreement, each of whom shall (unless executing the Principals' Guaranty and Assumption Agreement) execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Attachment B to the Franchise Agreement:

ATTACHMENT E

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO

BLUSHINGTON FRANCHISING, LLC/PAYEE

BANK NAME	ACCOUNT #	ABA#	FEIN
_____	_____	_____	_____

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

- (1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.
- (2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
- (3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository: _____

Name of Depositor: _____

Designated Bank Acct.: _____
(Please attach one voided check for the above account.)

Store Location: _____

Store #: _____

For information call: _____

Address: _____

Phone #: _____

Fax #: _____

Name of Franchisee/Depositor (please print)

By: _____

Signature and Title of Authorized Representative

Date: _____

Exhibit 1

LEASE ADDENDUM TERMS

(a) Landlord acknowledges that Tenant is a franchisee of Blushington Franchising, LLC, a Delaware limited liability company ("Franchisor"), and that the Blushington Lounge located at the Premises ("Unit") is operated under the Blushington franchise system, pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Franchisor. Landlord consents to Tenant's use at the Premises of such marks and signs, decor items, color schemes and related components of the Blushington system as Franchisor may prescribe for the Unit. During the term of the Franchise Agreement, the Premises may be used only for the operation of the Unit.

(b) Landlord agrees to furnish to Franchisor copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant. Without limiting the foregoing, in the event of any default by Tenant, Landlord shall give Franchisor written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give Franchisor further written notice of such failure ("Franchisor Notice"). Following Franchisor's receipt of the Franchisor Notice, Franchisor shall have the right (but not the obligation) to cure Tenant's default before Landlord shall exercise any of Landlord's remedies arising as a consequence of Tenant's default. Any such cure shall be effected within fifteen (15) days following Franchisor's receipt of the Franchisor Notice. Such cure by Franchisor shall not be deemed to be an election to assume the terms, covenants, obligations and conditions of the Lease.

(c) If Franchisor cures Tenant's default, or if Franchisor notifies Landlord that the Franchise Agreement has been terminated (which termination shall constitute a non-curable default pursuant to the Lease upon Landlord's receipt of Franchisor's notice thereof), Landlord agrees, upon Franchisor's written request, to assign to Franchisor any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and shall cooperate with Franchisor in order to pursue such action to a conclusion.

(d) If Franchisor cures Tenant's default or notifies Landlord of the termination of the Franchise Agreement, Franchisor shall have the right and option, upon written notice to Landlord, to do the following:

1. Undertake to perform the terms, covenants, obligations and conditions of the Lease on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six (6) months from the first (1st) date of any cure by Franchisor; or

2. At any time within or at the conclusion of such six (6) month period, assume the terms, covenants, obligations and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor shall enter into an agreement to document such assumption. Franchisor is not a party to the Lease and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

(e) If, during the six (6) month period set forth in section (d)(1) above or at any time after the assignment contemplated in section (d)(2), Franchisor shall notify Landlord that the franchise for the Unit is being granted to another Blushington franchisee, Landlord shall permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement, provided that said franchisee meets Landlord's reasonable financial qualifications. Landlord shall not unreasonably withhold consent to such assignment. Thereafter, Franchisor shall be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(f) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(g) Franchisor shall have the right to enter the Premises to make any modification or alteration necessary to protect the Blushington system and marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits and discharges Franchisor and Landlord, their respective subsidiaries, affiliates, successors and assigns and the officers, directors, shareholders, partners, employees, agents and representatives of each of them, from any and all claims, demands, accounts, actions and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to the Addendum.

(h) All notices sent pursuant to this Addendum shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address shall be [____], Attention: [____], which address may be changed by written notice to Landlord in the manner provided in the Lease.

**AMENDMENT TO BLUSHINGTON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

The Blushington Franchising, LLC Franchise Agreement between _____ (“Franchisee” or “you”) and Blushington Franchising, LLC (“Franchisor” or “us”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Financial Protection and Innovations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with the law, the law will control.
- b. The 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.).
- c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- d. The Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.
- e. The Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- f. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

- g. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

{Remainder of page intentionally left blank}

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Blushington Franchising, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO BLUSHINGTON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The _____ Franchise Agreement between _____ (“Franchisee” or “you”) and Blushington Franchising, LLC (“Franchisor” or “us”) dated _____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

FRANCHISOR:

Blushington Franchising, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

EXHIBIT C

LIST OF FRANCHISED OUTLETS

None.

**LIST OF FRANCHISED OUTLETS
AS OF DECEMBER 31, 2023**

None.

EXHIBIT D

LIST OF FRANCHISEES WHO LEFT THE SYSTEM

None.

**LIST OF FRANCHISEES WHO LEFT THE SYSTEM
AS OF DECEMBER 31, 2023**

None.

EXHIBIT E
OPERATIONS MANUAL TABLE OF CONTENTS

Blushington Franchise Operations Manual

Table of Contents

SECTION A: INTRODUCTION—12 PAGES

WELCOME LETTER.....	1
THE BLUSHINGTON BRAND.....	2
Manifesto ◀.....	2
Our Purpose ◀.....	2
Our Value Proposition ◀.....	2
Mission Statement ◀.....	3
Core Values ◀.....	3
HISTORY OF BLUSHINGTON.....	4
SERVICES PROVIDED TO THE BLUSHINGTON	
FRANCHISEE.....	5
Approved Suppliers ◀.....	5
Corporate Website ◀.....	5
Franchisee Councils ◀.....	5
Initial Training ◀.....	6
Ongoing Research and Development ◀.....	6
Ongoing Training and Support ◀.....	6
On-Site Training ◀.....	6
Protected Area ◀.....	7
Site Selection ◀.....	7
Use of Trademarks ◀.....	7
PAYING OTHER FEES.....	8
Additional Opening Assistance ◀.....	8
Additional Training ◀.....	8
Audit ◀.....	8
Costs and Attorneys' Fees ◀.....	8
Enforcement Costs ◀.....	9
Indemnification ◀.....	9
Inspection and Testing ◀.....	9
Insurance Fees ◀.....	9
Interest ◀.....	9
Merchandise for Resale ◀.....	9
On-Site Remedial Training ◀.....	10
Renewal Fee ◀.....	10
Securities Offering Fee ◀.....	10
Software License Fee ◀.....	10
Transfer Fee ◀.....	10
Technology Fee ◀.....	11
VISITS FROM THE FRANCHISOR.....	12

SECTION B: PRE-OPENING PROCEDURES—31 PAGES

PRE-OPENING CHECKLIST.....	1
Pre-Opening Checklist ◀.....	1
Development Cost Summary Sheet ◀.....	4
ESTABLISHMENT OF BUSINESS FORM.....	5
CONDUCTING A COMPETITIVE ANALYSIS.....	6
DEVELOPING YOUR SITE.....	7
Site Selection Process ◀.....	7
Site Selection Criteria ◀.....	7
Market Analysis ◀.....	8
Site Acceptance ◀.....	9
Lease Considerations ◀.....	10
Negotiating a Lease ◀.....	10
Working with an Architect ◀.....	12
Selecting a General Contractor ◀.....	13
Building Out the Facility ◀.....	14
TECHNOLOGY REQUIREMENTS.....	17
LIST OF REQUIRED EQUIPMENT AND SUPPLIES.....	18
APPROVED VENDORS.....	19
CONTRACTING WITH REQUIRED UTILITIES AND	
SERVICES.....	20
OBTAINING REQUIRED LICENSES, CERTIFICATIONS,	
AND PERMITS.....	22
SETTING UP BANK ACCOUNTS.....	24
PROCURING REQUIRED INSURANCE POLICIES.....	25
MEETING YOUR TAX OBLIGATIONS.....	27
Employer Identification Number ◀.....	27
Federal Taxes ◀.....	28
State Taxes ◀.....	28
CONDUCTING A GRAND OPENING.....	29
Planning ◀.....	31

SECTION C: HUMAN RESOURCES—58 PAGES

HELPFUL LINKS/RESOURCES.....	1
EEOC GUIDELINES FOR HIRING EMPLOYEES.....	3
Employers Covered by EEOC-Enforced Laws ◀.....	3
How Employees Are Counted ◀.....	4
Record Keeping Requirements ◀.....	4
Reporting Requirements ◀.....	4

Blushington Franchise Operations Manual

Table of Contents

Charge Processing Procedures ◀.....	5	Forms ◀.....	36
Mediation ◀.....	5	Policies and Benefits ◀.....	37
Remedies ◀.....	6	Overview of Operation ◀.....	37
Regulatory Enforcement Fairness Act ◀.....	6	TRAINING TEAM MEMBERS.....	39
Technical Assistance ◀.....	6	Initial Training ◀.....	39
Informal Guidance ◀.....	7	Ongoing Training Process ◀.....	40
Publications ◀.....	7	PERSONNEL POLICIES.....	42
LAWS REGARDING HARASSMENT.....	8	TIME TRACKING PROCEDURES.....	47
Sexual Harassment ◀.....	8	APPEARANCE STANDARDS.....	48
Racial and Ethnic Harassment ◀.....	8	CONDUCTING PERFORMANCE EVALUATIONS.....	50
Pregnancy Discrimination ◀.....	9	Preparation ◀.....	51
Religious Accommodation ◀.....	9	After the Review Meeting ◀.....	52
IMMIGRATION REFORM/CONTROL ACT.....	10	PROGRESSIVE DISCIPLINE.....	53
WAGE AND LABOR LAWS.....	11	TERMINATION/SEPARATION.....	55
Fair Labor Standards Act ◀.....	11	Termination ◀.....	55
What the FLSA Requires ◀.....	11	Resignation ◀.....	57
What the FLSA Does Not Require ◀.....	13	SECTION D: DAILY PROCEDURES—50 PAGES	
FLSA Minimum Wage Poster ◀.....	14	SUGGESTED HOURS OF OPERATION.....	1
Other Mandatory Labor Law Posters ◀.....	14	DAILY PROCEDURES.....	2
AMERICANS WITH DISABILITIES ACT (ADA).....	16	Receptionist Opening Checklist ◀.....	2
Who is Protected? ◀.....	16	Receptionist Closing Checklist ◀.....	3
What is Covered? ◀.....	16	Receptionist Downtime Checklist ◀.....	4
Ensuring Compliance ◀.....	17	Housekeeping ◀.....	5
ADA Survey and Enhancements ◀.....	17	CUSTOMER SERVICE.....	6
ADA Resources ◀.....	17	Fundamentals of Great Customer Service ◀.....	7
PROFILE OF THE IDEAL TEAM MEMBER.....	18	Answering the Phone ◀.....	8
JOB DESCRIPTIONS.....	20	Greeting Clients in the Lounge ◀.....	8
GENERATING APPLICANTS.....	21	OVERVIEW OF BLVD.....	9
Generating Applicants ◀.....	21	MANAGING THE SCHEDULE.....	10
Screening ◀.....	23	Services and Upgrades ◀.....	10
THE INTERVIEW PROCESS.....	25	Scheduling Best Practices ◀.....	12
Interviewing Dos and Don'ts ◀.....	28	Appointment Cancellations ◀.....	15
In-Person Interview ◀.....	30	Group Bookings and Wedding Appointments ◀.....	15
Reference Check Procedures ◀.....	32	Confirmation Calls ◀.....	18
Testing Procedures/Required Licenses and		No Shows ◀.....	19
Certifications ◀.....	32	Sample Reception Scripts ◀.....	19
Job Offer ◀.....	32	CHECKING CLIENTS IN AND OUT.....	21
HIRING ON A TRIAL PERIOD.....	34	Work Tickets ◀.....	21
ONBOARDING NEW TEAM MEMBERS.....	35	Checking Clients Out ◀.....	21

Blushington Franchise Operations Manual

Table of Contents

Accepting Payment ◀	22	Power Listening and Respect ◀	6
SELLING RETAIL ITEMS	25	Talking to Clients ◀	7
Retail Terminology ◀	25	BLUSHINGTON SERVICES	8
Retailing Best Practices ◀	28	Makeup Service Descriptions ◀	10
MEMBERSHIP SALES	31	Skincare Service Descriptions ◀	12
Membership Cancellation ◀	32	BLUSHINGTON WORK TICKETS	13
PRETTY REWARDS	33	USING TIME EFFECTIVELY DURING SERVICE	15
REQUIRED CLEANING AND MAINTENANCE	34	Preparing for Clients ◀	15
Daily Cleaning ◀	34	During the Service ◀	15
Weekly Cleaning ◀	34	After the Service ◀	16
Sanitation and Sanitization ◀	36	ADD-ON SERVICES	17
Maintenance ◀	36	Understanding Timing ◀	17
SAFETY AND SECURITY	37	Add-On Pairings ◀	18
Responsibility ◀	37	PHOTOS	20
Orientation ◀	37	BRIDAL SERVICES	21
Accident and Incident Reporting and		Bridal Day-Of ◀	22
Investigation ◀	38	AT HOME AND ON-LOCATION SERVICES	23
Workers' Compensation Issues ◀	40	TEACHING VIRTUAL CLASSES	25
Federal Employment Safety Laws/OSHA ◀	40	THE ART OF SELLING	26
Safety Data Sheets (SDS) ◀	43	CLEANING AND SANITIZATION	29
Weather Emergencies and Natural Disasters ◀	44	Prior to a Service ◀	29
Robbery ◀	45	During a Service ◀	30
Theft ◀	46	After a Makeup Service ◀	30
Burglary ◀	47	After a Hair Service ◀	31
Fire Safety ◀	47	End of Shift Station Cleaning ◀	31
Telephoned Suicide or Bomb Threats ◀	49	End of Day Station Cleaning ◀	32
Angry or Hostile Clients ◀	49	Sanitizing Makeup Brushes ◀	33
Obscene, Harassing, or Threatening Phone		Sanitizing Hair Brushes ◀	34
Calls ◀	50	Sanitizing Hot Tools ◀	34
		Sanitizing Tools ◀	34
		Storing Tools ◀	35
		Using the Sanitized Maintenance Area (SMA) ◀	35
SECTION E: SERVICE PROCEDURES—35 PAGES		SECTION F: MANAGEMENT PROCEDURES—21 PAGES	
THE BLUSHINGTON APPROACH	1	PRICING PHILOSOPHY	1
ARTIST OPENING AND CLOSING CHECKLISTS	2	MANAGING YOUR TEAM	2
Service Area Opening Tasks ◀	2	Communicating with Your Team ◀	2
Service Area Downtime Tasks ◀	2	The Art of Scheduling ◀	3
Service Area Closing Tasks ◀	3	Motivating Your Team ◀	5
PREPARING FOR SERVICE	5		
General Guidelines ◀	5		
First Impressions ◀	6		
Authenticity ◀	6		

Blushington Franchise Operations Manual

Table of Contents

Ongoing Training and Learning ◀.....	5	GUIDELINES FOR USING THE BLUSHINGTON MARKS	19
MANAGING THE CLIENT EXPERIENCE.....	6	LOGO AND SIGNAGE SPECIFICATIONS.....	20
Blushington Environment ◀.....	6	Signage Requirements ◀.....	20
Gathering Client Feedback ◀.....	7	Business Cards and Letterhead ◀.....	20
Return Policy ◀.....	7	OBTAINING ADVERTISING APPROVAL.....	21
Exchange Policy ◀.....	7		
Dissatisfied Clients ◀.....	8	APPENDICES:	
INVENTORY MANAGEMENT.....	9	ARTISTS TRAINING GUIDE	
Inventory Vocabulary ◀.....	9	DESIGN GUIDE	
Professional Inventory Tracking ◀.....	9	EQUIPMENT AND SUPPLIES	
Physical Inventory Counts ◀.....	10	FINANCIAL STATEMENT	
Ordering ◀.....	11	FORMS AND SAMPLES	
Using Designated and Approved Sources of		JOB DESCRIPTION	
Supply ◀.....	11		
Receiving Procedures ◀.....	12	207 PAGES TOTAL	
GENERATING NECESSARY REPORTS	13		
FRANCHISE REPORTING REQUIREMENTS.....	15		
Royalty Payment ◀.....	15		
Advertising Assessment ◀.....	15		
Financial Reports ◀.....	15		
Electronic Funds Transfer ◀.....	16		
FINANCIAL PRIMER.....	17		
SECTION G: MARKETING AND PROMOTION—21			
PAGES			
DEVELOPING A MARKETING PLAN	1		
Developing Your Marketing Plan ◀.....	2		
REQUIRED ADVERTISING EXPENDITURES	4		
Advertising Assessment ◀.....	4		
Grand Opening Advertising ◀.....	5		
PROMOTING BLUSHINGTON IN YOUR AREA	6		
Email Marketing ◀.....	6		
Social Media ◀.....	8		
Influencers ◀.....	11		
Grassroots Efforts ◀.....	11		
In-Store Events ◀.....	12		
PR ◀.....	14		
Traditional Media ◀.....	15		
Client Referral Program ◀.....	17		
COMMUNITY INVOLVEMENT	18		

EXHIBIT F
FORM OF GENERAL RELEASE

Exhibit F

FORM OF GENERAL RELEASE

[Current Form for Transfers and Renewals]

1. **Release of Claims.** Franchisee and its Principals and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively referred to as the “Franchisee Related Parties”) irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates and their respective owners, officers, directors, agents, independent contractors, employees, representatives, attorneys, successors and assigns and all persons acting by, through, under or in concert with any of them (collectively “Releasees”), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys’ fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent (“Claim” or “Claims”), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon or related to the Franchise Agreement, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of this Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as this Agreement).

[For California franchisees: Franchisee and its Principals expressly waive and relinquish all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. Franchisee and Owner do so understanding the significance and consequence of such specific waiver. Section 1542 provides that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.” For the purpose of implementing a general release and discharge as described in Section 1. above, Franchisee and its Principals expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which Franchisee and its Principals do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.]

2. **Unknown Claims.**
 - (a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.
 - (b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1 above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.
3. **Covenant Not to Sue.** Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring or allow to be brought on behalf of itself or any Franchisee Related Party, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual

or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.

4. **No Assignment of Claims.** Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1 of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.
5. **Full and Independent Knowledge.** Franchisee represents that it has been represented by an attorney in connection with the preparation and review of this Agreement, that it has specifically discussed with its attorney the meaning and effect of this Agreement and that it has carefully read and understands the scope and effect of each provision contained herein. Franchisee further represents that it does not rely and has not relied upon any representation or statement made by the Franchisor or, any of the Releasees or any of their representatives with regard to the subject matter, basis or effect of this Agreement.
6. **Compromise.** Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.
7. **General Provisions.**
 - (a) **Entire Agreement.** This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.
 - (b) **Authority.** By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.
 - (c) **Counterpart Execution.** This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.
 - (d) **Survival.** All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.
 - (e) **Further Assurance.** The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.
 - (f) **Complete Defense.** Franchisee acknowledges that this Agreement shall be a complete defense to any claim released under the terms of Section 1 of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.
 - (g) **Attorneys' Fees.** In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

Blushington Franchising, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

Date: _____

[Add signature blocks for any additional parties identified pursuant to Section 1]

ATTACHMENT A

LIST OF STATE ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-1105
866-275-2677

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

FLORIDA

Department of Agriculture and Consumer
Services
Mayo Building, 2nd Floor
Tallahassee, Florida 32399

MICHIGAN

Michigan Attorney General’s Office
Consumer Protection Division
Attn.: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913

HAWAII

Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

MINNESOTA

Franchise Examiner
Minnesota Department of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

ILLINOIS

Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

NEBRASKA

Nebraska Department of Banking and Finance
Bureau of Securities
Financial Institutions Division
1526 K Street, Suite 300
Lincoln, Nebraska 68508

INDIANA

Securities Commissioner
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

NEW YORK

Assistant Attorney General
New York Department of Law
Investment Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005

NORTH DAKOTA

Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Securities Division
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Franchise Administrator
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

TEXAS

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH

Director
Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84145

VIRGINIA

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Franchise Administrator
Division of Securities
Department of Financial Institutions
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

ATTACHMENT B

AGENTS FOR SERVICE OF PROCESS

ATTACHMENT B

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA

Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

MINNESOTA

Commissioner of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

NEW YORK

Secretary of State of
The State of New York
99 Washington Avenue
Albany, New York 12231

INDIANA

Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

NORTH CAROLINA

Secretary of State of North Carolina
2 South Salisbury Street
Raleigh, North Carolina 27603

MARYLAND

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

WISCONSIN

Commissioner of Securities
Wisconsin Securities Commission
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

RHODE ISLAND

Director
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Director
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

ATTACHMENT C

STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO BLUSHINGTON FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA**

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Franchise Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the Franchise Disclosure Document is supplemented by the following language:

Neither we nor any person identified in Item 2 of the Franchise Disclosure Document 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.

B. Item 17 of the Franchise Disclosure Document is supplemented by the following language:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

b. 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.).

c. 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.

d. The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

f. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

2. The highest interest rate allowed by law in California is 10% annually.

3. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

4. OUR WEBSITE IS [HTTPS://BLUSHINGTON.COM/](https://blushington.com/). IT HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND

INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

5. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

6. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

7. Corporations Code 31512 provides that: "Any conditions, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void." The franchise agreement requires a shortened status of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304. The franchise agreement limits the type of damages that a franchisee may recover, since this is not allowed under Corporations Code section 31300, and therefore the provision violates section 31512.

8. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

9. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

10. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

11. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

12. Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable: (a) representations made by the franchisor or its personnel or agents to a prospective franchisee; (b) reliance by a franchisee on any representations made by the franchisor or its personnel or agents; (c) reliance by a franchisee on the franchise disclosure document, including any exhibit thereto; and (d) violations of any provision of this division.

13. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

**ADDENDUM TO BLUSHINGTON FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK**

1. Item 3, "Litigation" is hereby amended by deleting the first paragraph in that Item and replacing it by the following language:

- (a) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a violation of any franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable allegations.
- (b) Neither we, any predecessor, any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this disclosure document, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved a violation of any franchise, anti-fraud or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, misappropriation of property or comparable allegations.
- (c) Neither we, any predecessor any person identified in Item 2 above, nor any affiliate offering franchises under our principal trademark is subject to any currently effective injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. Item 4, "Bankruptcy" is hereby deleted in its entirety and the following language substituted in lieu thereof:

Neither we, nor any affiliate or predecessor or current officer or general partner have during the 10 year period immediately before the date of this disclosure document (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of Blushington Franchising, LLC held this position with the company or partnership.

3. Item 5, "Initial Franchise Fee" is hereby amended by adding the following sentence after the last sentence under the heading "Initial Franchise Fee":

The initial franchise fee is used to defray administrative and other costs we may incur in establishing the franchise and providing various support services.

4. Item 17, “Renewal, Termination, Transfer and Dispute Resolution” is amended as follows:

(a) By adding the following in the “Summary” column opposite category d., “Termination by you”:

To the extent required by the New York General Business Law, you may terminate the Agreement on any grounds available by law.

(b) By adding the following in the “Summary” column opposite category w., “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

New York Insert
(To be inserted immediately before the Acknowledgment of Receipt)

This disclosure document is amended by the addition of the following sentence:

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

ATTACHMENT D
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

State	Effective Date
California	[Pending]
New York	June 28, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulated the offer and sale of business opportunities or seller-assisted marketing plans.

ITEM 23
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Blushington Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state law in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York requires us to provide you the disclosure document the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Blushington Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency. (See Attachment A for a list of state administrators.)

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise are:

Name	Principal Business Address	Telephone Number
Mark Maron	11845 W. Olympic Boulevard, Suite 515W Los Angeles, California 90064	310-991-8000
Natasha Cornstein	315 West 57 th Street, New York, NY 10019	646-752-3019

Issuance Date: April 23, 2024

I received a disclosure document dated April 23, 2024. The disclosure document included the following Exhibits and Attachments:

<u>Exhibit A</u>	Financial Statements
<u>Exhibit B</u>	Franchise Agreement, including attachments and state-specific addenda
<u>Exhibit C</u>	List of Franchised Outlets
<u>Exhibit D</u>	List of Franchisees Who Left the System
<u>Exhibit E</u>	Operations Manual Table of Contents
<u>Exhibit F</u>	Form of General Release
<u>Attachment A</u>	List of State Administrators
<u>Attachment B</u>	Agents for Service of Process
<u>Attachment C</u>	State-Specific Addenda to Franchise Disclosure Document
<u>Attachment D</u>	State Effective Dates

Dated: _____

Individually and as an Officer of the company designated below or of a
company to be formed and designated below on formation

Printed Name
of _____
(a _____ Corporation)
(a _____ Partnership)
(a _____ Limited Liability
Company)

(Keep this page for your records.)

ITEM 23
RECEIPT

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If Blushington Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency. (See Attachment A for a list of state administrators.)

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<u>Attachment C</u>	State-Specific Addenda to Franchise Disclosure Document
<u>Attachment D</u>	State Effective Dates

Dated: _____

Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

Printed Name
of _____
(a) _____ Corporation)
(a) _____ Partnership)
(a) _____ Limited Liability
Company)

(Sign and return this page.)