FRANCHISE DISCLOSURE DOCUMENT

EverSun Brands, Inc.
a California corporation
1784 La Costa Meadows Dr., #101
San Marcos, California 92078
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Email: franchising@eversunwellness.com
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EverSun Brands, Inc. offers franchises for a tanning salon that features tanning, beauty and wellness services (e.g., FIT Bodywrap®, aqua massage, teeth whitening, salt therapy, photo light therapy and other approved services) and sells related retail items.

The total investment necessary to begin operation of an EverSun™ franchise is: (a) $280,194 to $476,564 (if you lease your Sun Spray Spa Equipment); or (b) $454,694 to $835,064 (if you purchase your Sun Spray Spa Equipment). This includes $54,154 to $54,204 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of 3 to 5 EverSun™ franchised salons under an Area Development Agreement is: (a) $360,194 to $626,564 (if you lease your Sun Spray Spa Equipment); or (b) $534,694 to $985,064 (if you purchase your Sun Spray Spa Equipment). This includes $134,154 to $204,204 that must be paid to the franchisor or affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement, area development agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 the franchisor at 1784 La Costa Meadows Dr., #101, San Marcos, California 92078 or by phone at (760) 806-7513.

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 (the "FTC"). 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.

Issuance Date: April 17, 2025 (amended October 3, 2025)

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 EXHIBIT "F".
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 "G" 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 EverSun™ Salon 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 an EverSun™ franchisee?	Item 20 or EXHIBIT "F" lists 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 EXHIBIT "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 and area development agreement require you to resolve disputes with the franchisor by mediation and/or litigation only in California. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in California than in your own state.

2. **Spousal liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

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THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any document relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

  (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

  (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

  (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

  (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The franchise offered under this Disclosure Document is for a salon that sells tanning, beauty and wellness services and related retail items under the name EverSun™ (a "Salon"). To simplify the language in this Disclosure Document, "you" means the person who buys the franchise for a Salon – the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company. "We," "us" and "the Company" mean EverSun Brands, Inc. – the franchisor.

Corporate Information

EverSun Brands, Inc. is a California corporation that was incorporated on April 9, 2008, originally under the name iTAN Franchising, Inc. We changed our name to EverSun Brands, Inc. in October 2025. Our principal business address is 1784 La Costa Meadows Dr., #101, San Marcos, California 92078. Our telephone number is (760) 806-7513. Our agents for service of process are disclosed in EXHIBIT "A" (for franchise registration states) and EXHIBIT "B" (for other states). We do not do business under any names other than "EverSun Brands, Inc."

Business History

Our Chief Executive Officer opened the first Salon in San Diego, California in 2001. Our company has offered franchises for Salons since 2008. We also offered area representative franchises from August 2012 to December 2014, although we never sold any area representative franchises. In addition to owning and operating at least 1 Salon, area representatives would assist us in selling franchises, and training and supporting franchisees, within a designated development territory. We no longer offer area representative franchises. We have never offered franchises in any other line of business. We have never directly owned and operated a Salon.

Salons operated under the primary brand name iTAN® until we rebranded to EverSun™ in 2025.

Predecessors, Parents and Affiliates

We do not have any predecessors or parent companies.

We do not have any affiliates that offer (or have ever offered) franchises in this or any other line of business. However, our affiliate Kharsa Holdings, Inc. ("Kharsa") offered licenses to operate Salons from June 2004 until October 2007. During that time, Kharsa entered into a total of 13 licensing arrangements. These licenses may have qualified as franchises under California law. All licensees subsequently signed franchise agreements with us. Kharsa shares our principal business address. Kharsa operated all of our company-owned Salons from April 2001 until December 2023 when they were sold to a franchisee.

Our 2 affiliates that sell products to EverSun™ franchisees include:

(1) Five Diamond Trading Company, LLC ("FDTC"), which shares our principal business address; and

(2) Evolv Brands Inc. ("Evolv"), which shares our principal business address.

FDTC is the exclusive supplier for FIT Bodywrap®, which is our proprietary infrared weight loss body wrap. Evolv is the exclusive supplier for: (a) our proprietary and our customized retail product lines, including TANOLOGY® lotions, BRONZE LUMINESSENCE™ lotions and CALIFORNIA SPA® Ageless Serum; and (b) certain branded supplies, such as name tags, bed tents, EverSun™ tote bags and key tags. Neither FDTC nor Evolv has ever operated a Salon. We have no other affiliates that provide goods or services to franchisees.

Description of Franchised Business

Salons offer sun tanning, spray-on tanning, various light therapies, salt therapy and other beauty and wellness services, which currently include FIT Bodywrap®, aqua massage, teeth whitening, salt therapy and photo light therapy. Salons also sell approved retail items, including our proprietary lines of lotions and skincare products.

Salons currently operate under a membership model. Customers who choose to purchase a membership ("members") enjoy access to an unlimited number of tanning or spa sessions at any Salon. Members also receive

discounts on retail products purchased from Salons. All Salons must honor memberships and the associated benefits and privileges even if the member purchased their membership from a different Salon.

If we award you a franchise, you must sign the form of franchise agreement attached to this Disclosure Document as EXHIBIT "C" (the "Franchise Agreement"). We refer to the franchised business you purchase as your "Business" or your "Salon". The Franchise Agreement grants you a license to use certain service marks, trademarks, trade names and logos, including our primary service marks EverSun™ and EverSun Beauty & Wellness™ and various ancillary service marks, including LumiNova™, iTAN® and iTAN SUN SPRAY SPA® (collectively, the "Marks"). The Marks also include our distinctive trade dress used to identify a Salon or the products it sells. The Franchise Agreement also grants you a license to use the system we developed for the operation of a Salon (the "System"). Our confidential Brand Standards Manual (the "Manual") describes the operational aspects of a Salon. You will operate your Salon as an independent business using the Marks, the System, the information in the Manual, and the support, guidance and other methods and materials we provide.

Conversion Salons

In some cases, we allow the owner of a pre-existing tanning salon to purchase a franchise and convert their pre-existing tanning salon to an EverSun™ Salon (a "Conversion Salon"). If you are acquiring franchise rights for a Conversion Salon, you must sign the Conversion Addendum attached to this Disclosure Document as EXHIBIT "H"-3. If you operated your pre-existing tanning salon for at least 1 year prior to signing the Franchise Agreement (a "Qualifying Conversion Salon"), you may receive a discount on your initial franchise fee (see Item 5) and a lower royalty fee during the initial 2 years after you convert to an EverSun™ Salon (see Item 6).

Area Development Rights

If you satisfy our criteria for multi-unit developers, we may (but need not) offer you the right to sign the form of Area Development Agreement attached to this Disclosure Document as EXHIBIT "D" (the "ADA"). The ADA grants you the right and obligation to develop, open and operate multiple Salons within a defined "development territory" according to a predetermined "development schedule". You must commit to develop, open and operate a minimum of 3 Salons in order to sign an ADA. You must develop, open and operate all of the Salons identified in the development schedule. You must sign a separate franchise agreement for each Salon you develop. Each franchise agreement will be our then-current form of franchise agreement, which may be different than the form of Franchise Agreement attached to this Disclosure Document.

Market and Competition

The target market for EverSun™ clients includes members of the public between the ages of 20 and 50. While most clients are female, the percentage of male clients has been increasing. Historically, sales have tended to be higher between February and July and peak in May.

The tanning and spa industry is developed and highly competitive. You will compete with other tanning salons, spas and wellness centers as well as businesses that sell tanning products for home-use. Some competitors are independently owned and operated local businesses while others operate through regional or national chains. Some competitors operate under a franchise model, such as Planet Beach®.

Laws and Regulations

You must comply with all federal and state licensing and other regulatory requirements relating to the operation of your Salon. A federal law imposes a 10% national sales tax on UV tanning services. The Food and Drug Administration (FDA) regulates the labeling of tanning equipment and places limits on the amount of time a person can be exposed to UV tanning. The FDA also requires adherence to certain specifications for timers and bulbs and restricts certain representations about indoor tanning services. Many state and local governments have also implemented laws and regulations to regulate businesses offering indoor tanning services, including laws that establish a minimum age requirement for persons who use indoor tanning services. In California, customers must be 18 or older to receive UV tanning services. There may be other laws and regulations that apply to your Salon.

ITEM 2 BUSINESS EXPERIENCE

Faraje Kharsa - Chief Executive Officer

Faraje Kharsa is our founder and has served as our Chief Executive Officer since our inception in April 2008. From April 2008 through May 2012, he also served as our Training Director. From January 2001 through the present, Mr. Kharsa has served as the President and Chief Executive Officer of our affiliate, Kharsa, which is located in San Diego, California and operated our company-owned Salons until December 2023.

Victoria Shoup – Business Office Manager

Victoria Shoup has served as our Business Office Manager since January 2009. She assumed managerial responsibilities relating to the sale and operation of franchises in March 2024.

Irina Kharsa – Director of Franchise Services

Irina Kharsa has served as our: (a) Director of Franchise Services since September 2025; and (b) Director of Franchise Education from April 2008 to September 2025.

Sarah Zeigler – Marketing Manager

Sarah Zeigler has served as our Marketing Manager since October 2022. From May 2021 to May 2022, she served as a Marketing Coordinator for Tri Valley Urology Medical Group in Murrieta, California. From January 2018 to May 2021, she was an Instructional Student Assistant for BUS 202 Business Law at California State University in San Marcos, California.

Paizlyn Rogers – Franchise Business Coach

Paizlyn Rogers has served as our Franchise Business Coach since October 2022. Since January 2019, she has also has served as Training Director/Operations Specialist at Urban Sun Tan, LLC in San Diego, California.

Lauren Fatone – Franchise Coordinator

Lauren Fatone has served as our Franchise Coordinator since March 2024. From January 2019 to November 2022, she was a Salon Director employed by Kharsa Holdings, Inc. in Temecula, 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 pay us a $49,500 initial franchise fee at the time you sign the Franchise Agreement. The initial franchise fee is uniformly imposed except for the Veterans Discount, Conversion Discount and Multi-Unit Discount discussed below. If multiple discounts apply to the same Salon, you receive the discount that results in the lowest initial franchise fee. Discounts cannot be combined except as otherwise provided below.

Veterans Discount

If you qualify for the Veterans Discount, you pay us a $44,550 initial franchise fee for your 1st franchised Salon, which reflects a 10% discount ($4,950). To qualify, a person holding at least a 51% interest in the franchise must be an honorably discharged veteran of any branch of the United States military and provide us with a Form DD-214. If you purchase multiple Salons, the Veterans Discount will only be applied against the 1st Salon you purchase, except as provided below under Conversion Discount.

Conversion Discount

If you convert a Qualifying Conversion Salon to an EverSun™ Salon, you qualify for the Conversion Discount and pay us a $15,000 initial franchise fee. The Conversion Discount does not apply if you operated the pre-existing tanning salon less than 1 year prior to signing the Franchise Agreement. The Conversion Discount cannot be combined with the Veterans Discount for the purchase of a single Salon. However, if you qualify for the Veterans Discount and your first Salon qualifies for the Conversion Discount, we apply the Conversion Discount to your 1st franchised Salon and we apply the Veterans Discount to the next Salon you purchase that is not a Conversion Salon.

Multi-Unit Discount

To qualify for the Multi-Unit Discount you must: (a) purchase franchises for 2 or more Salons at the same time; (b) sign Franchise Agreements for all Salons at the same time; and (c) pay the initial franchise fee, in full, for all Salons when you sign the Franchise Agreements. The Multi-Unit Discount is set forth below:

MULTI-UNIT DISCOUNT			
Salon	**Discount**	**Initial Franchise Fee**	**Development Fee (Imposed under ADA)**
Salon 1	No discount (Unless Veterans Discount applies)	$49,500	N/A – 3 unit minimum for ADA
Salon 2	$7,500 Discount	$42,000	N/A – 3 unit minimum for ADA
Salon 3	$11,500 Discount	$38,000	$129,500
Salon 4	$13,500 Discount	$36,000	$165,500
Salon 5	$15,500 Discount	$34,000	$199,500
Salon 6	$17,500 Discount	$32,000	$231,500
Salon 7+	$19,500 Discount (per Salon)	$30,000 (per Salon)	$261,500 (plus additional $30,000 for each Salon in excess of 7)

Development Fee

If you sign an ADA, you pay us a nonrefundable development fee when you sign the ADA. The development fee is calculated as the aggregate sum of initial franchise fees for all Salons you commit to develop under the ADA. The initial franchise fees imposed under the ADA are the same as those discussed above under the Multi-Unit Discount. We expect most area developers will purchase the right to develop 3 to 5 Salons, which requires a development fee of $129,500 (for 3 Salons) or $199,500 (for 5 Salons). The development fee is deemed to satisfy the initial franchise fee for each Salon you are required to develop under the ADA.

The Conversion Discount does not apply to any Salons developed under an ADA. If you qualify for the Veterans Discount, you receive a $4,950 discount off of your development fee. Development fees are uniformly imposed except as otherwise provided in the preceding sentence.

Startup Package

Approximately 14 days prior to your anticipated opening date, you must purchase our designated "Startup Package" from our affiliates. Our current Startup Package includes the items set forth in the table below:

STARTUP PACKAGE		
ITEMS PURCHASED	AFFILIATE SUPPLIER	ESTIMATED COST
FIT Bodywrap®	FDTC	$4,000
TANOLOGY® skincare products	EVOLV	$150 to $200
BRONZE LUMINESSENCE™ lotion	EVOLV	$150
CALIFORNIA SPA® Ageless Serum	EVOLV	$104

STARTUP PACKAGE		
ITEMS PURCHASED	**AFFILIATE SUPPLIER**	**ESTIMATED COST**
Branded Supplies (e.g., name tags, bed tents, tote bags and key tags)	EVOLV	$250
Total		**$4,654 to $4,704**

The purchase price is nonrefundable and uniformly imposed. At any time, we may require you to purchase some (or all) of the items within the Startup Package directly from third-party suppliers that we designate.

Renewal Incentive

If you are a renewing franchisee, you pay us the renewal fee listed in your Franchise Agreement instead of an initial franchise fee. During an "Incentive Period" that starts with the issuance date of this Disclosure Document and ends December 31, 2025, we are offering an early renewal incentive for existing franchisees. If you qualify, we will waive your renewal fee and grant you a renewal term that expires 5 years after the date your current term expires. To qualify for these incentives you must: (a) sign the renewal Franchise Agreement and the Renewal Addendum attached to this Disclosure Document as EXHIBIT "H"-4 by December 31, 2025; and (b) comply with all renewal conditions in your Franchise Agreement other than sending us a renewal notice a minimum number of days before renewal. The early renewal incentive expires December 31, 2025.

ITEM 6 OTHER FEES

TYPE OF FEE [1]	AMOUNT [2, 3]	DUE DATE	REMARKS
Royalty Fee	*[Standard Salon]* 6.5% of Gross Sales *[Ramp Up for Qualifying Conversion Salon]* Year 1: 4.5% of Gross Sales Year 2: 5.5% of Gross Sales Year 3+: 6.5% of Gross Sales	Each Wednesday for Gross Sales from prior reporting period (or such other day we specify)	Our current reporting period runs from Monday through Sunday. We may change the reporting period and royalty fee due date upon 30 days' prior notice. If your Salon is a Qualifying Conversion Salon, you pay lower royalty fees the first 2 years of operation.
Brand Fund Fee	2% of Gross Sales	Same as royalty fee	You must contribute this amount to the Brand Fund we administer. You have no voting rights pertaining to the administration of the Brand Fund, the creation or placement of advertising, or the amount of the brand fund fee.
Local Marketing Commitment	Up to 3.5% of Gross Sales (currently 2%)	Monthly, as incurred	This is the minimum amount you must spend on advertising and marketing in your local market to promote your Salon (the "Local Marketing Commitment"). We measure your compliance on a rolling 6-month basis.
Cooperative Advertising Fee	Amount set by us or coop (not to exceed the Local Marketing Commitment)	Same as royalty fee	Company-owned outlets have the same voting power as franchised outlets in a cooperative. If a majority of outlets are company-owned, we will not increase the fee without the majority vote of franchised outlets in favor of the fee increase. Cooperative advertising fees are credited against your Local Marketing Commitment.

TYPE OF FEE [1]	AMOUNT [2, 3]	DUE DATE	REMARKS
Training Fee	$1,500 per person for initial training $300 per person per day for other training (plus Travel Expenses for onsite training)	10 days after invoice	Payable for each person who attends (a) initial training after you open, (b) repeat training (after failing a prior attempt), (c) remedial training or (d) additional training you request. You must also reimburse us for Travel Expenses we incur for training onsite at your Salon. We do not charge training fees for required system-wide refresher or supplemental training programs. There is no fee for pre-opening initial training.
Conference Registration Fee	Up to $400 per person per conference	10 days after invoice	We may hold conferences to discuss matters affecting franchisees. Attendance is mandatory unless (a) we designate attendance as optional or (b) we waive your obligation to attend based on showing of good cause. If you fail to attend a required conference without a waiver, you must still pay the registration fee (we will send you a copy of materials distributed at the conference).
Technology Fee	Up to $200 per month Currently $80 for SQL, Dashboard and Learning Management System (LMS) plus additional $20 to $115 per month for 5 Microsoft 365 user license fees (fee is either $4, $10 or $23 per user per month based on desired level of access)	10 days after invoice or as we otherwise specify	Includes amounts you pay us or our affiliate for Technology Systems, including (a) amounts paid for proprietary items, (b) amounts we collect from you and remit to third-parties and (c) an administrative fee for managing the technology platform and negotiating/managing relationships with third-party licensors. It does not include amounts you pay to third parties. Fee is charged on a per-Salon basis.
System Program Fees	Up to $200 per month (currently $15 monthly EFT Service Fee and $5 Account Transfer Fee)	10 days after invoice or as we otherwise specify	You must participate in any customer loyalty, membership or gift card program we establish and pay all associated program contributions and fees we require to implement and administer the program. These amounts are paid to us or a third party we designate. Current fees include (a) a $15 monthly EFT Service Fee (we process electronic funds transfers from customers to you under membership and service agreements) and (b) a $5 fee for each customer account that we transfer from another Salon to you.
Product Purchases	Varies depending on item purchased	10 days after invoice	We and our affiliates may serve as System suppliers for goods and services you must purchase. If this occurs, we will provide you with a price list upon request.
New Product or Supplier Testing	Cost of testing (estimated to range from $50 to $100 per test)	10 days after invoice	This covers the costs of testing new products or inspecting new suppliers you propose.
Relocation Fee	$2,500	At time we approve request to relocate	Imposed if we approve your request to relocate your Salon.
Renewal Fee	$1,000	At time you sign renewal agreement	Imposed if you renew your franchise rights by signing a renewal Franchise Agreement.
Transfer Fee	*[Franchise Agreement]* $10,000 *[ADA]* $10,000	Before Transfer	We do not charge a transfer fee for Permitted Transfers. You pay the transfer fee for all other Transfers. If our broker finds the buyer, you must also reimburse us for all commissions we pay the broker.

TYPE OF FEE [1]	AMOUNT [2, 3]	DUE DATE	REMARKS
Reimbursement of Quality Assurance Program Costs	Actual cost paid to company we hire	10 days after invoice	If we hire a person or company to inspect your Salon, you must reimburse us for all amounts we pay them for the inspection.
Reimbursement of Reinspection Costs	All Travel Expenses and other costs we incur to inspect your Salon	10 days after invoice	Imposed if we inspect your Salon to determine if you remedied a (a) health or safety issue identified by a government agency or (b) breach of system standards we bring to your attention.
Audit Fee	Actual cost of audit (including Travel Expenses for audit team)	10 days after invoice	Imposed if an audit (a) is necessary because you fail to send us required information or reports in a timely manner or (b) reveals you understated Gross Sales by 3% or more.
Late Fee	$100 plus default interest at lesser of (a) 18% per annum (prorated on daily basis) or (b) highest rate allowed by applicable law	10 days after invoice	If our debit of your account is rejected or your check is returned for insufficient funds, we may charge (in addition to the late fee) an NSF fee of $100 per incident. Default interest is limited to 10% per annum in California.
Noncompliance fee	$500 per incident	Upon demand	Imposed if you breach a mandatory standard or operating procedure (including submission of required reports) and fail to cure within the time period we require. We may impose an additional $500 fee every 48 hours the breach remains uncured after we impose the initial fee. We will deposit these fees into the brand fund.
Default Reimbursements	All costs we incur to cure your default	10 days after invoice	If you fail to cure a breach of the Franchise Agreement or our brand standards in the time period we require, we may take steps to cure on your behalf and you must reimburse us for our costs (examples include failure to pay suppliers, maintain insurance or meet quality standards).
Management Fee	Greater of 10% of Gross Sales or $350 per day, plus Travel Expenses	10 days after invoice	If you fail to timely cure a default under the Franchise Agreement, we can designate a person to manage your Salon until the default is cured.
Indemnification	Amount of our damages, losses or expenses	10 days after invoice	You must indemnify us for losses and expenses we incur due to your operation of the Salon or breach of the Franchise Agreement.
Attorneys' Fees and Costs	Amount of attorneys' fees and costs we incur	Upon demand	You must reimburse us for all attorneys' fees and costs we incur relating to your breach of the Franchise Agreement or any related agreement.
Liquidated Damages	2 years of royalty & brand fund fees - see Note 4 for calculation	30 days after invoice	Imposed if we terminate due to your default or you terminate in any manner not permitted by the Franchise Agreement.

Notes:

1. Nature and Manner of Payment: All fees are imposed by and payable to us except you spend the Local Marketing Commitment directly with third-party suppliers. All fees are nonrefundable and uniformly imposed other than the royalty fee "ramp up" for Qualifying Conversion Salons. You sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "E") permitting us to electronically debit your designated bank account for all amounts owed to us and our affiliates (other than fees due less than 15 days after signing the Franchise Agreement). You must deposit all Gross Sales into the bank account and ensure sufficient funds are available for withdrawal before each due date. You are responsible for all taxes imposed on you or us based on products, intangible property (including trademarks) or services we provide to you.

2. Definitions: As used in this Disclosure Document, the following capitalized terms have the meanings given to them below:

   "***Brand Fund***" means the brand and system development fund we currently administer to promote public recognition of our brand and improve our System.

   "***Gross Sales***" means all gross sums you bill or collect from all goods and services sold, plus all other sums you collect from the operation of your Salon including advertising revenue, sponsorship fees and business interruption insurance proceeds. Gross Sales excludes: (a) sales or use taxes; (b) amounts refunded to customers; (c) revenue from the sale of furniture, fixtures and equipment in the ordinary course of business; and (d) tips paid to and retained by staff members as a gratuity. The Manual may include policies governing the manner in which proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales. The Manual may also provide details on the calculation of Gross Sales relating to membership fees and qualifying purchases and redemptions by members under a customer loyalty or membership program.

   "***Managing Owner***" means the owner you appoint and we approve with primary responsibility for the overall management and operation of your Salon.

   "***Permitted Transfer***" means a Transfer: (a) between existing owners; or (b) by the owners to a new business entity that is 100% owned and controlled by the transferring owners. It does not include a Transfer described in (a) or (b) that results in the Managing Owner owning less than 20% of the franchised business.

   "***Technology Systems***" means all information and communication technology systems that we designate, including computer systems, point-of-sale systems, webcam systems, telecommunications systems, security systems, music systems, and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

   "***Transfer***" means a transfer or assignment of: (a) the Franchise Agreement or ADA (or any interest in either such agreement); (b) the Salon's assets (other than the sale of fixtures or equipment in the ordinary course of business); (c) any ownership interest in the entity that is the "franchisee" or "area developer"; or (d) the franchised business you conduct under the Franchise Agreement or ADA.

   "***Travel Expenses***" means all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your Salon; or (b) by you or your personnel to attend training programs or conferences.

3. CPI Adjustments: All fees expressed as a fixed dollar amount are subject to adjustment based on (but only up to) changes to the U.S. Consumer Price Index (CPI), but only if the increase to CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustment); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before it goes into effect. We may implement no more than 1 fee adjustment during any 5-year period.

4. Liquidated Damages: You must pay us liquidated damages if: (a) we terminate the Franchise Agreement due to your default; or (b) you terminate the Franchise Agreement prior to its expiration date (except in accordance with the provisions governing your right to terminate following our uncured breach). Liquidated damages are calculated as the sum of average weekly royalty fees and brand fund fees imposed during the 52-week period preceding termination (or your entire period of operation if less than 52-weeks) multiplied by the lesser of: (a) 104 (representing 2 years of fees); or (b) the total number of weeks remaining under the term. If you pay us liquidated damages in a timely manner, we may not pursue a claim against you for lost profits (but we may still seek other damages we incur due to your breach).

ITEM 7 ESTIMATED INITIAL INVESTMENT

Table A: The table below includes the estimated initial investment to develop and open a single Salon. In preparing these estimates, we have assumed your Salon is not a Conversion Salon. If your Salon qualifies as a Conversion Salon, your initial investment may be lower.

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee [2]	$49,500	Lump sum	At time you sign Franchise Agreement	Us
Initial Training Expenses [3]	$2,500 to $9,500	As incurred	During training	Hotels, restaurants, airlines & employee
Lease Deposit [4]	$1,800 to $8,000	As incurred	Before opening	Landlord
Construction [5]	$150,000 to $250,000	As incurred	Before opening	Architect, contractors & suppliers
Signage [6]	$7,000 to $13,000	Lump sum	Before opening	Suppliers
Startup Package [7]	$4,654 to $4,704	Lump sum	Before opening	Our affiliates
Furniture and Fixtures [8]	$12,000 to $20,000	As incurred	Before opening	Suppliers
Technology Systems [9]	$6,240 to $8,860	Lump sum	Before opening	Suppliers
Sun Spray Spa Equipment [10] (lease estimate includes initial payment and first 3 monthly lease payments)	*[If Leased]* $20,000 to $40,000 *[If Purchased]* $194,500 to $398,500	Lump sum or per leasing terms	Before opening (and monthly if you lease the equipment)	Suppliers
Initial Supply of Inventory [11]	$7,000 to $10,000	Lump sum	Before opening	Suppliers
Miscellaneous Opening Costs [12]	$1,000 to $2,000	As incurred	Before opening	Suppliers
Grand Opening Marketing [13]	$5,000 to $10,000	Lump sum	30 days before through 60 days after opening	Suppliers
Utility and Security Deposits	$500 to $4,000	Lump sum	Before opening	Utility companies
Business Licenses & Permits	$1,000 to $3,000	Lump sum	Before opening	Government agencies
Professional Fees [14]	$1,500 to $3,000	Lump sum	Before opening	Lawyer & accountant
Insurance [15]	$500 to $1,000	Lump sum	Before opening	Insurance companies
Additional Funds [16] (3 months)	$10,000 to $40,000	As incurred	As incurred	Landlord, suppliers and employees
Total Estimated Initial Investment [17]	$280,194 to $476,564 (if lease equipment) $454,694 to $835,064 (if purchase lease equipment)			

Table B – Estimated initial investment for the purchase of area development rights for 3 to 5 Salons.

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee [18]	$129,500 to $199,500	Lump sum	At time you sign ADA	Us
Initial Investment to Open First Salon	*[If Lease Equipment]* $230,694 to $427,064 *[If Purchase Equipment]* $405,194 to $785,564	This is the total estimated initial investment in Table A above less initial franchise fee, which is included in development fee.		

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE [1]	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Total Estimated Initial Investment	$360,194 to $626,564 (if lease equipment) $534,694 to $985,064 (if purchase equipment)			

Notes:

1. Financing and Refunds: We do not offer direct or indirect financing. No amounts paid to us are refundable. We are not aware of any amounts paid to third-party suppliers that are refundable, although your landlord may refund your security deposit at the end of the lease if you do not damage the property or default.

2. Initial Franchise Fee: This estimate assumes you do not qualify for the Veterans Discount, Conversion Discount or Multi-Unit Discount discussed in Item 5.

3. Initial Training Expenses: This estimates the Travel Expenses and other costs you will incur to complete our initial training program, which includes: (a) 2 weeks of remote training; (b) 5 days of training at a certified EverSun™ training facility in San Diego, California; and (c) 5 days of onsite training conducted at your Studio at the time you open. The low estimate assumes only your Managing Owner completes initial training. If you choose to hire a general manager, your general manager must also complete initial training. The high estimate assumes initial training is completed by your Managing Owner and 1 general manager. Your actual training expenses may vary depending on: (a) the number of people you send to training; (b) the distance they must travel; and (c) the level and quality of accommodations, travel and dining selected. The high estimate also includes pre-opening payroll for your general manager during our training program.

4. Lease Deposit: This estimate assumes you lease your premises. Rent varies depending on factors such as the size and location of the premises and local market conditions. We expect most Salons will range in size from 1,500 to 2,000 square feet (we recommend 1,700 square feet) and include 10 to 15 rooms, with rent ranging from $1,800 to $8,000 per month. Landlords typically require security deposits equal to 1- or 2-months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The estimate in the table includes 1 month's security. Your initial 3 months' rent is included under "Additional Funds". Some franchisees may choose to purchase the real estate. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost.

5. Construction: The cost of construction and leasehold improvements varies widely based on a number of factors including:

   - the size and condition of the leased space
   - whether the premises is first or second generation retail space
   - the extent and nature of existing leasehold improvements
   - the amount of landlord contributions, if any, towards leasehold improvement costs (a "TI Allowance")
   - demolition and construction costs and prevailing wage rates in the local market

   Some landlords provide a TI Allowance but increase monthly rent to recapture the TI Allowance and amortize it over the lease term (or part of the lease term). A significant factor in determining whether a landlord will provide a TI Allowance, and if so, the amount, is whether the building is first generation or second generation space. The estimates in the table above assume you do not receive any TI Allowance.

6. Signage: You must purchase and install the signage we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances, exterior signage may be prohibited due to applicable zoning or use restrictions.

7. Startup Package: The items included in the Startup Package are listed in Item 5.

8. Furniture and Fixtures: This estimates the costs for your chairs, mirrors, lamps and front desk.

9. Technology Systems: This includes your initial cost to purchase and set up your Technology Systems,

including your: (a) computer and point-of-sale system ($5,000 to $7,000); (b) music system ($800 to $1,200); (c) security system and cameras ($400 to $600) and (d) phone system ($40 to $60).

10. Sun Spray Spa Equipment: This item includes your sun equipment (UV beds), spray equipment (spray tanning booth) and spa equipment (including teeth-whitening equipment, photo facial equipment, beauty light equipment and salt therapy unit with halo generator, but excluding FIT Bodywrap® which is included in the Startup Package). We estimate the total cost to purchase all of this equipment ranges from $195,000 to $399,000. The low estimate assumes a smaller facility with a limited number of spa services. In our experience, most franchisees choose to lease (rather than purchase) the equipment. The estimate in the table above includes separate low and high range estimates for (a) franchisees who choose to lease the equipment and (b) franchisees who choose to purchase the equipment.

    If you lease the equipment, we estimate your monthly payments will range from $5,000 to $10,000 and your initial payment (which is due at lease signing and includes your first monthly lease payment) will range from $5,000 to $10,000. Monthly lease payments vary depending on the value of the equipment leased, the lease term, your creditworthiness, and other factors that can be difficult to predict. In most cases, we expect franchisees will commence making monthly lease payments (excluding the first lease payment due at least signing) at the time of opening. The total range listed in the table under the leasing option includes (a) the initial payment plus (b) 3 monthly lease payments, including the 1st monthly lease payment after lease signing through the 3rd month after opening.

11. Initial Inventory: You must purchase all inventory items we require. This item estimates the cost for an initial supply of these items (excluding the inventory items included in the Startup Package).

12. Miscellaneous Opening Costs: This estimates your costs for marketing materials, brochures, paper and other office supplies.

13. Grand Opening Marketing: We will collaborate with you to develop a grand opening marketing plan for your Salon. You must spend at least $5,000 on grand opening marketing and advertising. Based on your grand opening marketing plan and our assessment of your local market conditions, we may recommend (but not require) that you spend more than the $5,000 minimum.

14. Professional Fees: This includes the estimated fees for professionals you may choose to hire in order to:
    - assist you in reviewing this Disclosure Document and negotiating your Franchise Agreement
    - advise you regarding local laws and regulations applicable to your Salon
    - form a business entity
    - set up your books, records and accounts
    - develop a business plan and budget for the development and operation of your Salon

    These services are optional but highly recommended.

15. Insurance: This estimate includes 3 months of insurance premium. Item 8 includes a description of the insurance policies you must purchase and maintain.

16. Additional Funds: This estimates your expenses during the first 3 months of operation, including: rent ($1,800 to $8,000 per month); payroll costs (excluding any wage or salary paid to you); marketing and advertising expenses; technology fees ($100 to $180 per month); third-party software fees ($200 to $250 per month); bookkeeping fees ($400 to $600 per month); payroll processing fees ($150 to $200 per month); inventory replenishment costs; utilities; and other miscellaneous expenses and required working capital. Your initial 3 months of insurance premium and lease payments for equipment (if you choose to lease the equipment) are separately stated in the table above. These figures are estimates based on the experience of: (a) our Chief Executive Officer in developing, opening and operating company-owned Salons in Southern California; and (b) our franchisees in developing, opening and operating franchised Salons.

17. Budget and Initial Investment Report: We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your

Salon. Within 60 days after your opening date, you must send us a report, in the form we designate, listing the expenses you incur to develop and open your Salon. We may use this data to update the initial investment estimate in future versions of our Franchise Disclosure Document.

18. Development Fee: Item 5 discusses how the development fee is calculated. This initial investment estimate assumes you commit to develop either 3 Salons (low estimate) or 5 Salons (high estimate). If you purchase the right to develop more than 5 Salons, your development fee will increase. This estimate does not include your costs to develop any Salon other than the first Salon you develop under the ADA.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source-Restricted Purchases and Leases - Generally

You must purchase or lease certain source-restricted goods and services for the development and operation of your Salon. "Source-restricted" means the good or service must meet our specifications or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). The Manual includes our specifications and supplier list. We notify you of changes to our specifications and suppliers by email, updates to the Manual or other means of communication.

Supplier Criteria

Our criteria for evaluating suppliers include standards for: (a) quality, performance, design, appearance and price of the product or service; and (b) dependability, production capabilities, reputation and financial strength of the supplier. Upon request, we will provide you with any objective specifications pertaining to our evaluation of a supplier or product, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you wish to purchase or lease a source-restricted item from a non-approved supplier, you must send us: (a) a written request for approval; (b) product samples for testing purposes; and (c) all additional information we request. The supplier must agree to comply with our minimum insurance, indemnification and confidentiality requirements for system suppliers and allow us to periodically inspect their facility. We may also require that the supplier sign a license agreement with us if the products will bear our Marks. We will notify you of our decision within 30 days after we receive all required information and product samples. We may periodically reinspect approved products and suppliers and revoke our approval if a product or supplier fails to meet our then-current criteria. You must reimburse all costs we incur to evaluate products and suppliers you propose.

Current Source-Restricted Purchases and Leases

We estimate nearly 95% of the total purchases and leases to establish your Salon and 85% of ongoing operating expenses will consist of source-restricted goods or services, as further described below.

Lease

We do not review the terms of your lease. However, if you lease the premises for your Salon, you must use best efforts to ensure your landlord signs the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C".

Design and Construction Services

You must hire an architect to prepare initial design plans and detailed construction plans for the construction of your Salon. We must approve all plans before constructions begins. Once approved, you must construct and equip your Salon according to the approved plans and the specifications in the Manual. Your architect and general contractor must be appropriately licensed and bonded to the extent required by applicable law. We may require that you utilize an architect that we designate or approve.

Fixtures, Furnishings and Décor

All fixtures, furnishings and décor must meet our standards and specifications and must be purchased from suppliers we designate or approve.

Equipment

You must purchase certain operating equipment that meets our standards and specifications, including tanning beds, spa equipment, bodywraps and various other equipment. Certain operating equipment must be purchased from approved or designated suppliers while other operating equipment may be purchased from any supplier of your choosing. You must purchase FIT Bodywrap® exclusively from FDTC.

Technology Systems

Your Technology Systems (including hardware, software, equipment, software applications, mobile apps and similar items) must meet our standards and specifications. Certain components of your Technology Systems must be purchased from approved or designated suppliers while other components may be purchased from any supplier of your choosing. We may also require that certain services relating to the establishment, use, maintenance, monitoring, security or improvement of your Technology Systems be purchased from approved or designated suppliers. We currently require you to license the Helios point-of-sale system from a designated supplier. You must also license certain software that we designate.

Signage

All exterior signage must meet our standards and specifications and be purchased from suppliers we designate or approve.

Inventory

All inventory must meet our standards and specifications. You must purchase these items only from approved or designated suppliers. You may not utilize or sell any inventory items we have not approved. We currently require that you purchase your supply of TANOLOGY® and BRONZE LUMINESSENCE™ skincare products and CALIFORNIA SPA® Ageless Serum exclusively from our affiliates.

Payroll Services

You must contract with the supplier of payroll services that we designate.

Bookkeeping Services

You must contract with a bookkeeping supplier that we designate or approve.

Marketing Materials and Services

All marketing materials must comply with our brand standards and other requirements. We must approve your marketing materials prior to use. You must purchase branded marketing materials only from us or other suppliers we designate or approve. We may require that you contract with and utilize a company we designate to: (a) develop and/or implement your grand opening marketing campaign; and/or (b) manage your social media.

Insurance Policies

You must obtain the insurance coverage we require (whether in the Franchise Agreement or the Manual) from licensed insurance carriers rated A or better by Alfred M. Best & Company, Inc., including the following:

Policy Type	Minimum Coverage
"All risk" Property Insurance	Replacement Value
General Liability Insurance	$1,000,000 per occurrence and $2,000,000 in the aggregate
Product Liability and Personal Injury Insurance	$1,000,000 per occurrence and $2,000,000 in the aggregate
Automobile Liability Insurance	$1,000,000 per occurrence
Business Interruption Insurance	At least 12 months' coverage
Employer's Liability Insurance	As required by law
Worker's Compensation Insurance	As required by law
Landlord-Required Insurance	As required by lease

The required coverage and policies are subject to change. Each policy must be endorsed to: (a) name us and our owners, officers and directors as additional insureds; (b) waive all subrogation rights against us; and (c) provide us with 30 days' prior written notice of the termination, expiration, cancellation or modification of the policy.

Purchase Agreements

We attempt to negotiate purchase agreements with suppliers, including favorable pricing terms, for the benefit of franchisees. As of the date of this Disclosure Document, we have negotiated purchase agreements (including pricing terms) with suppliers for FIT Bodywraps®, tanning lamps, teeth whitening trays and take-home whitening pens. We may also purchase items in bulk and resell them to you at our cost plus a reasonable markup. Currently there are no purchasing cooperatives but we may establish them in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing we negotiate.

Franchisor Revenue from Source-Restricted Purchases

We do not currently serve as an approved or designated supplier, but we may do so in the future. Our affiliate, FDTC, is the exclusive supplier for FIT Bodywraps®. Our affiliate, Evolv, is the exclusive supplier for all TANOLOGY® and BRONZE LUMINESSENCE™ skincare products and CALIFORNIA SPA® Ageless Serum, as well as certain branded supplies, such as name tags, bed tents, EverSun™ tote bags and key tags. FDTC and Evolv may also sell these products to the public and other retailers through other channels of distribution, although EverSun™ franchisees enjoy discounted pricing not generally available to other purchasers of these products. We may designate ourselves and our affiliates as approved or designated suppliers for other goods and services in the future. We and our affiliates may generate a profit from these purchases. Except for FDTC and Evolv, no person affiliated with us is currently an approved (or the only approved) supplier. Our Chief Executive Officer owns an interest in us (the franchisor) as well as FDTC and Evolv. There are no other approved or designated suppliers in which any of our officers own an interest.

As of the issuance date of this Disclosure Document, we do not have any relationships with suppliers that involve rebates, payments or other material benefits based upon franchisee purchase or leases. However, we may establish these relationships in the future. If we receive rebates from suppliers based on franchisee purchases, we will either: (a) pass these amounts through to each Salon that purchased from the supplier in proportion to that Salon's total purchases as compared to all other Salons' total purchases; or (b) deposit these amounts into the Brand Fund.

Our total revenue during the fiscal year ended December 31, 2024 was $908,351. During that year, we generated $32,676 in revenue as a result of franchisee purchases or leases (consisting of technology fees and EFT service fees), which represents 3.6% of our total revenue for the year.

During the fiscal year ended December 31, 2024: (a) FDTC generated $41,372.45 in revenue as a result of franchisee purchases or leases; and (b) Evolv generated $101,947.43 in revenue as a result of franchisee purchases or leases. The source of this information is internal financial accounting maintained on QuickBooks.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement (FA), Area Development Agreement (ADA) and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA: 7.1 & 7.2 ADA: 5.1	Item 7 & Item 11
b. Pre-opening purchases/leases	FA: 6.2, 7.3, 11.7 & 15.1 ADA: Not Applicable	Item 5, Item 7, Item 8 & Item 11
c. Site development and other pre-opening requirements	FA: 7.3 & 7.4 ADA: 5.1 & 5.2	Item 6, Item 7 & Item 11

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
d. Initial and ongoing training	FA: 5 ADA: Not Applicable	Item 6 & Item 11
e. Opening	FA: 7.4 ADA: 4	Item 11
f. Fees	FA: 4.2, 5.4, 5.5, 7.5, 8.4, 10, 11.7, 11.9, 11.11, 11.15, 11.16, 13, 16, 19.2 & 21.3 ADA: 5.3, 6 & 8.2	Item 5 & Item 6
g. Compliance with standards and policies/Operating Manual	FA: 6.1, 7.1, 7.3, 10.3, 11 & 17.1 ADA: 5.1 & 5.2	Item 11
h. Trademarks and proprietary information	FA: 17 ADA: 2	Item 13 & Item 14
i. Restrictions on products/services offered	FA: 11.3 ADA: Not Applicable	Item 16
j. Warranty and client service requirements	FA: 11.14 ADA: Not Applicable	Not Applicable
k. Territorial development and sales quotas	FA: Not Applicable ADA: 4	Item 12
l. Ongoing product/service purchases	FA: 6.2, 6.7 & 11.7 ADA: Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	FA: 11.8 & 11.10 ADA: Not Applicable	Item 11
n. Insurance	FA: 15.1 ADA: Not Applicable	Item 7 & Item 8
o. Advertising	FA: 10 ADA: Not Applicable	Item 6, Item 7 & Item 11
p. Indemnification	FA: 18 ADA: Not Applicable	Item 6
q. Owner's participation/management/ staffing	FA: 8 ADA: Not Applicable	Item 11 & Item 15
r. Records/reports	FA: 15.2 & 15.3 ADA: Not Applicable	Item 6
s. Inspections/audits	FA: 16 ADA: Not Applicable	Item 6 & Item 11
t. Transfer	FA: 19 ADA: 8	Item 17
u. Renewal	FA: 4 ADA: Not Applicable	Item 17
v. Post termination obligations	FA: 21 ADA: Not Applicable	Item 17
w. Non-competition covenants	FA: 14 ADA: Not Applicable	Item 17
x. Dispute resolution	FA: 22 ADA: 11	Item 17

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	FA: 9 & ATTACHMENT "D" ADA: 7	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

Except as listed below, we are not required to provide you with any assistance.

Before you open your Salon, we will:

1. Provide access to our Manual which will help you establish and operate your Salon. The Manual includes 392 pages. The Table of Contents is attached as EXHIBIT "E". (§6.1, 11.2 & 24.8)
2. Evaluate sites you propose for your Salon, as discussed below under "Site Selection". (§7.1)
3. Provide our written specifications for goods and services you must purchase to develop, equip and operate your Salon and a list of suppliers. (§11.2)
4. Cause our affiliate to sell, and deliver to you, all of the items included within our designated Startup Package. Neither we nor our affiliate deliver or install any other items that you purchase. (§6.2)
5. Provide an initial supply of marketing materials, as discussed below under "Advertising and Marketing". (§10.2)
6. Assist you in developing a marketing plan for your Salon, including a grand opening marketing plan, as discussed below under "Advertising and Marketing". (§10.2)
7. Evaluate the design and buildout of your Salon, as discussed below under "Site Development". (§7.3 & 7.4)
8. Provide an initial training program, as discussed below under "Training Program". (§5.1)
9. Send a representative to your Salon to provide approximately 5 days of onsite training and assist you with the opening of your Salon. (§5.1)

During the operation of your Salon, we will:

1. Provide our guidance and recommendations to improve the operation of your Salon. (§6.3)
2. Provide periodic training programs, as discussed below under "Training Program". (§5.2)
3. Maintain a corporate website to promote our brand and a local webpage to promote your Salon, as discussed below under "Advertising and Marketing". (§6.6 & 10.3)
4. Establish and implement the Brand Fund, as discussed below under "Advertising and Marketing". (§10.1)
5. Provide you with our suggested retail pricing. You may deviate from our suggested retail pricing at your discretion. However, you must obtain our approval of any deviation more than 5% higher or lower than our suggested retail pricing, unless the pricing is part of a temporary advertising campaign we approved. To the extent permitted by applicable law, we may set maximum or minimum prices, or specify the prices, on the goods and services you sell, including limited time promotional pricing. (§11.5)

During the operation of your Salon, we may, but need not:

1. Conduct periodic field visits to provide onsite consultation, assistance and guidance pertaining to the operation and management of the Salon. (§6.4)

2. Develop new retail products, merchandise or other goods or services that you may offer and sell. (§6.8)

3. Negotiate purchase agreements with suppliers to obtain favorable pricing. We may also purchase items in bulk and resell them to you at our cost plus shipping and a reasonable markup. (§6.7)

4. Host periodic conferences to discuss relevant business and operational issues such as industry changes or new services, products, technology or marketing strategies. (§5.5)

5. Create a franchise advisory council, as discussed below under "Advisory Council". (§12)

6. Provide additional training or assistance you request, as discussed below under "Training Program". (§5.2)

We do not provide area developers with any support under their ADA.

Training Program (§5)

Initial Training Program

We will provide an initial training program for the Managing Owner and your initial general managers. You may send other owners to initial training, but it is not required. Your Managing Owner must successfully complete initial training to our satisfaction at least 2 weeks before your Salon opens.

Our initial training program currently includes: (a) 2 to 4 weeks of self-paced remotely conducted training that is conducted in separate 2 stages; (b) 5 days of hands-on training conducted at a designated training facility in San Diego, California; and (c) 5 days of onsite training and assistance conducted at your Salon at the time you open.

1. Remote Training – Stage 1: Stage 1 of remote training consists of online core operational curriculum administered through EverSun University, which is accessed through LMS. This is a self-paced program that is expected to take 1 to 2 weeks to complete. This training will be supplemented with 12 hours of live virtual training sessions conducted remotely by our Franchise Business Coach using MS Teams (or any other virtual platform we designate).

2. Hands-On Training – San Diego: After the trainees have successfully completed stage 1 of remote training, they must attend and successfully complete 5 days of hands-on practice and training that takes place at a designated training facility in San Diego, California. Our current designated training facility is a franchised Salon located in San Diego, California. We may change the training facility at any time. Hands-on training typically occurs 1 month prior to opening, although we reserve the right to change the timing.

3. Remote Training – Stage 2: Stage 2 of remote training includes online management and franchise owner training courses conducted through EverSun University. This training will also be supplemented with 12 hours of live virtual coaching sessions conducted remotely by our Franchise Business Coach using MS Teams (or any other virtual platform we designate). Remote training conducted via LMS will be monitored through a training reports system. Stage 2 training typically begins after completion of hands-on training in San Diego, although we reserve the right to adjust the order of training at our discretion.

4. Onsite Training: Onsite training includes approximately 5 days of training that takes place at your Salon immediately prior to and through your opening date. Onsite training is an informal training program where our designated trainer will monitor your operations and assist you with the opening of your Salon.

The format for training may include lectures, interactive role playing, conference calls and/or webinars. We reserve the right to conduct all (or any portion) of the training program remotely via webinar, conference call or similar means. The training materials consist of virtual presentations, user manuals, directions, videos and a series of quizzes and tests. We do not charge you for any of our training materials.

We can modify the training program at our discretion based on our subjective assessment of the skills, abilities and prior experience of your Managing Owner and management personnel. Currently, we intend to offer initial training on a quarterly basis, assuming sufficient demand. Initial training currently consists of the following:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Orientation Call Review The Franchise Manual	2	0	Teams
Introduction to EverSun™	1	0	LMS
Basic Salon Operations	3	0	LMS
Introduction to Services and Equipment	3	0	LMS
Training with Business Coach	16	0	Teams
POS System	3	0	LMS
Products and Services	5	0	LMS
Sales	4	0	LMS
Customer Service	3	0	LMS
Membership Maintenance	2	0	LMS
Salon Maintenance	4	0	LMS
In-Person Training	0	40	San Diego, California
Team Training	3	0	LMS
Team Management	4	0	LMS
Brand Experience	4	0	LMS
Management Reports and POS	5	0	LMS
Inventory Management	3	0	LMS
Inventory Planning	3	0	Teams
Goal Setting	3	0	LMS
Local Salon Marketing	2	0	LMS
Salon Success Planning with Business Coach	3	0	Teams
Franchise Reporting Requirements	1	0	LMS
Accounting and Record Keeping	2	0	LMS
Franchisee Compliance	1	0	LMS
Team evaluation	0	8	Franchisee Salon, TBD
Pre-opening Training	0	16	Franchisee Salon, TBD
Post-Opening Training and Support	0	16	Franchisee Salon, TBD
Totals	**80**	**80**	

Ongoing Training Programs

From time to time, we may require that your Managing Owner and general managers attend system-wide refresher or supplemental training courses. Any new Managing Owner you appoint or general manager you hire must successfully complete initial training before assuming responsibility for the management of your Salon. After successfully completing initial training, your Managing Owner may provide initial training for new general managers you hire. However we may, for good cause, revoke the Managing Owner's right to train general managers. If we inspect your Salon and determine you are not operating in compliance with the Franchise Agreement and the Manual, we may require that your Managing Owner and general managers attend remedial training relevant to the operational deficiencies we observed. You may also request that we provide additional training. We are not required to provide additional training you request.

Instructors

Our current instructors include Faraje Kharsa and Paizlyn Rogers.

Faraje is our founder and Chief Executive Officer. He has been involved with EverSun™ since 2001 when he opened the first Salon in San Diego, California. Faraje may provide instruction on all topics. He has 24 years of experience in the field.

Paizlyn is our Franchise Business Coach. She has been involved with EverSun™ since January 2019 when she joined Urban Sun Tan, LLC (an EverSun™ franchisee) as their Training Director/Operations Specialist. She joined our corporate team in October 2022 as our Franchise Business Coach. She has worked in the tanning salon industry for over 11 years. Her responsibilities have included opening new salons and training and developing team members.

We reserve the right to change add or replace instructors at any time.

Training Fees and Costs

We provide our preopening initial training program at no additional charge. We charge an initial training fee of $1,500 for each person you send to initial training after your Salon opens. We do not charge training fees for system-wide refresher or supplemental training courses. We may charge a training fee of up to $300 per person per day for each person who attends: (a) retraining (after failing a prior attempt); (b) remedial training; or (c) additional training you request. If we provide onsite training or assistance, you must also reimburse all Travel Expenses we incur (this reimbursement obligation does not apply to any onsite initial training we conduct before you open). You are responsible for all wages and Travel Expenses that you and your trainees incur for training.

Site Selection (§7.1 & 7.2)

A typical Salon is 1,500 to 2,000 square feet (1,700 square feet is recommended) with 10 to 15 rooms. Salons are generally located in strip centers, preferably in close proximity to tenants that generate significant traffic including gyms, grocery stores, hair and nail salons, dry cleaners, coffee shops, etc. Salons should be highly visible, easily accessible and located on the ground floor with direct access from parking.

We do not select the site for your Salon and we do not purchase the premises and lease it to you. You must identify and obtain our approval of the site for your Salon within 90 days after signing the Franchise Agreement. We may terminate your Franchise Agreement if you fail to meet this deadline or if we cannot agree on a site.

Your Salon must be located within the Site Selection Area identified in Part C of ATTACHMENT "A" to the Franchise Agreement and conform to our minimum site selection criteria. You must send us a complete site report that includes all information we require about your proposed site. We try to approve or disapprove sites within 30 days after we receive the required materials. Your site is deemed disapproved if we fail to issue our written approval within the 30-day period. We consider the following factors when reviewing proposed sites:

- general location, visibility, size, condition and characteristics of the building
- parking and accessibility
- traffic counts and patterns
- existence and location of competitive businesses and anchor tenants / traffic generators
- general character of the neighborhood, local demographic data and economic indicators
- Lease Addendum terms

If we approve your site before signing the Franchise Agreement, we will list the address in Part D of ATTACHMENT "A" to the Franchise Agreement. Otherwise, we will list the address of your approved site in a Site Approval Notice that we send to you after approving your site. If you sign an ADA, we must approve the site for each Salon you develop applying our then-current site selection criteria.

We do not review the terms of your lease. If you lease the premises for your Salon, you must use best efforts to cause your landlord to sign the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C". The Lease Addendum is designed to protect our interests. If your landlord refuses to sign the Lease Addendum

in substantially the form attached to the Franchise Agreement, we may either (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord) or (b) require you to find a new site for your Salon. You and the landlord must sign the lease and Lease Addendum within 60 days after we approve your site.

Site Development (§7.3 & 11.10)

The Manual includes our standards and specifications for the design, layout, equipping and trade dress for a Salon. You must hire a licensed and bonded architect to prepare initial design plans for the construction of your Salon and leasehold improvements. We must approve the initial design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans that: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all federal, state and local ordinances, building codes, permits and lease requirements and restrictions applicable to the premises. You must submit the final construction plans to us for approval. Once approved, you must construct and equip your Salon according to the approved construction plans and the requirements of the Manual. You must purchase (or lease) and install the Technology Systems, equipment, fixtures, signs and other items we require.

You must remodel and make all improvements and alterations to your Salon that we reasonably require from time to time to reflect our then-current standards and specifications. We will not require that you spend more than $65,000 on remodeling your Salon (remodeling does not include changing equipment) during any 5-year period. However, there is no limitation on the cost of any remodeling we require as a condition to a Transfer or renewal of your franchise. You may not remodel or significantly alter your premises without our prior approval.

Opening Requirements (§7.4)

We expect most franchisees will open 6 to 12 months after signing the Franchise Agreement (Conversion Salons typically open sooner). Factors that may affect this time include:

- the amount of time needed to find an approved site
- protracted lease negotiations with your landlord
- the amount of time needed to secure financing, insurance, licenses and permits
- the condition of your building and extent of required upgrades, remodeling and renovations
- construction delays due to labor or materials shortages, inclement weather or other reasons
- delayed delivery or installation of equipment and fixtures
- the amount of time needed to comply with zoning requirements and other laws and regulations
- the amount of time needed to complete training
- the amount of time needed to hire and train your staff

Advertising and Marketing (§10)

You must participate at your own expense in all advertising, promotional and marketing programs we require. We provide the advertising and marketing support discussed below.

Our company-owned Stores (if any) are required to pay brand fund fees and cooperative advertising fees on the same basis as franchisees. We have no further obligation to expend our own funds on marketing and advertising in your area. There is currently no franchisee advertising council that advises us on marketing and advertising matters.

Our Advertising Obligations

We provide reasonable marketing consulting, guidance and support throughout the franchise term on an "as-needed" basis. Before you open, we will: (a) assist you in developing a marketing plan for your Salon, including a grand opening marketing plan; and (b) provide you with an initial supply of approved promotional materials, which you may replicate and modify with our prior approval.

We may periodically create advertising and marketing materials for your use. We may: (a) use the Brand Fund

to pay for the creation and distribution of these materials, in which case there will be no additional charge; (b) provide online access to these materials, in which case you must print the materials at your expense; or (c) contract with third-party suppliers to create advertising or marketing materials that you may purchase.

Grand Opening Marketing

You must spend at least $5,000 on grand opening marketing activities. Based on your grand opening marketing plan and our assessment of your local market conditions, we may recommend (but not require) that you spend more than the $5,000 minimum.

Ongoing Local Marketing By You

Commencing with your opening date, you must spend an amount equal to or greater than the Local Marketing Commitment (which is 2% of Gross Sales) on local advertising each month. We may increase your Local Marketing Commitment up to a maximum of 3.5% of Gross Sales on 30 days' notice. Brand fund fees and grand opening marketing expenditures are in addition to, and not credited towards, your Local Marketing Commitment. You may develop your own advertising and marketing materials and programs, provided we approve them in advance. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved.

Websites, Social Media and Digital Advertising

We will maintain a corporate website to promote our brand. We will also create and host a local webpage to promote your Salon, which will be linked to our corporate website. Your webpage will list certain information about your Salon, such as address, contact information and hours of operation. We can modify or discontinue our website and/or your local webpage at any time.

Except for the webpage we provide, you may not: (a) develop, host, or otherwise maintain a website or other digital presence relating to your Salon (including any website bearing any of our Marks); (b) utilize the Internet to conduct digital or online advertising; or (c) engage in ecommerce.

We will set up an Instagram account (which we will own) for your Salon. You must regularly post content in accordance with our guidelines and regulations, including the following:

- you must strictly comply with our social media policy, as revised from time to time
- we must approve all content prior to posting (you must immediately remove any post we disapprove)
- you must, upon our request, contract with and utilize a social media company we designate

Except as discussed above with respect to your Salon's Instagram account, we retain complete control over all social media accounts.

Gift Card, Loyalty and Membership Programs

You must fully participate in any gift card, loyalty or membership program we implement in accordance with our policies and procedures. In order to participate, you may be required to purchase additional equipment, software and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. We have the right to determine how membership fees and proceeds from gift card sales are divided or otherwise accounted for and we may retain proceeds from unredeemed gift cards. We may require that all Salons operate under a membership model, in which case your Salon must honor memberships and the associated benefits and privileges even if the member purchased their membership from another Salon. We may establish policies and procedures for the transfer of membership accounts between Salons.

Advertising Cooperatives

We may, but need not, establish regional advertising cooperatives for purposes of pooling advertising funds to be used in discrete regions. We will determine the boundaries of the cooperative. In most instances, the boundaries will coincide with zip codes, designated marketing areas or municipal boundaries. We will specify the manner in which the cooperative is organized and governed. We may choose between: (a) administering the cooperative ourselves; or (b) establishing an advertising council, comprised by the cooperative's members, to

administer the cooperative. We may require that the cooperative be administered in accordance with written bylaws, organizational documents or other governing documents that we approve.

If your Store is located within a region subject to an advertising cooperative you must: (a) participate in the cooperative according to its rules and procedures and abide by its decisions; and (b) pay a cooperative advertising fee. We may set the minimum cooperative advertising fee or we may allow the cooperative to set the fee based on majority vote of its members. In either case, the cooperative advertising fee will not exceed the amount of your Local Marketing Commitment. All cooperative advertising fees you pay are credited against your Local Marketing Commitment. Any company-owned Store located in the cooperative will contribute on the same basis as franchisees.

Advertising cooperatives are not required to prepare annual or periodic financial statements. Any financial statements that are prepared will be made available to you upon request. We reserve the right to form, change, merge or terminate advertising cooperatives at any time. There were no advertising cooperatives in effect as of December 31, 2024.

Brand and System Development Fund

We administer the Brand Fund to promote public awareness of our brand and improve our System. We may use the Brand Fund to pay for any of the following in our discretion:

- developing, distributing or administering advertising and marketing materials and programs
- conducting and administering promotions, contests or giveaways
- public and consumer relations and publicity
- brand development
- sponsorships and charitable and nonprofit donations and events
- research and development of technology, products and services
- website development and search engine optimization
- development, maintenance and promotion of an ecommerce platform
- development and implementation of quality control programs
- conducting market research
- changes and improvements to the System
- fees and expenses charged by advertising agencies we engage to provide marketing services
- collecting and accounting for brand fund fees and preparing financial accountings of the Brand Fund
- legal fees to defend claims brought against you and/or the fund based on fund expenditures or activities
- any other programs or activities we deem appropriate to promote or improve the System reimbursing us for administrative, overhead and other expenses we incur to administer the Brand Fund, including compensation paid to our personnel for time spent working on Brand Fund matters

We direct and have complete control and discretion over all advertising programs paid for by the Brand Fund, including the creative concepts, content, materials, endorsements, frequency, placement and media used for the programs. Advertising may be local, regional or national in coverage and utilize any media we deem appropriate, including digital, print, television, radio and billboard. The Brand Fund will not be used to pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as “franchises available” and one or more pages on our website may promote the franchise opportunity.

You must pay the brand fund fee we specify from time to time (not to exceed 2% of Gross Sales). We deposit all brand fund fees and noncompliance fees into the Brand Fund. Company-owned Salons contribute to the Brand Fund on the same basis as franchisees. However, if we modify the amount or timing of required contributions, any company-owned Salon established or acquired after the modification may contribute to the Brand Fund utilizing the modified amount or timing. All monies deposited into the Brand Fund that are not used in the fiscal

year in which they accrue will be utilized in the following fiscal year. Any surplus of monies may be invested and we may lend money if there is a deficit. An unaudited financial accounting of Brand Fund contributions and expenditures will be prepared annually and made available to you upon request. During the fiscal year ended December 31, 2024 we spent the marketing funds in the following manner:

Allocation of Marketing Expenditures (2024)				
Use of Funds	**Production**	**Media Placement**	**Administrative Expenses**	**Other***
Percentage Allocation	5.3%	76.3%	18.4%	0%

The Brand Fund is not a trust. We have no fiduciary obligations or liability to you with respect to our administration of the Brand Fund. Once established, we may discontinue the Brand Fund on 30 days' notice.

Advisory Council (§12)

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions in good faith, but would not be bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a member of the council as long as you comply with your Franchise Agreement and do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Any company-owned Salon would also be a member of the council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We have the power to form, change or dissolve the advisory council in our discretion.

Computer System (§11.7, 11.8, 11.9, 15.3 & 16.1)

You must purchase and use all Technology Systems we designate, including the following computer and point-of-sale system:

- 1 late model PC computer with current Pro version of Microsoft Windows
- 1 all-in-one printer/fax/copy/scanning machine
- Microsoft Office 365 with SharePoint
- Adobe Acrobat Reader
- QuickBooks Online Plus
- Helios 12 point-of-sale system with 2 terminals

You must have high-speed Internet access. Our Learning Management System (LMS) houses all of our EverSun University training materials. We may change the components of the Technology Systems from time to time, including your computer system.

The computer system will generally be used to prepare reports, print advertising and marketing materials and communicate with us through e-mail. You will use Microsoft 365 to access email as well as the most current Operations Manual and EverSun University materials on the LMS platform. We may also use Microsoft 365 as an online collaborative area where we may upload and share marketing ideas, Local Store Marketing (LSM) tools, order forms, contact listings, monthly sales data, etc. You will use LMS to access EverSun University materials. You will use QuickBooks Online Plus to perform accounting functions.

The point-of-sale system will generally be used to record and report sales, track employee hours and performance information, track commissions, host a customer information database and perform certain marketing functions. It will also interface with the tanning beds to ensure that the sales are recorded and to verify customer identification information based on fingerprint records (i.e., to ensure a customer who purchased a membership does not send another person to receive the service).

We provide you EverSun™ email addresses and accounts, the cost of which is covered by the technology fee.

You must exclusively use the email addresses we provide for all communications with us, customers, suppliers and other persons relating to your Salon. You may not use them for any purpose unrelated to your Salon. We will own the email addresses and accounts but allow you to use them during the term of your Franchise Agreement.

Collection and Sharing of Data

Microsoft 365 will generate and store operational updates and monthly sales data. It will also store working documents, such as spreadsheets, reports, word documents, presentations, etc. Your point-of-sale system will store data about your customers (including name, address, contact information, membership data and purchase history), employees (including hours worked and performance data) and operations (including sales and expense data). QuickBooks Online Plus will store accounting data. We have independent unlimited access to all of this data and there are no contractual limits imposed on our access. Currently, we do not have independent access to any other data entered into your computer system (i.e., data that is not entered into or stored through Microsoft 365), but we may inspect your computer system and access this data during an inspection.

Fees and Costs

We estimate the initial cost (including any upfront license fees, setup fees, software training fees, data migration fees, etc.) to purchase your computer system and point-of-sale system will range from $5,000 to $7,000. As further detailed in Item 6, you must pay us a technology fee for certain software, technology and related services that we provide. The table below identifies the ongoing fees and costs you must pay for the software, technology, Apps, subscriptions and related services (including the software, technology and related services covered by the technology fee):

COMPUTER SYSTEM – ONGOING FEES AND COSTS			
Item	**Fee (Monthly)**	**Fee (Annual)**	**To Whom Paid?**
SQL & Dashboard (included in technology fee)	$30	$360	Us
LMS	$50	$600	Us
Microsoft 365 License Fee* (included in technology fee)	$4, $10 or $23 (per user license per month)	$48, $120 or $276 (per user license per month)	Us
Helios Monthly Fee	$100	$1,200	Third-Party Licensor
QuickBooks Online Plus	$99	$1,188	Third-Party Licensor

* The user license fee varies depending on the desired level of access. We collect these fees and remit them to the third-party licensor. We do not mark up or retain any portion of these fees. We may require you to obtain up to 5 separate user licenses, in which case the total user license fees may range from $20 per month ($240 per year) to $115 per month ($1,380 per year).

Maintenance, Support, Updates and Upgrades

In exchange for the monthly fees listed above: (a) Microsoft will provide all maintenance, repairs, upgrades and updates for Microsoft 365; (b) Helios will provide ongoing support and maintenance for your point-of-sale system; and (c) the licensor of QuickBooks Online will provide required maintenance and updates for QuickBooks Online Plus.

Except as otherwise disclosed above: (a) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (b) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

Computer System Maintenance and Changes

You must maintain the computer and point-of-sale system in good condition. We may require you to upgrade, update or change your computer and point-of sale system to conform to our then-current specifications. There

are no contractual limitations on the frequency or cost of these updates, upgrades or changes.

ITEM 12 TERRITORY

You will not receive an exclusive territory or development 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.

Location of Your Salon

Each Franchise Agreement grants you the right to operate one Salon from a site we approve. You must identify a site for your Salon within the Site Selection Area described in your Franchise Agreement.

You may relocate your Salon with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) obtain our approval of the new site for your Salon within the Site Selection Area (but outside any territory granted or reserved to us, our affiliate or any other franchisee); (b) comply with our then-current site selection and development requirements; (c) remove trade dress and alter the premises of the closed (i.e., former) Salon to eliminate any resemblance to an EverSun™ Salon; (d) pay us a $2,500 relocation fee at the time we approve your request to relocate; and (e) open your Salon at the new site and resume operations within 30 days* after closing your Salon at the former site. We may also require that you conduct another grand opening marketing campaign to promote the opening of your Salon at the new site.

* If your Salon is destroyed, condemned or otherwise rendered unusable due to the physical condition of the premises, then you must reopen at the new site by the earlier of: (a) the 180th day after we approve the site for your relocated Salon; or (b) the first (1st) anniversary of your Salon's closure date at the former site.

Description of Territory (Franchise Agreement)

We will grant you a territory with a minimum population of 50,000. If we approve your site before you sign the Franchise Agreement, we will identify your territory in Part E of ATTACHMENT "A" to your Franchise Agreement. Otherwise, we will identify your territory in the Site Approval Notice we send to you after approving your site. We have no obligation to modify your territory based on population changes during the term of the Franchise Agreement. Upon renewal, we reserve the right to modify your territory in accordance with our then-current territory guidelines and criteria.

Description of Development Territory (ADA)

If you acquire area development rights, we will identify the boundaries of your development territory in Part D of ATTACHMENT "A" to your ADA. A development territory typically consists of a geographic area that coincides with the boundaries of a municipality, such as a city, county or state. However, we may define a development territory in any other manner we deem appropriate, such as by map, zip codes, designated market areas, etc. There is no specific minimum or maximum size for a development territory. In determining the size of your development territory, we primarily consider the number of Salons you commit to develop.

You must sign a separate Franchise Agreement for each Salon you develop. All Salons you develop must be located in your development territory. We must approve the site for each Salon you develop under our then-current site selection criteria. We send you a complete execution copy of the ADA that includes your development territory, development fee and development schedule at least 7 days before you sign it.

Territorial Protections and Limitations

During the term of your Franchise Agreement we will not develop or operate, or license a third party to develop or operate, a Salon using our Marks that is located in your territory except as otherwise permitted below with respect to Acquisitions (defined below).

During the term of the ADA we will not develop or operate, or license a third party to develop or operate, a Salon using our Marks that is located in your development territory other than: (a) any Salon that is located in your development territory as of the date you sign the ADA (either open, under construction or for which a Franchise Agreement has been signed); and (b) as otherwise permitted below with respect to Acquisitions.

We reserve the right to acquire, or be acquired by, another business or chain that may sell competitive or identical goods or services, and those businesses may be converted into Salons operating under the Marks regardless of their location (an "Acquisition"). Any such acquired or converted businesses may be located within your territory and development territory, if applicable.

Alternative Channels of Distribution

We reserve the right to sell, and license others to sell, competitive or identical goods and services (either under the Marks or different trademarks) through Alternative Channels of Distribution, including within your territory and development territory, if applicable. An "Alternative Channel of Distribution" means any channel of distribution other than retail sales made to customers while present at a Salon. Examples of Alternative Channels of Distribution include:

- sales through direct marketing, such as over the Internet or through catalogs or telemarketing
- sales through retail stores that do not operate under the Marks, such as grocery stores, convenience stores, spas and tanning salons (other than spas or tanning salons operating under the Marks)
- sales made at wholesale

You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.

Restrictions on Your Sales and Marketing Activities

You can market and advertise outside of your territory and development territory, if applicable, as long as: (a) you comply with all policies and procedures in the Manual governing extra-territorial marketing; and (b) you do not engage in targeted marketing directed into any territory or development territory assigned to us, our affiliate or another franchisee (unless the marketing is conducted as part of an advertising cooperative that includes the affected territory). Marketing that is distributed, circulated or received both within your territory and within another territory is not considered "targeted marketing" if: (a) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your territory; and (b) the majority of the recipients of the advertising are located within your territory and there is only incidental circulation or distribution within a territory assigned to us, our affiliate or another franchisee. The meaning of "targeted marketing" that is "directed into a territory" may be further defined in the Manual, but examples include direct mail sent to addresses within a given territory, digital advertising sent to devices with IP addresses registered within a given territory and conducting promotional events within a given territory.

You may not market or sell using Alternative Channels of Distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) either within or outside of your territory or development territory, if applicable. Your marketing activities are also subject to the additional restrictions described in Item 11 under the Section entitled "Websites, Social Media and Digital Advertising". You must comply with any minimum advertised pricing policy that we establish from time to time.

There are no other restrictions on your right to solicit customers, whether from inside or outside of your territory or development territory, if applicable.

Minimum Performance Requirements

Your territorial protections under the Franchise Agreement do not depend on achieving a certain sales volume, market penetration or other contingency.

If you sign an ADA and fail to satisfy your development schedule by opening and operating the prescribed number of Salons within the required period of time, we may terminate your ADA and you will lose the territorial protections associated with your development territory.

Additional Franchises and Territories

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises, other than your right and obligation to develop the prescribed number of Salons within your development territory if you sign an ADA.

Competing Businesses Under Different Marks

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered by a Salon. However, we reserve the right to do so in the future.

ITEM 13 TRADEMARKS

Our affiliate, Gold Mark, LLC ("Gold Mark"), registered the following Marks with the United States Patent and Trademark Office (USPTO):

REGISTERED MARKS			
Mark	**Registration Number**	**Registration Date (Renewal Date)**	**Register (Principal or Supplemental)**
ITAN SUN SPRAY SPA	4127583	April 17, 2012 (March 9, 2022)	Principal
iTAN	4368391	July 16, 2013 (March 6, 2023)	Principal
iTAN	7941879	September 9, 2025	Principal
TANOLOGY	5944422	December 24, 2019	Principal
CALIFORNIA SPA	5066263	October 18, 2016 (May 9, 2023)	Supplemental
CALIFORNIA SPA	4721878	April 15, 2015 (December 1, 2020)	Supplemental
CALIFORNIA SPA	7855714	July 8, 2025	Principal
iTAN SOLARIUMS	3567016	January 27, 2009 (March 10, 2018)	Principal

Gold Mark also applied to register the following Marks on the Principal Register of the USPTO:

UNREGISTERED MARKS			
Mark	**Serial Number**	**Application Date**	**Nature of Application (Based on Use or Intent to Use)**
EverSun	98873342	November 26, 2024	Based on Use
EverSun	99413412	September 25, 2025	Based on Use
EverSun Beauty & Wellness	99325289	August 7, 2025	Based on Use
eversun BEAUTY & WELLNESS	99325246	August 7, 2025	Based on Use
eversun	99398611	September 17, 2025	Intent to use
LumiNova	99406677	September 22, 2025	Based on Use
LumiNova	98875471	November 27, 2024	Intent to use
LUMINOVA	99398589	September 17, 2025	Intent to use

We do not have a federal registration for the Marks above. Therefore, these Marks do not have many legal

benefits and rights as a federally registered trademark. If our right to use any of these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits have been filed and Gold Mark intends to file all renewals by the required renewal date.

We may change the trademarks you may use from time to time, including by discontinuing use of the Marks listed in Item 13. If this happens, you must change to the new trademark at your expense (which we estimate could range from $10,000 to $20,000).

You must notify us immediately if you discover an infringing use (or challenge to your use) of the Marks. We will take the action we deem appropriate. We are not required to take any action if we do not feel it is warranted. You may not control any proceeding or litigation involving our Marks.

The Franchise Agreement does not require that we: (a) protect your right to use the Marks; (b) protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (c) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our Marks or if the proceeding is resolved in a manner unfavorable to you.

There are currently no: (a) effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; (b) pending infringements, oppositions or cancellations; (c) pending material litigation matters involving any of the Marks; or (d) infringing uses we are aware of that could materially affect your use of the Marks.

In May of 2008 we entered into an Intellectual Property License Agreement with Gold Mark (the "License Agreement"). Under the terms of the License Agreement, Gold Mark granted us the right to use the Marks in the EverSun™ System and sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms. Gold Mark is permitted to terminate the License Agreement only if we: (a) declare bankruptcy or become insolvent; or (b) consent to the termination. If the License Agreement is terminated, it states all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. No other agreements limit our right to use or sublicense use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise.

Although we have not filed an application for copyright registration for our Manual, website or marketing materials, we do claim a copyright to these items.

During the term of the Franchise Agreement, we allow you to use certain confidential and proprietary information (some of which constitute "trade secrets") relating to the development, marketing and operation of a Salon. Examples include:

- architectural plans, drawings and specifications for a prototype Salon
- site selection criteria
- methods, techniques, policies, procedures, standards and specifications
- supplier lists and information
- marketing and merchandising strategies
- information comprising the System

We own all ideas, improvements, inventions, marketing materials and other concepts you develop relating to a Salon. We also own all operational and customer data relating to your Salon. You must treat this data as confidential. We license you the right to use this data during the term of your Franchise Agreement. You must comply with all applicable data protection laws and our data processing and data privacy policies in the Manual.

We provide access to our confidential information through the Manual, training programs and other periodic support and guidance. You may use this information solely for purposes of developing, marketing and operating your Salon in compliance with the Franchise Agreement and Manual. You may not disclose our confidential

information to anyone other than your employees, on a need-to-know basis, without our prior permission. We consider all information in the Manual to be confidential. All your employees and representatives (other than general managers) must sign the Confidentiality Agreement attached to the Franchise Agreement as ATTACHMENT "G" before you give them access to our confidential information.

You must promptly notify us if you discover an unauthorized use of our proprietary information or copyrighted materials. We are not required to act, but will respond as we deem appropriate. You may not control any proceeding or litigation involving allegations of unauthorized use of our proprietary information or copyrighted materials. We have no obligation to indemnify you for any expenses or damages you incur as a result of any such proceeding or litigation. There are no infringements known to us at this time.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Ownership Participation

You must designate an owner with overall responsibility for the management and operation of your Salon (the "Managing Owner"). The Managing Owner must: (a) be approved by us; (b) successfully complete all training programs we require; (c) dedicate full-time efforts to the Business; and (d) at all times hold at least a 20% ownership interest in the franchise (or the entity that is the franchisee under the Franchise Agreement) unless we waive this requirement. The Managing Owner is not required to provide onsite management of your Salon as long as a trained manager is onsite. Any new Managing Owner you appoint must successfully complete our then-current initial training program before assuming responsibility for the management of your Salon.

We do not require that any of your other owners personally participate in the operation or management of your Business. If you are an entity, each owner (i.e., each person holding a direct or indirect ownership interest in the entity) and the spouse of each owner must sign the Franchise Owner Agreement attached to the Franchise Agreement as ATTACHMENT "D". By signing the Franchise Owner Agreement, the owner (or spouse of the owner) agrees to: (a) comply with all brand protection covenants, covenants that protect our intellectual property and transfer restrictions in the Franchise Agreement; and (b) guarantee the franchisee's financial obligations.

General Managers

You may hire general managers to assist the Managing Owner with onsite management and supervision of the Salon. Any person you hire as a general manager must: (a) be approved by us; (b) successfully complete all training programs we require; and (c) sign the Brand Protection Agreement attached to the Franchise Agreement as ATTACHMENT "F". The Managing Owner must supervise each general manager to ensure the Salon is operated in accordance with the Franchise Agreement and Manual. The Managing Owner and/or a general manager must be present at your Salon at least 40 hours per week. At any time during normal business hours that neither the Managing Owner nor a general manager is onsite, either the Managing Owner or a general manager must be readily accessible by telephone or email. We do not require that your general managers own any equity interest in the franchise.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We must approve all goods and services you sell. You must offer all goods and services we require. You may not sell any goods or services we have disapproved. You must strictly abide by our approved menu and menus system. You must present the menu offerings in the manner we designate. At any time, we may change the goods and services you sell and you must comply with the change. We may require you to participate in a gift card or other customer loyalty program (including utilization of a "membership" model) in accordance with our policies and procedures.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise agreement (FA), Area Development Agreement (ADA) and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
a. Length of franchise term	FA: 1 (definition of Term) & 4.1	Term is equal to 10 years.
	ADA: 1 (definition of Term)	Term expires on the opening date listed in the development schedule for the last Salon you are required to develop.
b. Renewal or extension of the term	FA: 4.1 & 4.2	If you meet our conditions for renewal, you can enter into 2 consecutive successor franchise agreements. Each renewal term will be 5 years. The parties may mutually agree to further renewals but neither party is obligated to do so (subject to state law).
	ADA: Not Applicable	No renewal rights. Parties must enter into a new area development agreement in order to grant you additional development rights.
c. Requirements for you to renew or extend	FA: 4.1 & 4.2	You must: not be in default; give us timely notice; sign then-current form of franchise agreement; sign general release (subject to state law); pay renewal fee; remodel Salon and upgrade furniture, fixtures and equipment to current standards; and extend lease term. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
	ADA: Not Applicable	No renewal rights. Parties must enter into a new area development agreement in order to grant you additional development rights.
d. Termination by you	FA: 20.1	You can terminate if we default and fail to timely cure.
	ADA: Not Applicable	You can terminate under any grounds permitted by law.
e. Termination by us without cause	FA: 20.3	We can terminate without cause if you and we mutually agree to terminate.
	ADA: Not Applicable	Not applicable
f. Termination by us with cause	FA: 20.2	We can terminate if you default.
	ADA: 9.1	
g. "Cause" defined - curable defaults	FA: 20.2	You have the following cure periods: (a) 10 days for financial defaults; and (b) 30 days for any other default (other than a default described below under "non-curable defaults").
	ADA: 9.1	You have 30 days to cure any default, other than defaults described below under "non-curable defaults".

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
h. "Cause" defined - non-curable defaults	FA: 20.2	The following defaults cannot be cured: insolvency, bankruptcy or seizure of assets; failure to successfully complete training; failure to find approved site, secure lease or open in timely manner; abandonment; failure to maintain required license or permit; conviction of certain crimes or subject of certain administrative actions; violation of material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; 2nd underreporting of amounts due by at least 3%; unauthorized Transfers; unauthorized use of our intellectual property; violation of brand protection covenant; breach of Franchise Owner Agreement; breach of legal compliance representations; failure to notify us of a matter described in §15.6; termination of lease due to your default; 3 or more default notices in a 12-month period; or termination of any other agreement between you (or your affiliate) and us (or our affiliate) due to your default. However, termination of an ADA due to breach of the development schedule is not grounds for termination of any Franchise Agreement that is otherwise in good standing.
	ADA: 9.1	If we terminate a franchise agreement due to your default, we may terminate the ADA without opportunity to cure.
i. Your obligations on termination/ non-renewal	FA: 21.1	Obligations include: remove trade dress and alter premises to eliminate any resemblance to a Salon; cease use of intellectual property; return Manual and branded materials; assign telephone numbers, listings and domain names; assign customer information and accounts; cancel fictitious names; comply with data retention policies; and pay amounts due (also see "r", below).
	ADA: Not Applicable	The ADA does not impose any post-term obligations on you.
j. Assignment of contract by us	FA: 19.1	No restriction on our right to assign.
	ADA: 8.1	
k. "Transfer" by you – definition	FA: 1 (definition of Transfer) & 19.2	Includes ownership change or transfer of contract or assets.
	ADA: 1 (definition of Transfer) & 8.2	
l. Our approval of transfer by you	FA: 1 (definition of Permitted Transfer), 19.2 & 19.3	You may engage in a Permitted Transfer (defined in Note 2 in Item 6) without approval. We must approve other Transfers but will not unreasonably withhold approval.
	ADA: 1 (definition of Permitted Transfer), 8.2 & 8.3	

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
m. Conditions for our approval of transfer	FA: 19.2	Transferee must: meet our qualifications; successfully complete training (or arrange to do so) and pay training fee (training for 1 person included in transfer fee); obtain required licenses and permits; assume your obligations under contracts relating to the Business; sign then-current form of franchise agreement for remainder of term or, at our option, assume your Franchise Agreement; and remodel Salon and upgrade furniture, fixtures and equipment to current standards within 12 months after Transfer or such shorter period of time we specify. You must: be in compliance with Franchise Agreement; assign lease (if applicable); pay transfer fee; subordinate transferee's ongoing payments owed to you (if any) to transferee's financial obligations owed to us; and sign general release (subject to state law). We must notify you that we will not exercise our right of first refusal.
	ADA: 8.2	Transferee must: meet our qualifications; successfully complete training (or arrange to do so); and sign then-current form of area development agreement for remainder of term or, at our option, assume your ADA. You must: be compliant with Franchise Agreements and ADA; assign all Franchise Agreements to same purchaser unless we agree to contrary (or we instruct transferee to sign then-current form of franchise agreement); comply with transfer provisions under Franchise Agreements; pay transfer fee; and sign general release (subject to state law). We must notify you that we will not exercise our right of first refusal.
n. Our right of first refusal to acquire your business	FA: 19.5	We can match any offer for your business.
	ADA: 8.5	We can match any offer for your area development rights.
o. Our option to purchase your business	FA: 21.2	We have the option to purchase your Salon at the expiration or termination of the Franchise Agreement.
	ADA: Not Applicable	The ADA does not include a purchase option.
p. Your death or disability	FA: 19.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other Transfers. We may designate manager to operate the Salon prior to Transfer.
	ADA: 8.4	
q. Non-competition covenants during the term of the franchise	FA: 14.3	No involvement in competing business.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
r. Non-competition covenants after the franchise is terminated or expires	FA: 14.3 & 21.1	No involvement for 2 years in competing business conducted from your Salon or anywhere within 10 miles of your Salon or any other Salon.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
s. Modification of the agreement	FA: 24.3 & 24.8	Requires writing signed by both parties (except we may unilaterally change Manual or reduce scope of restrictive covenants). Other modifications to comply with state laws.
	ADA: 13.7	

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTIONS IN AGREEMENT**	**SUMMARY**
t. Integration/ merger clause	FA: 24.8 ADA: 13.7	Only the terms of the Franchise Agreement and ADA (if applicable) and their attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document, Franchise Agreement and ADA may not be enforceable. Nothing in the Franchise Agreement, ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.
u. Dispute resolution by arbitration or mediation	FA: 22 ADA: 11	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants or post-term obligations.
v. Choice of forum	FA: 22 ADA: 11	Subject to state law, mediation and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, San Diego County, California).
w. Choice of law	FA: 24.1 ADA: 13.1	Subject to state law, California law governs (except public policies of your state govern enforceability of non-competition covenants).

ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote our 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.

Defined Terms

For purposes of this FPR, the following terms have the meanings given to them below:

"***COGS***" means the cost of merchandise and retail items purchased for resale.

"***Company-Owned Salon***" means any Salon owned by: (a) us; (b) our affiliate; or (c) a person listed in Item 2 of this Disclosure Document if that person, or another person listed in Item 2, manages the Salon.

"***Converted Salon***" means a Salon that was a Company-Owned sold to a franchisee, or a Franchised Outlet required by us or our affiliate, during the Measuring Period.

"***Customer***" means an individual who purchased any goods or services (including a monthly membership) at any time during the Measuring Year. A Customer who purchases goods or services at multiple Salons during the Measuring Period is counted as a customer of each such Salon.

"***FPR***" means the financial performance representation set forth in Item 19 of this Disclosure Document.

"***Franchised Salon***" means any Salon that is owned by a franchisee.

"***Gross Profit***" means the financial performance metric calculated as Gross Sales minus COGS.

"***Gross Sales***" means the total revenue generated from all goods and services sold by the Salon less taxes and customer refunds.

"***Measuring Period***" means the period of time beginning January 1, 2024 and ending December 31, 2024.

"***Qualifying Salon***" means any Franchised Salon that was open and operating throughout the entire Measuring Period and provided us with all data we requested in order to prepare the FPR.

"***Selected Operating Expenses***" means and includes the following expenses:

(1) *Credit Card Processing* – includes all charges imposed by the merchant processor for credit card processing services.

(2) *Electricity and Gas* – Include payments to utilities companies for electricity and gas.

(3) *Labor* – includes employee recruitment costs; employee training and professional development costs; employee uniform costs; payroll (including employee salaries, hourly wages, bonuses and commissions); payroll benefits; payroll processing fees; payroll tax; and workers' compensation (but excluding annual salary for the District Manager and distributions and personal payments made to the business owner).

(4) *Marketing* – includes any advertising, marketing and promotional costs incurred by the Franchise locations.

(5) *Rent* – includes rent and triple net lease (NNN).

"***Session & Upgrades***" means a completed and rendered single service, such as a tan or a photo facial and single amount rendered for upgrading membership.

System Statistics

For purposes of this FPR, each Salon may be referred to as an "outlet." As of December 31, 2024 (the last day of the Measuring Period) there were 28 open Franchised Salons (all of which are Qualifying Salons) and no Company-Owned Salons. The table below summarizes the outlet statistics and the number of Qualifying Salons:

Outlet Type	2024 Outlet Statistics					Qualifying Salons
	Open Jan 1, 2024	*Opened*	*Closed*	*Converted*	*Open Dec 1, 2024*	
Franchised	24	0	1	5*	28	28
Company-Owned	8	0	0	5*	0	0
Total	29	0	1	0	28	28

***** There were 5 Converted Salons that began the year as Company-Owned Salons but were sold to a franchisee on January 1, 2024. All of these Salons are Qualifying Salons.

All Qualifying Salons operated under the name iTAN® during the Measuring Year. They will rebrand to EverSun™ in 2025 or 2026. There are no other material differences between the operations of the Qualifying Salons and the franchised business offered under this Disclosure Document.

Financial Performance Representation

A. Gross Profit FPR – 28 Franchised Salons

The table below presents the following historical financial performance data obtained from the 28 Qualifying Salons during the Measuring Period: (a) Gross Sales; (b) COGS; and (c) Gross Profit.

Financial Performance Metric		Lowest	Highest	Median	Average	Average as % of Gross Sales	Salons at or above average	
							Number	*%*
Gross Sales	Memberships Drafted	$157,815	$612,392	$372,248	$391,310	76%	13 of 28	46%
	Sessions & Upgrades	$15,885	$67,044	$65,787	$49,712	10%	12 of 28	43%
	Total Services	**$173,700**	**$679,436**	**$438,034**	**$441,022**	**86%**	13 of 28	**46%**
	Product (Retail)	$33,281	$89,832	$59,439	$71,905	14%	11 of 28	39%
	Total Gross Sales	**$206,981**	**$769,268**	**$497,474**	**$512,926**	**100%**	13 of 28	**46%**
Cost of Goods Sold		**$19,984**	**$40,263**	**$34,740**	**$29,596**	**6%**	12 of 28	**43%**
Gross Profit		**$ 186,997**	**$729,005**	**$462,734**	**$483,330**	**94%**	13 of 28	**46%**

B. Selected Operating Expenses – 28 Franchised Salons

The table below presents the historical data for Selected Operating Expenses for 28 Qualifying Salons during the Measuring Period. The table presents expenses as the highest, lowest, median and average presented as a percentage of Gross Sales.

	Expense	Lowest	Highest	Median	Average	Salons at or above average	
						Number	*%*
Selected Operating Expenses (as a % of Gross Sales)	Labor	22%	49.9%	29.6%	29.9%	11 of 28	39%
	Rent	24.4%	28.9%	22.2%	19.5%	14 of 28	50%
	Electricity & Gas	9.4%	11.4%	6.8%	8.2%	17 of 28	61%
	Credit Card Fees	3.3%	3.7%	3.3%	3.6%	15 of 28	54%
	Royalty Fees	6%	6%	6%	6%	28 of 28	100%
	Marketing	5.0%	5.0%	5.0%	5.0%	28 of 28	100%

Notes:

1. Source of Data: We prepared the Gross Profit and Selected Operating Expenses FPR for the Franchised Salons based on data from reports submitted by franchisees and data generated from the point-of-sale system.

2. Expenses: This FPR includes limited expense information. As a franchisee, you will incur additional expenses, such as insurance, session consumables, admin & supplies, maintenance & repairs, professional fees, technology, business property tax, and utilities as well as the initial and ongoing fees imposed under the Franchise Agreement. You should conduct an independent investigation of the costs and expenses you will incur in operating your Salon. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

Some Salons have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Written substantiation for this financial performance representation will be made available to you upon your reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Faraje Kharsa at 1784 La Costa Meadows Dr., #101, San Marcos, California 92078 (or by phone at 760-806-7513), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2022 TO 2024				
Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net Change**
Franchised	2022	23	26	+3
	2023	26	24	-2
	2024	24	28	+4
Company-Owned	2022	8	5	-3
	2023	5	5	0
	2024	5	0	-5
Total Outlets	2022	31	31	0
	2023	31	29	-2
	2024	29	28	-1

TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR) FOR YEARS 2022 TO 2024		
State	**Year**	**Number of Transfers**
California	2022	9
	2023	0
	2024	0
Total	2022	9
	2023	0
	2024	0

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2022 TO 2024								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations - Other Reasons**	**Outlets at End of Year**
California	2022	23	3	0	0	0	0	26
	2023	26	0	0	0	0	2	24
	2024	24	5	0	0	0	1	28
Totals	2022	23	3	0	0	0	0	26
	2023	26	0	0	0	0	2	24
	2024	24	5	0	0	0	1	28

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2022 TO 2024							
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Outlets Reacquired From Franchisee**	**Outlets Closed**	**Outlets Sold to Franchisee**	**Outlets at End of Year**
California	2022	8	0	0	0	3	5
	2023	5	0	0	0	0	5
	2024	5	0	0	0	5	0
Totals	2022	8	0	0	0	3	5
	2023	5	0	0	0	0	5
	2024	5	0	0	0	5	0

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2024			
State	**Franchise Agreements Signed But Outlet Not Opened**	**Projected New Franchised Outlets in the Next Fiscal Year**	**Projected New Company-Owned Outlets in the Next Fiscal Year**
California	0	3	0
Total	0	3	0

A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2024. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Our fiscal year ends on December 31st. Audited financial statements of EverSun Brands, Inc. for the fiscal years ended December 31, 2024, December 31, 2023 and December 31, 2022 are attached to this Disclosure Document as EXHIBIT "G".

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Area Development Agreement
EXHIBIT "H"-1 State Addenda
EXHIBIT "H"-2 General Release
EXHIBIT "H"-3 Conversion Addendum
EXHIBIT "H"-4 Renewal Addendum

Attachments to Franchise Agreement

ATTACHMENT "B" Form of Site Approval Notice
ATTACHMENT "C" Lease Addendum
ATTACHMENT "D" Franchise Owner Agreement
ATTACHMENT "E" ACH Authorization Form
ATTACHMENT "F" Brand Protection Agreement
ATTACHMENT "G" Confidentiality Agreement

ITEM 23 RECEIPT

EXHIBIT "J" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Commissioner of Financial Protection & Innovation
Department of Financial Protection & Innovation
320 West 4th Street, #750
Los Angeles, CA 90013
(213) 576-7500
1-866-275-2677

HAWAII
Commissioner of Securities of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Agents for Service of Process:
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS
Illinois Attorney General
Chief, Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA
Secretary of State
Securities Division
Room E-018
302 West Washington Street
Indianapolis, IN 46204
(317) 232-6681

MARYLAND
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-6360

Agent for Service of Process:
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN
Franchise Section
Consumer Protection Division
525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor
Lansing, MI 48913
(517) 335-7567

MINNESOTA
Commissioner of Commerce
Director of Registration
85 Seventh Place East, #280
St. Paul, Minnesota 55101-3165
(651) 539-1500

NEW YORK
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
Phone: (212) 416-8222

Agents for Service of Process:
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231

NORTH DAKOTA
North Dakota Securities Department
State Capitol, 5th Floor, Dept 414 600 East Boulevard Avenue
Bismarck, North Dakota 58505
(701) 328-4712

RHODE ISLAND
Department of Franchise Regulation
1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1
Cranston, Rhode Island 02920
(401) 462-9527

SOUTH DAKOTA
Department of Labor and Regulation
Division of Insurance Securities Regulation
124 S Euclid, 2nd Floor
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

Agents for Service of Process:
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
(360) 902-8760

Mailing Address:
Department of Financial Institutions
Securities Division
PO BOX 41200
Olympia, WA 98504-1200

WISCONSIN
Department of Financial Institutions
Division of Securities
201 W Washington Avenue, Suite 500, Madison, WI 53703
(608) 261-9555

EXHIBIT "B"

TO DISCLOSURE DOCUMENT

FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

Faraje Kharsa
1784 La Costa Meadows Drive, 101
San Marcos, California 92078

In states listed in EXHIBIT "A", the additional agent for Service of Process is listed in EXHIBIT "A".

EXHIBIT "C"

TO DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

[See Attached]

eversun

BEAUTY & WELLNESS

FRANCHISE AGREEMENT

FRANCHISEE: _____

DATE: _____

LOCATION: _____

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ATTACHMENT "F"	Brand Protection Agreement
ATTACHMENT "G"	Confidentiality Agreement

EVERSUN FRANCHISE AGREEMENT

This EverSun Franchise Agreement (this "Agreement") is entered into as of _____, 202__ (the "Effective Date") between EverSun Brands, Inc., a California corporation ("we" or "us") and _____, a(n) _____ ("you").

1. DEFINITIONS. Capitalized terms used not defined above have the meanings given to them below:

"*Account*" means the checking account you designate from which we deduct fees and other amounts owed to us and our affiliates in accordance with §13.5.

"*ACH Agreement*" means the ACH Authorization Agreement attached as ATTACHMENT "E", which authorizes us to electronically debit your Account for amounts owed to us and our affiliates.

"*Acquisition*" means either: (a) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise; or (b) us or our affiliate or parent directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise.

"*Acquired Assets*" means any assets associated with your Salon that we elect to purchase upon termination or expiration of this Agreement, as further described in §21.2(a).

"*Alternative Channels of Distribution*" means any channel of distribution other than retail sales made to customers while present at a Salon, including, but not limited to: (a) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (b) sales through retail stores that do not operate under the Marks, such as grocery stores, convenience stores, spas and tanning salons (other than spas or tanning salons operating under the Marks); and (c) sales made at wholesale.

"*Anti-Terrorism Law*" means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future federal, state and local Laws, ordinances, regulations, policies, lists, orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

"*Appraised Value*" means the fair market value of the Acquired Assets as determined by independent appraisers in accordance with §21.2(b).

"*Brand Protection Agreement*" means the Brand Protection Agreement that must be signed by certain of your personnel, the current form of which is attached as ATTACHMENT "F".

"*Business*" means the franchised business you operate pursuant to this Agreement.

"*Business Data*" means, collectively or individually, Customer Data and Operational Data.

"*Claim*" means any action, allegation, assessment, claim, demand, litigation, proceeding or regulatory procedure, investigation or inquiry.

"*Competing Business*" means any business that meets at least one of the following criteria: (a) any business that generates, or could reasonably be expected to generate, at least 50% of its revenue from the sale of: tanning services; tanning products; and/or services similar to the spa services offered at a Salon (including infrared body wraps, aqua massage, teeth whitening, salt therapy or photo light therapy); (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competing Business does not include a Salon operated pursuant to a valid franchise agreement or license agreement with us or our affiliate.

"*Confidential Information*" means and includes: (a) Know-How; (b) Business Data; (c) information in the Manual or comprising the System; (d) terms of Definitive Agreements and any amendments thereto; and (e) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies,

studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you or your Owners, employees or other constituents); (b) you can demonstrate was rightfully possessed by you or an Owner, without obligation of nondisclosure, before we disclosed the information to you or the Owner; (c) is independently developed by you or an Owner without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose the information to you or an Owner without breaching a confidentiality covenant imposed on such third party.

"*Confidentiality Agreement*" means the Confidentiality Agreement that must be signed by certain of your employees pursuant to §14.5, the current form of which is attached as ATTACHMENT "G".

"*Copyrighted Materials*" means all copyrightable materials for which we or our affiliate claim or secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Salon.

"*Customer Data*" means and includes any and all data that pertains to a Salon customer, including name, address, contact information, date of birth, purchase history and any information collected in connection with a loyalty or membership program or for any other purpose.

"*Definitive Agreements*" means, collectively: (a) this Agreement; (b) the Area Development Agreement pursuant to which this Agreement is executed (if applicable); (c) any other Franchise Agreement between you (or your affiliate) and us (or our affiliate) for a Salon or any other franchised concept; and (d) all ancillary agreements executed in connection with the foregoing, including Franchise Owner Agreements.

"*Dispute*" means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer or sale of the franchise; or (c) the relationship between the parties.

"*Entity*" means a corporation, partnership, limited liability company or other form of association.

"*Equity Interest*" means a direct or indirect ownership or beneficial interest in the capital stock of, partnership or membership interest in, or other equity, ownership or beneficial interest in a business or Entity (including voting rights).

"*Excluded Claim*" means any Claim that, according to §22, is not subject to mandatory mediation.

"*Force Majeure*" means acts or circumstances that are beyond a party's control, including fire, storm, flood, earthquake, explosion or accident, acts of war or terrorism, rebellion, insurrection, sabotage, epidemic, failures or delays of transportation and strikes, provided that: (a) the non-performing party promptly notifies the other party of the Force Majeure event; (b) the non-performing party is without fault and the delay or failure could not have been prevented by reasonable precautions by the non-performing party; (c) nothing herein shall excuse or permit any delay or failure to pay fees or other amounts owed on the applicable due date; (d) insolvency, lack of required funds or financing, currency fluctuations, currency devaluations, foreign exchange controls or inflation shall never be deemed Force Majeure; and (e) an epidemic or pandemic of a contagious illness or disease, or economic or financial changes caused by an epidemic or pandemic of a contagious illness or disease, shall never be deemed Force Majeure except to the extent a Governmental Authority mandates closure (or prevents the opening) of the Salon as a result of such epidemic or pandemic.

"*Franchise Owner Agreement*" means the Franchise Owner Agreement that must be signed by the Owners and their spouses pursuant to §9, the current form of which is attached as ATTACHMENT "D".

"*Franchisee Entity*" means an Entity that: (a) signs this Agreement as the franchisee (if this Agreement is signed by an Entity); or (b) assumes this Agreement subsequent to its execution by the original Owners.

"*General Release*" means our then-current form of Waiver and Release of Claims you and your Owners must sign pursuant to §4.2 in connection with a franchise renewal or §19.2 in connection with a Transfer.

"*Government Official*" means any: (a) officer or employee of a Governmental Authority; (b) commercial or similar entity owned or controlled by a Governmental Authority, including state-owned and state-operated companies or enterprises; (c) public international organization (e.g., United Nations, World Bank); (d) political party or official thereof; or (e) candidate for political office.

"*Governmental Authority*" means any national, provincial, state, county, local, municipal or other government, or any ministry, department, agency or subdivision thereof, whether administrative or regulatory, or any other body that exercises similar functions, and including a court or taxing authority.

"*Gross Sales*" means the total gross sums generated from all goods and services sold from or in connection with your Salon, together with all other revenue and monies derived in connection with your Salon, including advertising revenue, sponsorship fees and business interruption insurance proceeds. Gross Sales excludes: (a) sales or use taxes you pay to a Governmental Authority; (b) revenue you collect from a customer and later refund to that customer in a bona fide refund transaction; (c) revenue derived from the sale of furniture, fixtures or equipment in the ordinary course of business; and (d) tips paid to and retained by staff members as a gratuity. The Manual may include policies governing the manner in which proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales. The Manual may also provide details on the calculation of Gross Sales relating to membership fees and qualifying purchases and redemptions by members under a loyalty or membership program.

"*Improvement*" means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Salon, (b) method of operation of a Salon, (c) processes, systems or procedures utilized by a Salon, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Salon or (e) trademarks, service marks, logos or other intellectual property utilized by a Salon, whether developed by you, your Owners, your employees or any other Person.

"*Indemnified Parties*" means and includes us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parents, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

"*Intellectual Property*" means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

"*Interim Manager*" means a Person we designate to temporarily manage your Salon under the circumstances described in §8.4.

"*Interim Term*" means a month-to-month extension of the Term under the circumstances described in §4.3.

"*IP Dispute*" means any: (a) actual or suspected infringement of the Intellectual Property; (b) challenge to your use of the Intellectual Property; or (c) claim by any Person, other than us or our affiliate, of any rights in or to the Intellectual Property.

"*Know-how*" means and includes our (and our affiliates') trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Salon including, but not limited to: architectural plans, drawings and specifications for a prototype Salon; site selection criteria; menu systems; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

"*Law*" means and includes all laws, judgments, decrees, orders, rules, regulations, ordinances, advisory opinions or official legal interpretations of any Governmental Authority.

"*Local Marketing Commitment*" means the minimum amount of money you must spend each month on local advertising and marketing to promote your Salon in accordance with §10.3(b).

"*Losses and Expenses*" means and includes any of the following: compensatory, exemplary and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; Travel Expenses and other costs associated with investigating and defending a Claim; settlement amounts; judgments; damage to reputation

or goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or otherwise incurred by a Person.

"*Managing Owner*" means the Owner you designate and we approve with primary responsibility for the overall management and supervision of your Salon in accordance with §8.1.

"*Manual*" means our Brand Standards Manual described in §11.2 for the operation of a Salon.

"*Marks*" means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Salons to use, including: (a) the primary service marks, EverSun™, EverSun Beauty & Wellness™ and the associated logos; (b) ancillary service marks, including LumiNova™, iTAN®, iTAN SUN SPRAY SPA®, TANOLOGY®, CALIFORNIA SPA® and the associated logos; and (c) any distinctive trade dress used to identify a Salon or the products it sells.

"*Operational Data*" means and includes all data and information pertaining to the operation of your Business including employee data, expense data, financial accounting data and Gross Sales data.

"*Owner*" means a Person who either: (a) directly signs this Agreement as the franchisee, either alone or in conjunction with one or more other Persons; or (b) directly or indirectly through one or more intermediaries owns an Equity Interest in the Business or Franchisee Entity.

"*PCI-DSS*" means the payment card industry data security standard, which is a set of security requirements established by the following major credit card brands from time to time: American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc., which standards are set forth at https://www.pcisecuritystandards.org as of the Effective Date.

"*Permitted Transfer*" means a Transfer: (a) between existing Owners; or (b) by the Owners to a new Franchisee Entity for which such Owners collectively own and control 100% of the Equity Interests; *provided, however*, that a Permitted Transfer does not include a Transfer that results in the Managing Owner owning less than 20% of the Equity Interests in the Business or Franchisee Entity.

"*Person*" means an individual, Entity, unincorporated organization, joint venture, Governmental Authority, estate (or executor thereof) or trust (or trustee thereof).

"*Post-Term Restricted Period*" means, with respect to you, the two-year period after the termination, expiration or Transfer of this Agreement; *provided, however*, that if a court of competent jurisdiction determines the two-year period is too long to be enforceable then Post-Term Restricted Period means the one-year period after the termination, expiration or Transfer of this Agreement.

"*Post-Term Restricted Period*" means, with respect to an Owner, the two-year period after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the date on which the Owner no longer owns an Equity Interest in the Business or Franchisee Entity; *provided, however*, that if a court of competent jurisdiction determines the two-year period is too long to be enforceable then Post-Term Restricted Period means the one-year period after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the date on which the Owner no longer owns an Equity Interest in the Business or Franchisee Entity.

"*Program Participation Rules*" means the policies, procedures, fees and other requirements pertaining to any gift card, loyalty, membership or other system-wide program we implement pursuant to §11.11.

"*Prohibited Activities*" means and includes any of the following: (a) owning, operating or having any other interest (e.g., as a director, officer, employee, manager, consultant, creditor, representative, agent or in any similar capacity) in a Competing Business, other than owning less than 5% of the Equity Interests in a Competing Business that is a publicly-traded company; (b) disparaging or otherwise making negative comments about us, our affiliate, the System or a Salon (this provision does not prohibit disclosure of truthful information to Governmental Authorities); (c) diverting business from us, our affiliate or another franchisee; or (d) inducing a Person to transfer their business from a Salon to a competitor.

"*Reportable Event*" means any event or occurrence described in §15.6 that you must report to us.

"*Restricted Territory*" means the geographic area within a 10-mile radius from: (a) your Salon (including the Salon's premises); and (b) all other Salons that are operating or under construction when the Post-Term

Restricted Period begins; *provided, however*, that if a court of competent jurisdiction determines the foregoing Restricted Territory is too broad to be enforceable then Restricted Territory means the geographic area within a 10-mile radius from your Salon (including the Salon's premises).

"*Salon*" means any salon we authorize to operate under the Marks and use our System.

"*Site Approval Notice*" means the Site Approval Notice attached as ATTACHMENT "B" that we may issue to you pursuant to §3 and §7.1 to identify the approved site for your Salon and your Territory.

"*Site Selection Area*" means the geographic area described in Part C of ATTACHMENT "A" and within which you must find a site we approve for your Salon.

"*Successor Agreement*" means our then-current form of EverSun Franchise Agreement you must sign pursuant to §4.2 in connection with a renewal of your franchise rights.

"*System*" means our system developed for the operation of a Salon, the distinctive characteristics of which include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary retail products and equipment; high quality tanning services, technology and techniques; comprehensive training programs; advertising and marketing strategies; merchandising strategies; and operating system.

"*Technology Systems*" means and includes all information and communication technology systems we specify from time to time, including, without limitation, computer systems, point-of-sale systems, webcam systems, telecommunications systems, security systems, music systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

"*Term*" means the period of time beginning on the Effective Date and expiring on the earlier to occur of: (a) the 10th anniversary of the Effective Date; or (b) the date this Agreement is effectively terminated.

"*Territory*" means the protected territory for your Salon, as further described in §3.

"*Third-Party Technology*" means any Technology Systems (or components thereof) that are owned by Persons who are not affiliated with us.

"*Transfer*" means any direct or indirect, voluntary or involuntary, assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of:

(a) this Agreement (or any interest therein);

(b) the franchise or intellectual property rights granted by this Agreement (or any interest therein);

(c) the Business you conduct pursuant to this Agreement (or any interest therein);

(d) the Salon's assets, other than the sale of fixtures or equipment in the ordinary course of business; or

(e) an Equity Interest in the Business or Franchisee Entity;

including by: merger or consolidation; judicial award, order or decree; issuance of additional Equity Interests (including public and private offerings); foreclosure of a security interest by a lender; or operation of Law, will or a trust upon an Owner's death (including via the Laws of intestate succession).

"*Travel Expenses*" means and includes all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your Salon; or (b) by you and your personnel to attend training programs or conferences.

2. GRANT OF FRANCHISE. We hereby grant you the right, license and obligation to own and operate one (1) Salon using our Intellectual Property from a site we approve. As a franchisee you will develop and operate a salon that offers and sells tanning, beauty and wellness services and related products that we authorize or require from time to time. We reserve all rights not expressly granted to you.

3. TERRITORIAL RIGHTS & LIMITATIONS. We grant you a territory (your "Territory") that includes a minimum population of 50,000 as of the date the Territory is determined. We do not modify your Territory

based on population changes during the Term. If we approve the site for your Salon before signing this Agreement, we will describe your Territory in Part E of ATTACHMENT "A". Otherwise, we will describe your Territory in the Site Approval Notice we send to you after approving your site. During the Term we will not develop or operate, or license a third party to develop or operate, a Salon that is located in the Territory except as otherwise provided in this Section with respect to Acquisitions. At any time during the Term we reserve the right to engage in Acquisitions that involve, or subsequently result in, conversion of the acquired or acquiring company's outlets to EverSun™ Salons, even if those outlets are located in your Territory. We reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) within the Territory through Alternative Channels of Distribution.

4. TERM AND RENEWAL.

4.1. Generally. This Agreement grants you the right to operate your Salon during the Term. You may renew your franchise rights by signing a Successor Agreement for a five (5) year renewal term. You may enter into a maximum of two (2) Successor Agreements. The parties may agree to further renewals after expiration of the second (2nd) renewal term, but neither party is obligated to do so (unless required by applicable Law, in which case the same renewal terms and conditions set forth in this Agreement shall apply to subsequent renewals). In order to sign a Successor Agreement you must satisfy all renewal conditions specified in this Agreement or the Successor Agreement you wish to renew, as applicable. The Successor Agreement shall be the current form of franchise agreement we use to grant franchises as of the expiration of the Term or renewal term, as applicable, the terms of which may vary materially and substantially from the terms of this Agreement. Upon renewal, we reserve the right to modify the boundaries of your Territory in accordance with our then-current territory guidelines and criteria. If this Agreement is a Successor Agreement, the Term of this Agreement and your remaining renewal rights, if any, shall be governed by your original franchise agreement

4.2. Renewal Requirements. In order to renew, you and the Owners (as applicable) must:

(a) send us a notice of your intent to enter into a Successor Agreement not less than 240 days nor more than one (1) year before the expiration of the Term or renewal term, as applicable;

(b) not be in default under any Definitive Agreement at the time you send the renewal notice or sign the Successor Agreement;

(c) sign the Successor Agreement and all ancillary documents we require franchisees to sign;

(d) sign a General Release;

(e) pay us a $1,000 renewal fee;

(f) remodel the Salon and upgrade all furniture, fixtures and equipment to conform to our then-current standards and specifications; and

(g) extend the term of your lease for the duration of the renewal term.

If we elect not to renew or offer you the right to renew, we will send you a notice of non-renewal at least 180 days prior to the expiration date, which shall set forth the basis for our decision. If you have any objection to our notice of non-renewal, including a dispute as to the basis for our decision, you must send us a notice of objection that sets forth the basis for your objection. Your notice of objection must be sent to us no later than 30 days after you receive our notice of non-renewal. Your failure to send us a notice of objection during such 30-day period constitutes your consent to the non-renewal of your franchise. Our failure to send you a notice of non-renewal at least 180 days prior to the expiration date constitutes our offer to renew your franchise in accordance with, and subject to, the renewal terms and conditions set forth above.

4.3. Interim Term. If you do not sign a Successor Agreement but continue to operate your Salon after the Term expires, we may either treat this Agreement as: (a) expired as of the Term expiration date with you operating in violation of our rights; or (b) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with 30 days' prior notice of termination

of the Interim Term. All your obligations remain in full force and effect during the Interim Term, if applicable, as if this Agreement had not expired, and all obligations imposed on you upon expiration of the Term will take effect upon termination of the Interim Term.

5. TRAINING AND CONFERENCES

5.1. **Initial Training.** The Managing Owner must successfully complete our initial training program at least two (2) weeks before you open your Salon. Your initial general managers must also attend and successfully complete the portion of initial training we designate as mandatory for general managers. As part of initial training, we send a representative to your Salon for approximately five (5) days to provide onsite training and assist you with the opening of your Salon. We will not charge any additional fee or Travel Expense reimbursement for this onsite training and assistance.

5.2. **Post-Opening Training.** Any new Managing Owner you appoint after you Salon opens must attend and successfully complete our then-current initial training program before assuming responsibility for managing your Salon. With our prior permission (which we will not unreasonably withhold but which we may revoke for good cause), your Managing Owner may train future general managers you hire after the Managing Owner has successfully completed our initial training program. We may offer periodic refresher or supplemental training courses for your Owners and management personnel. We may designate each course as mandatory or optional. If we determine your Salon is not operating in full compliance with this Agreement or the Manual, we may require that your Managing Owner and management personnel attend remedial training relevant to your operational deficiencies. We may, but need not, provide additional assistance or training requested by you at a mutually convenient time.

5.3. **Training Locations.** Our training programs may take place at any location we designate. We reserve the right to conduct training programs virtually. Our current initial training program includes two (2) weeks of remotely conducted training. You agree that we may use your Salon as a training facility for other franchisees, provided that we will reimburse you for all out-of-pocket expenses you incur as a result of our use of your Salon as a training facility.

5.4. **Training Fees and Expenses.** We provide our preopening initial training program at no additional charge. We charge an initial training fee of $1,500 for each additional person you send to initial training after your opening date. We do not charge a training fee for system-wide refresher or supplemental training we conduct at our headquarters or a company-owned Salon. We may charge a training fee of up to $300 per Person per day for any Person who: (a) retakes training after failing a prior attempt; (b) attends remedial training; or (c) attends additional training requested by you. If we provide onsite training or assistance, you must also reimburse us for all Travel Expenses we incur (this reimbursement obligation does not apply to any onsite training we provide as part of our initial training program prior to your opening date). You are responsible for all wages and Travel Expenses you and your personnel incur to attend training programs.

5.5. **Conferences.** We may hold periodic conferences to discuss business and operational matters relevant to Salons. Attendance is mandatory unless: (a) we designate attendance as optional; or (b) we waive your obligation to attend based on showing of good cause. We may charge you a conference registration fee of up to $400 per Person per conference. You are still responsible for the conference registration fee if you fail to attend a required conference without a waiver. You are also responsible for wages and Travel Expenses you and your personnel incur to attend conferences.

6. OTHER FRANCHISOR ASSISTANCE.

6.1. **Manual.** We provide you with access to our Manual during the Term. The Manual will help you develop and operate your Salon. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.

6.2. **Startup Package.** At least 14 days prior to your anticipated opening date, you must purchase a startup package from our affiliates that includes the proprietary, customized and/or branded inventory items and equipment that we designate. Our affiliates will arrange for the items within the startup package to be shipped to you. After opening, you must purchase your ongoing supply of

these items, and/or other items that we designate, exclusively from our affiliates (unless we designate or approve another supplier).

6.3. **General Guidance.** We will periodically review and evaluate your Salon and reports you submit to us and provide our guidance and recommendations on ways to improve the operation of your Salon. We will be available to render advice, discuss problems and offer general guidance to you during normal business hours by phone, email or other means of communication.

6.4. **Field Visits**. We have the right, but not the obligation, to conduct periodic field visits for purposes of providing onsite consultation, assistance and guidance pertaining to the operation and management of your Salon. We will provide a report detailing any problems or concerns observed during the field visit together with our instructions to address or resolve them. You must implement all mandatory corrective measures in the time and manner we specify.

6.5. **Marketing Assistance.** As further described in §10.1 and §10.2, we will administer the brand and system development fund and provide other marketing assistance during the Term.

6.6. **Website.** We currently maintain a corporate website for our brand. We will also develop and host a local webpage for your Salon that will: (a) be linked to our corporate website; and (b) list information about your Salon we deem appropriate, such as address, contact information and hours of operation. We will own your Salon's webpage and domain name. We may change or discontinue our website and/or your Salon's webpage at any time.

6.7. **Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for franchisees. We will arrange for you to be able to purchase the goods or services directly from the supplier at the discounted prices we negotiate (subject to any rebates the supplier pays to us). We or our affiliate may also purchase goods from suppliers in bulk and resell them to you at our cost plus shipping fees and a markup.

6.8. **New Developments**. We may, but need not, create new retail products, merchandise or other goods or services for sale at your Salon. You must comply with any minimum inventory stocking requirements in the Manual.

7. ESTABLISHING YOUR BUSINESS

7.1. **Site Selection**. You must identify and obtain our approval of the site for your Salon within 90 days after the Effective Date. The site must be located in the Site Selection Area and conform to our minimum site selection criteria. You must send us a complete site report that includes all documents, information, photos and video we require. We may accept or reject sites you propose in our commercially reasonable judgment. We try to notify you of our decision within 30 days after we receive all requisite materials. Your site is deemed disapproved if we do not issue our approval within the 30-day period. If we approve the site for your Salon before signing this Agreement, we will list the address of your approved site in Part D of ATTACHMENT "A". Otherwise, we list the address of your approved site in a Site Approval Notice we send to you within 15 days after approving your site. Within five (5) business days after we send you the Site Approval Notice, you must sign and date the franchisee acknowledgment section and send us a copy for our records. Our approval of the site and designation of your Territory is immediately effective and binding on you at the time we issue the Site Approval Notice even if you do not send us a signed acknowledgment. Our approval of a site is not a representation or warranty of any kind, express or implied, of the suitability of the site for a Salon. It only means we believe the site meets our minimum criteria.

7.2. **Lease**. If you lease the premises for your Salon, you must use best efforts to ensure your landlord signs the prescribed form of Lease Addendum attached to this Agreement as ATTACHMENT "C". If your landlord refuses to do so we may either: (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord); or (b) require you to find a new site. You and the landlord must sign the lease and Lease Addendum within 60 days after we approve your site. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records.

7.3. **Construction.** The Manual includes our standards and specifications for the design, layout, equipping and trade dress for a Salon. You must hire a licensed and bonded architect to prepare initial design plans for the construction of your Salon and leasehold improvements. We must approve the initial design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans that: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all Laws (including the Americans with Disabilities Act), building codes, permits and lease requirements and restrictions applicable to the premises. You must submit the final construction plans to us for approval. The limited purpose of our review is to verify the construction plans are consistent with our system standards. Once approved, you must, at your sole expense, construct and equip the premises according to the approved construction plans and the specifications in the Manual. You must also purchase (or lease) and install all equipment, fixtures, signs and other items we require. At all times during the construction process, you must maintain the minimum general liability and property damage insurance required by the Manual.

7.4. **Opening**. You must open your Salon to the public by the earlier to occur of: (a) the 180th day after we approve your site; or (b) the first (1st) anniversary of the Effective Date. You must send us a written notice identifying your proposed opening date at least 30 days before opening. We may conduct a preopening inspection of your Salon. You must make all changes and modifications we require before you open. You may not open your Salon prior to receipt of our written authorization to open. We will not issue our authorization to open before:

(a) the Managing Owner successfully completes our initial training program;

(b) you obtain all required licenses, permits and approvals from Governmental Authorities;

(c) you purchase all required insurance policies and provide evidence of coverage;

(d) we review and approve the construction, build-out and layout of your Salon; and

(e) you fulfill all of your other preopening obligations under this Agreement and the Manual.

7.5. **Relocation.** You may relocate your Salon with our prior approval, which we will not unreasonably withhold. If we allow you to relocate you must: (a) locate your new Salon within the Site Selection Area (but outside any territory assigned to another Salon); (b) comply with §7.1 through §7.4 with respect to your new Salon (excluding the opening deadline); (c) deidentify your former Salon in accordance with §21.1(h); (d) pay us a $2,500 relocation fee at the time we approve your request to relocate; and (e) open your Salon at the new site and resume operations within 30 days after closing your Salon at the former site; *provided, however*, that if you relocate because your Salon is destroyed, condemned or otherwise rendered unusable due to the physical condition of the premises, then you must reopen at the new site by the earlier of: (a) the 180th day after we approve the site for your relocated Salon; or (b) the first (1st) anniversary of the date your Salon closed at the former site. We may require you to conduct a grand opening marketing campaign in accordance with §10.3(a) to promote the opening of your Salon at the new site.

8. MANAGEMENT AND STAFFING.

8.1. **Owner Participation.** You must designate an Owner with primary responsibility for the management and operation of your Salon (the "Managing Owner"). The Managing Owner must: (a) be approved by us; (b) successfully complete all training programs we require; (c) dedicate full-time efforts to the Salon; and (d) at all times own at least 20% of the Equity Interests in the Business or Franchisee Entity, unless we waive this requirement.

8.2. **General Manager.** You may hire a general manager to assist the Managing Owner with onsite management of the Salon. Any Person you hire as a general manager must: (a) be approved by us; (b) successfully complete all training programs we require (with our permission, the Managing Owner may train general managers you hire after opening); and (c) sign a Brand Protection Agreement. The Managing Owner must supervise the general manager to ensure the Salon is operated in accordance with this Agreement and the Manual. The Managing Owner and/or a general

manager must be present at your Salon at least 40 hours per week. At any time during normal business hours that neither the Managing Owner nor a general manager is onsite, either the Managing Owner or a general manager must be readily accessible by telephone or email.

8.3. **Employees.** You must determine appropriate staffing levels for the Salon to ensure full compliance with this Agreement and our system standards. You will hire, train and supervise employees to assist you with the proper operation of the Salon. You must pay all associated wages, commissions, benefits, worker's compensation premiums and payroll taxes (and other withholdings required by Law). These employees will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business Entity name (not our Marks or a fictitious name) on employee applications, paystubs, pay checks, employment agreements and similar documents. We do not control the hiring or firing of your employees. You have sole authority and responsibility for all employment-related decisions, including hiring, promotion, hours worked, rates of pay, benefits, work assignments, training and working conditions. We do not provide guidance or advice on these matters. You must ensure each employee signs the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-house area explaining your franchise relationship with us and that you (and not we) are the employee's sole employer. We may prescribe the form and content of this notice.

8.4. **Interim Manager.** We may, but need not, designate a Person (an "Interim Manager") to manage your Salon if you fail to cure a material breach before the expiration of the cure period. The Interim Manager will cease to manage your Salon at such time that you cure the material breach. The Interim Manager will not manage your Salon for more than 90 consecutive days without your consent. If we appoint an Interim Manager, you agree to: (a) pay us a management fee equal to the greater of $350 per day or 10% of Gross Sales generated during the period of time the Interim Manager manages your Salon; and (b) reimburse all Travel Expenses incurred by the Interim Manager. The Interim Manager has no liability to you except for gross negligence or willful misconduct. We have no liability to you for an Interim Manager's actions unless we are grossly negligent in appointing the Interim Manager.

9. **FRANCHISEE ENTITY**. You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon request, you must send us a resolution of the Franchisee Entity authorizing the execution of this Agreement, a copy of its organizational documents and a current Certificate of Good Standing. All Owners and their spouses must sign a Franchise Owner Agreement.

10. **ADVERTISING & MARKETING.**

10.1. **Brand Fund.** We administer a brand and system development fund to promote public awareness of our brand and improve our System. On each royalty fee due date, you must pay us a brand fund fee equal to 2% of Gross Sales for the prior reporting period. We deposit all brand fund fees and noncompliance fees we collect into the fund. We may use the fund to pay for any of the following:

(a) developing, administering or distributing advertising and marketing materials and programs

(b) conducting and administering promotions, contests or giveaways;

(c) public and consumer relations and publicity;

(d) brand development;

(e) sponsorships and charitable and non-profit donations and events;

(f) research and development of technology, products and services;

(g) website development and search engine optimization;

(h) development, maintenance and promotion of an ecommerce platform;

(i) development and implementation of quality control programs and customer satisfaction surveys;

(j) conducting market research;

(k) changes and improvements to the System;

(l) fees and expenses charged by advertising agencies we engage to provide marketing services;

(m) collecting and accounting for brand fund fees and preparing financial accountings of the fund;

(n) any other programs or activities we deem appropriate to promote or improve the System;

(o) legal fees to defend Claims brought against the fund (or against you or other franchisees) based on fund expenditures or activities; and

(p) direct or indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates relating to any of these activities, including salary, benefits and other compensation of any of our (and any of our affiliate's) officers, employees or independent contractors based on time spent working on any brand fund matters described above.

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to marketing or advertising activities. Any surplus in the fund may be invested and we may lend money to the fund if there is a deficit. The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund. In terms of marketing activities paid for by the fund, we do not ensure that: (a) expenditures in (or affecting) a given geographic area are proportionate or equivalent to the brand fund fees paid by franchisees in that geographic area; or (b) franchisees benefit directly or in proportion to their brand fund fees. We will prepare, and make available to you upon request, an annual statement of fund operations, including deposits and disbursements. We may suspend or discontinue the fund at any time upon 30 days' prior notice.

10.2. Marketing Assistance From Us. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis. Prior to your opening date we will provide you with an initial supply of approved promotional materials and assist you in developing a marketing plan for your Salon, including a grand opening marketing plan. We may create and provide you with access to local advertising assets such as print marketing materials, social media templates and stock photography. We may: (a) sell these materials to you; (b) use the brand fund to pay for the creation and distribution of these materials, in which case there will be no additional charge; (c) provide online access to these materials, in which case you must print the materials at your expense; and/or (d) contract with third-party suppliers to create and sell these materials to you.

10.3. Your Marketing Activities.

(a) Grand Opening Marketing. We will assist you in developing a grand opening marketing plan, which must be approved by us. You must implement a grand opening marketing campaign to promote the opening of your Salon in compliance with the approved grand opening marketing plan and the requirements in the Manual. You must spend at least $5,000 on approved grand opening marketing expenditures during the grand opening period, which commences 30 days before your anticipated opening date and ends 60 days after your opening date. Based on our assessment of your local market conditions and grand opening marketing plan, we may recommend (but not require) that you spend more than the $5,000 minimum.

(b) Ongoing Marketing. You must participate at your own expense in all advertising, promotional and marketing programs we require, including any advertising cooperative we establish pursuant to §10.4. After opening, you must spend at least 2% of monthly Gross Sales on local advertising to promote your Salon (your "Local Marketing Commitment"). We may increase the Local Marketing Commitment upon 30 days' notice up to a maximum of 3.5% of Gross Sales. We measure your compliance with this requirement on a rolling six-month basis, meaning as long as your average monthly expenditure on local advertising over the six-month period equals or exceeds the Local Marketing Commitment, you are deemed in compliance even if your expenditure in a given month is less than the Local Marketing Commitment. Your

grand opening marketing expenditure and brand fund fees are in addition to, and not credited towards, your Local Marketing Commitment.

(c) Advertising Standards. All your advertising must be completely factual, conform to the highest standards of ethical advertising and comply with all Laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others. You must comply with any minimum advertised pricing policy we establish.

(d) Extraterritorial Advertising. You may advertise and market outside your Territory as long as you: (i) comply with all policies and procedures in the Manual governing extra-territorial marketing; and (ii) do not engage in targeted marketing directed into another Salon's territory (unless conducted as part of an advertising cooperative that includes the affected territory). Marketing that is distributed, circulated or received both in your Territory and another Salon's territory is not "targeted marketing" if: (i) you use reasonable efforts to limit circulation or distribution of the advertising to areas in your Territory; and (ii) most recipients of the advertising are located in your Territory and there is only incidental circulation or distribution in another Salon's territory. The meaning of "targeted marketing" that is "directed into a territory" may be further defined in the Manual. Examples include direct mail sent to addresses in a given territory, digital advertising sent to devices with IP addresses registered in a given territory and conducting promotional events in a given territory.

(e) Advertising Approval. Prior to use, we must approve all advertising and marketing programs and materials you intend to use, including all materials we did not prepare or previously approve, or that we prepare or approve and you modify. We must also approve the media you use. You may not use any advertising materials, programs or media that we have not approved or that we approve and later disapprove. We have 10 business days to review and approve or disapprove advertising and marketing materials and programs you submit. Our failure to approve them within the 10 business-day period constitutes our disapproval. Any advertising you propose and we approve is an "Improvement" for purposes of §17.5.

(f) Social Media. We will set up an Instagram account for your Salon. We will own this account at all times. You must regularly post content in accordance with our guidelines and regulations, including the following: (i) you must strictly comply with our social media policy, as revised from time to time; (ii) we must approve all content prior to posting; (iii) you must immediately remove any post we disapprove, including any post we previously approved; and (iv) you must, upon our request, contract with and utilize a social media company we designate. Except as set forth above with respect to your Salon's Instagram account, we retain complete control over all social media accounts. We may change this policy in the future.

(g) Internet and Websites. Without our prior approval, you may not: (i) develop, host, or otherwise maintain a website (or other digital presence) that references our Marks; (ii) conduct digital or online advertising or marketing; (iii) engage in ecommerce; or (iv) utilize social media to conduct advertising or marketing (except as otherwise provided in §10.3(f)).

10.4. Advertising Cooperative. We may, but need not, establish regional advertising cooperatives for purposes of creating and/or purchasing advertising programs for the benefit of all Salons located in the region. We may: (a) determine the boundaries of the cooperative; (b) specify the manner in which the cooperative is organized and governed; (c) require the cooperative to be administered in accordance with written bylaws, organizational documents or other governing documents that we approve; and (d) require you to participate in the cooperative according to its rules and procedures and abide by its decisions. You must pay a cooperative advertising fee on each royalty fee due date or such other date specified by the cooperative. We may set the minimum cooperative advertising fee or we may allow the cooperative to set the cooperative advertising fee based on majority vote of its members. In either case, the fee will not exceed the Local Marketing Commitment. We may either: (a) collect cooperative advertising fees and remit them to the cooperative; or (b) require you to pay these fees directly to the cooperative. All cooperative advertising fees you pay are credited towards

your Local Marketing Commitment. We may form, change, merge or dissolve advertising cooperatives in our discretion.

11. OPERATING STANDARDS.

11.1. Generally. You must operate your Salon in full compliance with this Agreement, the Manual and our standards in order to maintain the goodwill associated with the Marks.

11.2. Brand Standards Manual. You must develop and operate your Salon in strict compliance with the Manual. The Manual may contain, among other things:

(a) architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Salon;

(b) a list of (i) goods and services (or specifications for goods and services) you must purchase to develop and operate your Salon and (ii) designated and approved suppliers;

(c) a description of the tanning and spray-on tanning services, beauty and wellness services, merchandise, retail items and other goods and services you may sell;

(d) specifications, techniques, methods, operating procedures and quality standards; and

(e) policies and procedures pertaining to: (i) reporting and data entry; (ii) accounting and bookkeeping; (iii) insurance; (iv) marketing and advertising; (v) gift card, loyalty and membership programs; (vi) data ownership, use, transfer and protection; and (vii) any other matters we deem appropriate.

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by Salons. We can modify the Manual at any time. Modifications are binding at the time we notify you of the change, subject to any "grace period" we provide to implement the change. All mandatory provisions in the Manual (whether included now or in the future) are binding on you. The Manual may consist of written text as well as videos, tutorials, training modules, recordings and/or other means of communication.

11.3. Authorized Goods and Services. You must offer all goods and services we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services without our prior approval. You must strictly comply with our approved menu and menus system and present menu offerings in the manner we designate. We may change authorized goods and services at any time and you must comply with our instructions regarding same. Any such change shall not constitute a termination of this Agreement.

11.4. Sales Restrictions. Unless you receive our prior approval, you may not: (a) offer, sell or provide goods or services from any location other than your Salon's premises; (b) offer, sell or provide goods or services through any other channel of distribution, including through an ecommerce site; (c) sell our approved line of retail products or merchandise to any Person for purposes of resale; or (d) use your Salon, or permit your Salon to be used, for any purpose other than offering the goods and services we authorize.

11.5. Pricing. We will provide you with our suggested retail pricing. You may deviate from our suggested retail pricing at your discretion; *provided, however*, that: (a) you must obtain our approval of any deviation more than 5% higher or lower than our suggested retail pricing unless such pricing is part of a temporary advertising campaign we approved; and (b) we may set maximum or minimum prices, or specify the prices, for membership fees and/or other goods and services you sell to the extent permitted by applicable Law, including limited time promotional pricing.

11.6. Customer Payments. You must, at your expense, lease or purchase the necessary equipment and/or software and have arrangements in place with Visa, MasterCard, American Express and all other credit card issuers we designate, in order for you to be able to accept such methods of payment from customers. You must accept debit cards, credit cards, stored value cards, and other non-cash systems (including, for example, Apple Pay and/or Google Wallet) that we specify. You must acquire and install all necessary hardware and/or software used in connection with these non-cash systems.

11.7. Suppliers and Purchasing.

(a) Generally. You must purchase, lease or license, as applicable, all goods, services and other items required by the Manual. You must only purchase goods and services that satisfy all standards and specifications we designate. You must comply with all sourcing and supplier restrictions we impose from time to time.

(b) System Suppliers. In accordance with the Manual, you must purchase certain goods and services exclusively from suppliers we designate or approve. The Manual may designate us or our affiliate as a designated or approved supplier. We and our affiliates may generate a profit from these purchases. Our affiliates are currently the exclusive designated suppliers for FIT Bodywraps®, TANOLOGY® and BRONZE LUMINESSENCE™ skincare products and CALIFORNIA SPA® Ageless Serum, as well as certain branded supplies, such as name tags, bed tents, EverSun™ tote bags and key tags. Our right to specify the suppliers you use is necessary so we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and operation of Salons, protect our trade secrets, negotiate bulk purchase discounts and protect the reputation and goodwill associated with our System and Marks. You must immediately discontinue purchasing from any supplier we disapprove.

(c) Approval Process. If you wish to purchase alternative goods or services or you wish to purchase from an alternative supplier, you must send us a request for approval that: (i) identifies the proposed supplier and the goods/services to be purchased; (ii) includes all information we require about the goods/services and the supplier (including the supplier's qualifications, reputation, financial strength and production capabilities); and (iii) includes product samples for examination and testing purposes. We may condition our approval on the supplier's agreement to comply with our minimum insurance, indemnification and confidentiality requirements for system suppliers. We will approve or disapprove your request within 120 days after we receive all required information and samples. Your request is deemed disapproved if we fail to issue our approval within the 120-day period. You must reimburse all costs we incur to review suppliers or goods/services you propose. We need not consider substitute goods or alternative suppliers for goods that are proprietary or branded with our Marks.

(d) Payment Disputes. You understand that: (i) your failure to timely pay a system supplier may jeopardize the supplier's relationship with us and other franchisees; and (ii) a supplier's termination of its relationship with us or refusal to supply goods or services to our franchisees may cause significant harm to us and our franchisees. Accordingly, you agree to promptly pay all amounts owed to system suppliers except as otherwise permitted by this Section. If you have a bona-fide dispute with a supplier that you believe justifies non-payment or partial payment, you must promptly notify the supplier of the particulars of your Claim and diligently pursue resolution of the Claim or prosecution of appropriate legal action. Any trade debt that remains unpaid more than 30 days after its due date constitutes a material breach of this Agreement unless, before the end of the 30-day period: (i) you and the supplier agree to alternative payment terms; or (ii) you initiate appropriate legal action to contest the trade debt.

(e) Supplier Payments. If we receive rebates or other consideration from suppliers based on your purchases we may either: (i) pass such amounts through to you; or (b) deposit such amounts into the brand and system development fund.

(f) Disclaimer of Liability. Provided that we designate or approve system suppliers in good faith, we have no liability to you for their acts, errors or omissions including, without limitation, defective or tainted goods, delayed delivery or inability to meet demand. With respect to goods purchased from us or our affiliate, you acknowledge that we or our affiliate purchase the goods from third-party manufacturers or suppliers and resell them to you as a convenience. If you have any type of Claim relating to the purchase of goods or services from a system supplier, your sole recourse shall be against the supplier. If we or our affiliate are the supplier, your sole recourse shall be against the manufacturer or supplier from whom we or our affiliate acquired

the goods unless both: (i) the Claim arises from our (or our affiliate's) failure to supply the goods in breach of our obligations under this Agreement; and (ii) our (or our affiliate's) failure to supply the goods is not caused by a Force Majeure event. ***We and our affiliates make no warranties or representations and expressly disclaim all warranties and representations, including the implied warranties of merchantability and fitness for a particular purpose, with respect to goods or services you purchase from system suppliers***.

11.8. Equipment Maintenance & Changes. You must maintain your equipment in good condition and promptly replace or repair equipment that is damaged, worn-out or obsolete. We may require that you change your equipment. Our right to require these changes is critical to our ability to administer and change the System and you must comply with these changes within the time period we reasonably specify.

11.9. Technology Systems.

(a) Generally. You must acquire and utilize all Technology Systems we require from time to time. Technology Systems may relate to matters such as: purchasing; pricing; accounting; order entry; inventory control; security; data storage, retrieval and transmission; client information; client loyalty; marketing; communications; copying, printing and scanning; or any other business purpose we deem appropriate. We may require that you acquire new or substitute Technology Systems and/or replace, upgrade or update existing Technology Systems at your expense upon reasonable prior notice. You are solely responsible for: (i) the acquisition, operation, maintenance, updating and upgrading of your Technology Systems; (ii) the manner in which your Technology Systems integrate and interface with our computer system and those of third parties; and (iii) any consequences resulting from improper use or operation, or failure to properly maintain, update or upgrade, Technology Systems.

(b) Use and Access. You must use Technology Systems in accordance with the Manual and comply with all associated data entry policies. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to provide us with independent and unlimited access to data collected by or through your Technology Systems, including Gross Sales data for purposes of calculating fees owed. Upon request, including upon termination or expiration of this Agreement, you must provide us with user IDs and passwords for your Technology Systems.

(c) Disruptions. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems and attacks by unauthorized Persons. Upon request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.

(d) Third-Party Technology. You understand and agree that we and our affiliates: (i) do not own certain Technology Systems (or components thereof) that you must use to operate your Salon (i.e., Third-Party Technology); and (ii) have no liability to you for any losses, damages or expenses you incur as result of Third-Party Technology not functioning properly. Accordingly, you hereby: (i) waive any and all Claims against us or our affiliates relating to Third-Party Technology; and (ii) acknowledge your sole recourse for any liabilities, losses, damages or expenses you incur due to improperly functioning Third-Party Technology shall be against the owner or licensor of such Third-Party Technology.

(e) Email Accounts. We will provide you with the EverSun™ email addresses and accounts you must use. We may charge you our then-current fee for each email address we provide (this fee is added to the technology fee described in §11.9(f) below). You must exclusively use these email addresses for all communications with us, customers, suppliers and other Persons relating to your Salon. You may not use them for any purpose unrelated to your Salon. We own the email addresses and accounts but allow you to use them during the Term. We have the independent right to view your email accounts and emails at any time.

(f) Fees and Costs. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading Technology Systems. Certain Technology Systems must be purchased or licensed from third-party suppliers. We and/or our affiliate may develop proprietary Technology Systems (or components thereof) that become part of our System. If this occurs, you agree to: (i) pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon request, sign our prescribed form of license agreement governing use of proprietary Technology Systems (or components thereof). We may enter into master agreements with licensors of Third-Party Technology and charge you for amounts we pay them based on your use of their Third-Party Technology. The technology fee includes all amounts you pay us and our affiliates relating to Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to suppliers of Third-Party Technology. The technology fee may change based on changes to Technology Systems or prices charged by third parties with whom we enter into master agreements. The technology fee may include a reasonable administrative fee for the time, money and resources we invest to administer the technology platform and associated components, negotiate and manage contracts with third-party licensors, and collect and remit technology fees owed to third-party licensors on behalf of franchisees under master license arrangements. The technology fee does not include amounts you pay directly to third-party suppliers. The technology fee is due 10 days after invoicing or as we otherwise specify. We list the current technology fee in the Manual.

11.10. Remodeling and Maintenance. We may periodically require you to remodel and renovate your Salon to conform to our then-current standards and specifications. We will not require that you spend more than $65,000 (as adjusted from time to time for CPI changes) on remodeling and renovations of your Salon during any five (5) year period. However, there is no limit on the cost of remodeling and renovations we may require as a condition to renewal of your franchise rights. The foregoing cap on remodeling expenses does not include the cost of purchasing new equipment. You may not remodel or renovate your Salon without our prior approval. We will not approve any remodeling or renovations that conflict with our then-current standards and specifications. You must maintain your Salon in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to conform to our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your expense: (a) thorough cleaning, repainting, redecorating of the interior and exterior of the Salon's premises at the intervals we prescribe (or at such earlier times that such actions are required or advisable); and (b) interior and exterior repair of the Salon's premises as needed. You must comply with any maintenance, cleaning or facility upkeep schedule we prescribe.

11.11. System Programs.

(a) Generally. We may periodically develop and implement membership, loyalty, gift card and other system-wide programs. You must fully participate in all programs we designate as mandatory. In order to participate you must: (i) comply with all policies and procedures we establish for the program; (ii) purchase or license and utilize all equipment, software, mobile applications, technology and others items we designate as being necessary for program participation and pay all associated fees and costs; and (iii) pay us, our affiliate, or a third party we designate, all program fees, contributions or other amounts we require for program participation (collectively, "Program Participation Rules"). Program Participation Rules may be set forth in the Manual. We may change Program Participation Rules at any time and you must comply with the change. We may develop and implement new or successor programs and/or modify or terminate existing programs at any time.

(b) Membership Program. We may require that all Salons operate under a membership model, in which case your Salon must honor memberships and the associated benefits and privileges even if the member purchased their membership from another Salon. We have the right to: (i) determine how membership fees are divided or otherwise accounted for; (ii) require that all membership fees be paid to us or deposited into a trust account we control for subsequent disbursement to the Salons(s) visited by the member; (iii) adopt policies regarding cooperation

between franchisees relating to members who utilize the services of, or enjoy membership privileges at, multiple Salons; and (iv) designate the use of new Technology Systems to monitor sales and allocate payments to the Salon(s) visited by the member, either in whole or on a percentage basis. Under current policy, you may request that we transfer a customer's account to you if the customer obtains more than 60% of his or her service sessions from your Salon over the course of at least three (3) consecutive active months (if the account is transferred to you and the customer also has a TANOLOGY® lotion membership and incurred their first committed billing prior to the date of the account transfer, then the customer's TANOLOGY® lotion membership may also be assigned to you along with the customer's account). We may charge you a fee of up to $5 in connection with any such transfer. We may require that you utilize the form of membership agreement we specify. We may require you to hire an attorney, licensed in your state, to review the membership agreement and advise you of any changes necessary to comply with local Laws. We must approve any changes prior to implementation.

(c) Loyalty Program. You must fully participate and implement all required customer loyalty, rewards and other affinity programs designed to increase customer loyalty, generate new customers or improve overall demand for Salons.

(d) Gift Card Program. You must participate in any gift card program we establish and honor all gift cards, even if purchased from us or another Salon. You may not sell gift cards we have not approved. We have the right to: (i) determine how gift card proceeds are divided or otherwise accounted for; (ii) require that gift card proceeds be paid to us or deposited into a trust account we control for subsequent disbursement to the Salons(s) where the gift card is redeemed; and (iii) retain proceeds from unredeemed gift cards.

(e) Processing Customer Payments and Account Transfers. We currently provide electronic funds processing services on your behalf with respect to each customer who has signed a membership or other service agreement with you that authorizes electronic debiting of the customer's account for amounts owed to you. You agree to pay us a monthly EFT processing fee of $15 per month for this service. We will credit your Account for the amount of the customer payment less any applicable bank fees or charges. If any payment owed to us or our affiliate is past due, we may deduct such payment from any monies the customer owes you under the membership or service agreement. We may terminate this service upon 60 days' prior notice.

11.12. Package Sales. If we require or allow Salons to sell service or treatment "series" or "packages" that may be redeemed on multiple visits, we may adopt policies governing cooperation between franchisees relating to customers who purchase a series or package at one Salon and redeem treatments or services at a different Salon. We have the right to: (a) determine how sales proceeds are divided or otherwise accounted for; (b) require that sales proceeds be paid to us or deposited into a trust account we control for subsequent disbursement to the Salon(s) where services are redeemed; and (c) retain proceeds from unredeemed services. You must comply with all policies and procedures we specify from time to time.

11.13. Hours of Operation. Your Salon must be open for business during the minimum days and hours of operation set forth in the Manual, subject to any conflicting requirements in your lease or imposed by Law. You must establish specific hours of operation and submit them to us for approval.

11.14. Standards of Service and Professionalism. You and your staff must at all times provide prompt, courteous, friendly and efficient service to all customers. If you receive a customer complaint, you must follow the complaint resolution process we specify to protect the goodwill associated with the Marks. You must also treat your employees and our staff with honesty and respect.

11.15. Quality Assurance Programs. For quality control purposes we may periodically: (a) inspect your Salon in accordance with §6.4 and §16.1; and/or (b) hire mystery shoppers or quality assurance firms to inspect your Salon. Inspections may address a variety of issues, including customer service, safety, sanitation, inventory rotation, etc. You must fully cooperate with all inspections. We may require that you directly pay any mystery shopper or firm we hire for the cost of the inspection. Alternatively, we may pay for the cost of the inspection and require you to reimburse us. We may

implement a scoring system pursuant to which each Salon receives a "grade" or "score" based on the inspection results. Failure to achieve a passing grade or score constitutes a default under this Agreement. You must implement all corrective measures we require within the time period we specify to rectify any noncompliance issues revealed by an inspection.

11.16. Failure to Comply with Standards. You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and goodwill associated with the Marks. If we notify you of a breach of our standards or operating procedures (including failure to submit required reports in a timely manner) and you fail to cure within the time period we prescribe, we may (in addition to our other remedies under this Agreement) impose a noncompliance fee of $500 per occurrence. We may impose a separate $500 fee every 48 hours the same noncompliance issue remains uncured after we impose the initial fee. Any noncompliance fees we collect are paid in consideration of us refraining from exercising our contractual right to terminate this Agreement. If you fail to cure a breach before the expiration of the cure period (if any) and we take steps to cure the breach (for example, obtaining required insurance coverage on your behalf or paying amounts you owe to system suppliers), then you must reimburse all costs and expenses we directly or indirectly incur in connection with our efforts to cure the default. Your payment of noncompliance fees and default expense reimbursements does not preclude us from terminating this Agreement in accordance with §20 if the default continues after we collect these amounts.

12. FRANCHISE ADVISORY COUNCIL. We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We consider all suggestions in good faith but are not bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a council member as long as you comply with this Agreement and do not act in a disruptive, abusive or counter-productive manner. As a member, you would be entitled to all voting rights and privileges granted to other council members. Each member would have one vote on all matters on which members are authorized to vote.

13. FEES

13.1. Initial Franchise Fee. You agree to pay us an initial franchise fee in the amount set forth in Part B of ATTACHMENT "A" in one lump sum at the time you sign this Agreement. The initial franchise fee is fully earned by us and nonrefundable once this Agreement is signed.

13.2. Royalty Fee. On the day of each week we specify (the "royalty fee due date") you must pay us a royalty fee equal to 6.5% of Gross Sales generated during the immediately preceding reporting period. The current reporting period runs from the opening of business on Monday through the close of business on Sunday. The current royalty fee due date is the Wednesday immediately following the end of the prior reporting period. We may periodically change the reporting period and/or royalty fee due date through updates to the Manual.

13.3. Other Fees & Payments. You must pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in §13. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based on goods or services you sell or goods or services we furnish to you, excluding income taxes imposed on us based on fees you pay us under this Agreement.

13.4. Due Date & Late Fee. Payments are due 10 days after invoicing unless otherwise specified. If any sum due under this Agreement is not received by us when due or there are insufficient funds in your Account to cover the sum when due, then in addition to this sum you must pay us $100 plus default interest on the amount past due at a rate equal to the lesser of 18% per annum (pro-rated on a daily basis) or the highest rate permitted by applicable Law. We will not impose a late fee for any amount paid pursuant to §13.5 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payment when due; *provided, however*, that if we are unable to determine the amount due because you fail to record sales or submit Gross Sales reports in a timely manner, we

may assess a late fee on the entire amount that was due. This §13.4 does not constitute our agreement to accept late payments or extend credit to you.

13.5. Method of Payment. No later than 15 days after the Effective Date, you must complete and send us a signed ACH Agreement authorizing us to electronically debit your designated Account for all amounts owed to us and our affiliates on the applicable due date, excluding amounts due less than 15 days after the Effective Date. You must sign all other documents required by us or your bank to enable us to debit your Account for amounts owed. You must deposit all Gross Sales into the Account and ensure sufficient funds are available for withdrawal before each payment due date. If there are insufficient funds in your Account, any excess amounts you owe will be payable upon demand, together with any late fee imposed pursuant to §13.4. We may also impose a $100 NSF fee for each instance where either: (a) there are insufficient funds in your Account to cover amounts owed when due; or (b) a check you issue to us is returned due to insufficient funds.

13.6. CPI Adjustments. We may periodically adjust all fees (including minimum fees) expressed as a fixed dollar amount based on changes to the U.S. Consumer Price Index (CPI). We may periodically review and increase these fees based on CPI changes, but only if the then-current CPI ("Current CPI") is more than 5% higher than the corresponding CPI in effect on: (a) the Effective Date of this Agreement (for the initial fee adjustment); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments) ("Baseline CPI"). The adjusted fee is calculated by multiplying the current fee by the sum of one (1) plus a fraction: (a) the numerator of which is Current CPI minus Baseline CPI; and (b) the denominator of which is Baseline CPI. We may utilize any CPI index series published by the U.S. Department of Labor or any comparable Governmental Authority that we deem appropriate. We currently use the following index: All Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average (1982-84 = 100), "All Items". We will notify you of any CPI adjustment at least 60 days before it becomes effective. We may implement no more than one (1) fee adjustment during any five (5) year period. If we decline to exercise our right to increase fees in a given five (5) year period despite a 5% or greater CPI increase, that potential fee increase will accumulate and may be carried forward and applied in connection with a subsequent fee adjustment. We may also adjust the cap on periodic remodeling expenses in §11.10 at the same time, and in the same manner, as we adjust fees in accordance with this Section.

14. BRAND PROTECTION COVENANTS.

14.1. Reason for Covenants. The Intellectual Property, training and assistance we provide would not be acquired except through implementation of this Agreement. You agree that competition by you, the Owners or Persons associated with you or the Owners (including family members) could seriously jeopardize our franchise system because you and the Owners receive an advantage through knowledge of our day-to-day operations and Know-how. You and the Owners agree to comply with the covenants in §14 to protect the Intellectual Property and our franchise system.

14.2. Intellectual Property & Confidential Information. You and the Owners agree to: (a) refrain from using any Intellectual Property or Confidential Information in any business or for any purpose other than the operation of your Salon pursuant to this Agreement; (b) maintain the confidentiality of our Confidential Information at all times; (c) refrain from making unauthorized copies of documents containing Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) stop using the Intellectual Property and Confidential Information immediately upon the expiration, termination or Transfer of this Agreement (any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement must stop using the Intellectual Property and Confidential Information immediately at the time he or she ceases to be an Owner).

14.3. Unfair Competition. You and the Owners may not engage in any Prohibited Activities during the Term or Post-Term Restricted Period. Notwithstanding the foregoing, you and the Owners may have an interest in a Competing Business during the Post-Term Restricted Period as long as the Competing Business is not located in the Restricted Territory. If you or an Owner engage in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a

Competing Business permitted by this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity. For purposes of clarity, you and the Owners remain bound by any non-competition covenants in other Definitive Agreements that remain in effect for a period of time that extends beyond the expiration of the Post-Term Restricted Period under this Agreement, and the expiration of the Post-Term Restricted Period under this Agreement does not in any way diminish your or the Owners' obligation to comply with such covenants.

14.4. **Family Members**. Because (a) an Owner could circumvent the intent of §14 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child or grandchild) and (b) it would be difficult for us to prove whether the Owner disclosed Confidential Information to the family member, each Owner agrees that he or she will be presumed to have violated the terms of §14 if any member of his or her immediate family engages in any Prohibited Activity during the Term or Post-Term Restricted Period or uses or discloses Confidential Information. However, the Owner may rebut this presumption with evidence conclusively showing he or she did not disclose Confidential Information to the family member.

14.5. **Employees.** All employees, officers, directors, independent contractors and other Persons associated with you or your Salon must sign and send us a Confidentiality Agreement before accessing our Confidential Information. Any Person who signs a Brand Protection Agreement need not sign a Confidentiality Agreement. You must: (a) use best efforts to ensure these individuals comply with the Brand Protection Agreements and Confidentiality Agreements, as applicable; (b) immediately notify us of any breach that comes to your attention; and (c) reimburse all expenses we incur to enforce a Brand Protection Agreement or Confidentiality Agreement, including attorneys' fees and court costs.

14.6. **Covenants Reasonable.** You and the Owners agree that: (a) the covenants in §14 are reasonable both in duration and geographic scope; (b) our use and enforcement of similar covenants with respect to other franchisees benefits you and the Owners by preventing others from unfairly competing with your Salon; and (c) you and the Owners have sufficient resources, business experience and opportunities to earn an adequate living while complying with the covenants in §14.

14.7. **Breach of Covenants**. You and the Owners agree that: (a) any breach of §14 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at Law; and (b) we are entitled to injunctive relief if you or an Owner breach §14, together with any other relief available at equity or Law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires us to post a bond despite our agreement to the contrary, the bond amount may not exceed $1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at Law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

15. YOUR OTHER RESPONSIBILITIES

15.1. **Insurance.** For your protection and ours, you agree to maintain the following insurance policies:

(a) "all risk" property insurance, including coverage for fire, vandalism and malicious mischief, with minimum coverage for full replacement cost, covering all assets including inventory, furniture, fixtures, equipment and other property used to operate the Salon;

(b) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Salon, with minimum liability protection of $2,000,000 combined single limit per occurrence and $2,000,000 in the aggregate;

(c) specialty product liability and personal injury insurance for bodily and personal injury or death caused by or occurring in connection with any treatments received or products purchased at your Salon that are not covered by your general liability insurance, with minimum liability protection of $1,000,000 combined single limit per occurrence and $2,000,000 in the aggregate;

(d) automobile liability and property damage insurance covering all loss, liability, claim or expense of any kind whatsoever resulting from the use, operation, or maintenance of any automobiles or motor vehicles, owned, leased or used by you or your officers, directors, employees, partners or agents in the operation of your Salon, with minimum liability protection of $1,000,000 combined single limit per occurrence;

(e) business interruption insurance providing coverage for 100% of all expenses and financial obligations for a minimum period of 12 months, including fees owed to us, which shall be deemed to include average weekly royalty fees and brand fund fees imposed during the 52-week period preceding the event triggering coverage under the insurance policy;

(f) worker's compensation and employer's liability insurance as required by Law;

(g) any insurance required under your lease or by Law; and

(h) any other insurance we specify in the Manual from time to time.

These policies reflect our minimum requirements and may not be adequate to protect you. You may wish to procure additional coverage. You must provide us with proof of coverage: (a) prior to opening; (b) within 10 days after a policy renewal; and (c) any other time on demand. You must obtain these policies from licensed insurance carriers rated A or better by AM Best. Each policy must satisfy all requirements in the Manual and be endorsed to: (a) name us and our owners, officers and directors as additional insureds; (b) waive all subrogation rights against us; and (c) provide us with at least 30 days' prior written notice of the termination, expiration, cancellation or modification of the policy. We may disapprove any policy that fails to meet these criteria, and you must immediately secure a new policy meeting our criteria. Upon 10 days' notice, we may increase the minimum liability coverage amount of any policy and/or require different or additional types of insurance, including excess liability (umbrella) insurance, due to inflation, special risks, changes in Law or standards of liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain a required policy we may, at our option, obtain the policy on your behalf. If we do so, you must promptly sign any application or other form required to obtain the policy and reimburse all premiums and other costs we incur.

15.2. Books & Records. You must prepare complete and accurate books, records, accounts and tax returns pertaining to your Business and keep copies for at least five (5) years after their preparation. We may require you to prepare your books and records in compliance with our bookkeeping and accounting standards and policies in the Manual (including a specific standardized Chart of Accounts). We may require you to use a bookkeeping supplier that we designate or approve. You must send us copies of your books and records within seven (7) days of our request. You must provide us with independent access to your QuickBooks Online Plus account with permission to read all reports.

15.3. Reports.

(a) Generally. You must prepare all reports we require including, without limitation, the reports described below. Reports must be prepared in the form and manner we specify. You must send us a copy of any required report upon request. We may independently access your Technology Systems to retrieve and compile Business Data and generate any reports we deem appropriate, including Gross Sales reports.

(b) Report of Initial Investment Costs. To assist us in updating our Franchise Disclosure Document, you must complete and send us a report, in the form we designate, listing all expenses you incur in connection with the development and opening of your Salon. You must send us the completed report within 60 days after the opening date of your Salon.

(c) Gross Sales Reports. No later than each royalty fee due date, you must prepare and send us a statement of your Gross Sales for the prior reporting period. If you miscalculate Gross Sales, you must notify us of the error no later than the end of the next Gross Sales reporting period. Otherwise, you will not be entitled to any refund or credit of any fees paid to us based on previously reported Gross Sales.

(d) Advertising Expenditure Reports. No later than 60 days after the expiration of your grand opening period, you must prepare and send us a report detailing your expenditures on your grand opening marketing campaign in accordance with §10.3(a). No later than the 15th day of each month, you must prepare and send us a monthly report detailing your expenditures incurred during the prior month on local advertising required by §10.3(b). All advertising expenditure reports must include copies of receipts for the reported expenditures.

15.4. Financial Statements. No later than the 15th day of each month, you must prepare and send us a monthly balance sheet and profit and loss statement for your Business in the format we prescribe. Within 30 days after the end of each calendar quarter, you must prepare and send us a balance sheet (as of the end of the calendar quarter) and profit and loss statement for the prior calendar quarter. Within 90 days after the end of each calendar year, you must prepare and send us a balance sheet (as of the end of the calendar year) and profit and loss statement for the prior calendar year. Financial statements must be: (a) verified and signed by you certifying to us that the information is true, complete, and accurate; (b) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles; and (c) submitted in any format we reasonably require. We may require that your financial statements be reviewed or audited by a certified public accountant if you submit materially inaccurate financial statements on a prior occasion. You must send us a copy of any financial statement required by this Section upon request. You hereby authorize us to disclose Operational Data to prospective franchisees, Governmental Authorities and other Persons for any reasonable business purpose, provided the disclosure is not prohibited by applicable Law.

15.5. Legal Compliance. You must secure and maintain all required licenses, permits and regulatory approvals and operate your Salon in compliance with all applicable Laws.

15.6. Reportable Events. You must notify us within two (2) business days after you become aware of any of the following (each, a "Reportable Event"):

(a) the occurrence of an incident at your Salon involving significant personal injury;

(b) the issuance of a citation or notice of violation by a Governmental Authority (or the commencement of an inquiry you believe is reasonably likely to lead to a citation or notice of violation) relating to a health or safety matter involving your Salon;

(c) the commencement (or written threat) of an action, suit or proceeding against you, your Owners and/or your Salon that is reasonably likely to materially and adversely affect you, your Salon or the goodwill associated with the Marks; or

(d) the conviction or indictment of any Owner or member of your management team for a felony or other crime reasonably likely to materially and adversely affect you, your Salon or the goodwill associated with the Marks.

15.7. Data Ownership & Protection. We are the exclusive owner of all Business Data, whether collected by you, us or any other Person. We hereby grant you a license to use the Business Data solely for purposes of operating your Salon in compliance with this Agreement. You must protect all Customer Data with a level of control proportionate to the sensitivity of data. You must adhere to applicable privacy Laws with respect to data which, if compromised, could have a negative impact on our image or consumer confidence. You must comply with all applicable data protection Laws and our data processing and data privacy policies in the Manual (if any). Upon request, you must sign any data processing or data privacy agreement required by us or by Law. You further agree to: (a) obtain, maintain and adhere to all applicable compliance standards established by PCI-DSS; (b) establish appropriate administrative, technical and physical controls consistent with Law and PCI-DSS to preserve the security and confidentiality of credit card information (in any form) that you store, process, transmit or come in contact with; (c) promptly notify us if you suspect, or there has been, a security breach or potential compromise of credit card information; (d) provide us with updates regarding the status of PCI-DSS via completed PCI AOC (Attestation of Compliance), PCI-DSS SAQ (Self-Assessment Questionnaire) or other mutually-agreed method; and (e) promptly notify us of any PCI-DSS noncompliance to discuss your remediation efforts and timeline.

16. INSPECTION AND AUDIT

16.1. Inspections. For quality control purposes and to ensure compliance with this Agreement we or our representative may enter and evaluate your Salon and inspect your books, records, accounts and tax returns. We determine the scope of the inspection which may include, among other things:

(a) evaluating the physical condition of your Salon for cleanliness, sanitation and state of repair;

(b) examining and copying your books, records, accounts and tax returns;

(c) inspecting and testing your equipment;

(d) monitoring and speaking with your staff; and

(e) contacting your landlord and customers.

We may conduct inspections at any time without prior notice. During the inspection, we (or our representative) will use reasonable efforts to minimize any interference with the operation of your Salon. You and your employees must cooperate and not interfere with the inspection. You consent to us accessing your Technology Systems and retrieving any Business Data we deem appropriate. You must reimburse us for all Travel Expenses and other costs we incur to conduct an inspection to determine if you remedied a: (a) health or safety issue identified by a Governmental Authority; or (b) breach of system standards we bring to your attention. We bear the cost of all other inspections.

16.2. Audit. We may audit your books and records at any time. You must fully cooperate with us and any Person we hire to conduct the audit. If an audit reveals an understatement of Gross Sales, you must immediately pay us all additional fees you owe together with any late fee imposed pursuant to §13.4. You must reimburse us for the cost of any audit (including reasonable accounting and attorneys' fees and Travel Expenses incurred by us or the auditor) that: (a) is required due to your failure to provide information we request, preserve records or file reports as required by this Agreement; or (b) reveals an understatement of Gross Sales by at least 3%. We bear the cost of all other audits. Your reimbursement of our audit costs does not preclude us from terminating this Agreement.

17. INTELLECTUAL PROPERTY

17.1. Ownership & Use. You acknowledge that: (a) we are (or our affiliate is) the exclusive owner of the Intellectual Property and the associated goodwill; and (b) your right to use the Intellectual Property is derived solely from this Agreement and is limited to a license to operate your Salon during the Term pursuant to, and only in compliance with, this Agreement and the Manual. You may not use the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You must comply with all provisions in the Manual governing use of the Intellectual Property. You will not acquire any goodwill, title or interest in or to the Intellectual Property.

17.2. Intellectual Property Changes. We may change the Intellectual Property at any time in our sole discretion, including by changing the Copyrighted Materials, Know-how, Marks and/or System. You must, at your expense, implement all Intellectual Property changes we require in accordance with our instructions. We are not liable for any Losses or Expenses you incur (including loss of goodwill associated with a Mark) due to a change to the Intellectual Property.

17.3. Use of Marks. You agree to: (a) use the Marks as the sole identification of your Salon; *provided, however*, that you must identify yourself as the independent owner of your Salon in the manner we prescribe; (b) prominently display the Marks in the manner we prescribe on or in connection with any advertising, promotional materials, displays, receipts, stationery and forms we designate to give notice of trademark and service mark registrations and copyrights; and (c) obtain any fictitious or assumed name registrations required by applicable Law. You may not: (a) use the Marks in any modified form or as part of a corporate or trade name or with any prefix, suffix, or other modifying words, designs or symbols (other than logos we license to you); (b) use the Marks when signing a contract, lease, check or other agreement or in any other manner that may cause confusion or imply

we are liable for your obligations; (c) register or attempt to register a Mark, or a trademark confusingly similar to a Mark, with a Governmental Authority; or (d) challenge or contest the validity or ownership of our Marks.

17.4. **Use of Know-how**. We disclose our proprietary Know-how to you during training programs, in the Manual and through other guidance furnished during the Term. You do not acquire any interest in the Know-how other than the right to utilize it, during the Term, solely for purposes of developing and operating your Salon in compliance with this Agreement and the Manual.

17.5. **Improvements**. If you (or your Owner or employee) conceive of or develop an Improvement, you must send us a notice describing the Improvement. You must obtain our approval prior to using the Improvement. Any Improvement we approve may be used by us and any Person we authorize to operate a Salon, without any obligation to pay royalties or other fees to you or any other Person. You or your Owner or employee, as applicable, must assign ownership of the Improvement to us or our designee, without charge, together with all associated intellectual property rights, including the right to grant sublicenses. If applicable Law precludes you from assigning ownership to us, then you must grant us a perpetual royalty-free license to use, commercialize and sublicense the Improvement in any manner we deem appropriate.

17.6. **IP Disputes**. You must immediately notify us of any IP Dispute. You may not communicate with any Person other than us and our counsel in connection with the IP Dispute. We have sole discretion in deciding what action, if any, to take in response to an IP Dispute. We exclusively control all litigation and other proceedings relating to IP Disputes. You must execute all documents, render all assistance, and perform all acts that our counsel deems necessary or advisable to protect or maintain our interest in the proceeding and/or protect the Intellectual Property.

18. **INDEMNITY.** You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses they incur as a result of or in connection with:

(a) the marketing, use or operation of your Salon;

(b) the breach of a Definitive Agreement committed by you or your Owner or affiliate;

(c) the breach of an agreement with a third party committed by you or your Owner or affiliate;

(d) any representations made by you or your Owner to a transferee in connection with a Transfer;

(e) any Claim relating to taxes or penalties a Governmental Authority assesses against us as a direct result of your failure to pay or perform functions required of you under this Agreement;

(f) libel, slander or disparaging comments made by you or your Owners, officers, employees or independent contractors regarding the System, a Salon or an Indemnified Party (this provision does not apply to disclosure of truthful information to Governmental Authorities);

(g) any labor, employment or similar type of Claim pertaining to your employees (including Claims alleging we are a joint employer of your employees) or our relationship with you or your Owners (including Claims alleging we are an employer of you and/or any of your Owners); or

(h) any actions, investigations, rulings or proceedings conducted by any Governmental Authority (including the United States Department of Labor, Equal Employment Opportunity Commission or National Labor Relations Board) relating to your employees.

You and your Owners must immediately notify us of any Claim or proceeding described above. The Indemnified Parties have the right, in their sole discretion, to: (a) retain counsel of their choosing to represent them; and (b) control the response thereto and the defense thereof, including the right to settle the Claim. You may participate in the defense at your expense. You must fully cooperate and assist the Indemnified Parties with defense of the Claim and reimburse all costs and expenses they incur in defending the Claim including, without limitation, mediation, arbitration or court expenses, expert fees and Travel Expenses incurred by attorneys or expert witnesses to attend proceedings or hearings relating to the matter. Your indemnification obligations survive, and continue in full force and effect after, the Transfer, termination or expiration of this Agreement.

19. TRANSFERS

19.1. **By Us**. This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for any obligations incurred by us prior to the effective date of the assignment. We may also delegate our obligations under this Agreement to one or more Persons without assigning the Agreement.

19.2. **By You**. The rights and duties created by this Agreement are personal to you and the Owners. We are granting you franchise rights in reliance upon the character, skill, attitude, business ability and financial resources of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in a Transfer (other than a Permitted Transfer) without our prior approval. Any Transfer (other than a Permitted Transfer) without our approval is void and constitutes a breach of this Agreement. We will not unreasonably withhold our approval of a proposed Transfer if all of the following conditions are satisfied:

(a) we believe the proposed transferee has sufficient business experience, aptitude and financial resources to own and operate a Salon and meets our minimum criteria for franchisees;

(b) you and your affiliates and Owners are in full compliance with all Definitive Agreements;

(c) the transferee's owners successfully complete, or make arrangements to attend, the initial training program and the transferee pays any applicable training fee (the transfer fee covers training for one (1) Person);

(d) your landlord consents to the assignment of your lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area;

(e) the transferee and its owners obtain all licenses and permits required by applicable Law to own and operate the Salon;

(f) the transferee: (i) agrees to discharge and guarantee your obligations under this Agreement and any other Business contracts (including customer contracts/obligations and supplier contracts); and (ii) signs any agreement we require to confirm the foregoing;

(g) the transferee and its owners sign our then-current form of franchise agreement (unless we instruct you to assign this Agreement to the transferee) except that: (i) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement unless we specify otherwise; and (ii) the transferee need not pay a separate initial franchise fee;

(h) the transferee agrees to remodel the Salon and upgrade all furniture, fixtures and equipment to conform to our then-current standards and specifications (these changes must be completed within 12 months after the Transfer or such shorter period of time we specify);

(i) you or the transferee pay us a $10,000 transfer fee to defray expenses we incur related to the Transfer (in addition to the transfer fee, you must reimburse us for any commission we pay our broker if our broker finds the transferee);

(j) you and your Owners sign a General Release;

(k) you agree to subordinate the transferee's financial obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement (we may require you to enter into a written subordination agreement);

(l) we choose not to exercise our right of first refusal described in §19.5; and

(m) you or the transferring Owner, as applicable, and the transferee satisfy all other conditions we reasonably require as a condition to approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any Claims we have against the transferor or our right to demand the transferee comply with all terms of the franchise agreement.

19.3. **Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior notice; and (b) upon our request, cause the former Franchisee Entity to sign a corporate guarantee in the format we require to secure performance of the new Franchisee Entity's financial obligations under all Definitive Agreements (if the Permitted Transfer results in a new Franchisee Entity). You and the Owners (and transferee) must sign all documents we reasonably request to effectuate and document the Permitted Transfer.

19.4. **Owner Death or Disability.** Within 180 days after an Owner's death or permanent disability, the Owner's Equity Interest in the Business or Franchisee Entity must be Transferred to another Person in compliance with §19.2 or §19.3. An Owner is deemed to have a "permanent disability" only if he/she has a medical or mental problem preventing him/her from substantially complying with his/her obligations under this Agreement or operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

19.5. **Our Right of First Refusal.** If you or an Owner wish to engage in a Transfer, you or the Owner, as applicable, must obtain and send us a bona-fide offer executed by the purchaser after completion of due diligence. We have 30 days after receiving the offer to decide whether to purchase the interest for the same price and upon the same terms contained in the offer, except we may substitute cash for any non-cash form of payment proposed in the offer. If we notify you within the 30-day period that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional 60 days to prepare for closing. You or the Owner, as applicable, must provide us with all customary representations and warranties regarding the title to and condition of the assets or Equity Interest that we purchase, or at our option, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to the terms of the offer, subject to the requirements of §19.2, including our approval of the transferee. If the sale is not completed within 120 days after we receive the offer, or there is a material change to the terms of sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall not apply to a Permitted Transfer.

20. TERMINATION

20.1. **By You**. You may terminate this Agreement if we fail to cure a material breach within 90 days after you send us a default notice specifying the nature of the breach. If you terminate pursuant to §20.1, you must still comply with your post-term obligations described in §21 (other than payment of liquidated damages) and all other obligations that survive the termination of this Agreement.

20.2. **By Us**. We may terminate this Agreement, effective upon delivery of a notice of termination, for any of the following reasons, all of which constitute material events of default and "good cause" for termination, and without opportunity to cure except for any cure period expressly set forth below:

(a) if you are insolvent due to your inability to pay your debts as they become due;

(b) if you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any Law, or you are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

(c) if your Salon, or substantially all of its assets, are seized by a Government Official or taken over or foreclosed upon by a creditor, lienholder or lessor;

(d) if a final judgment against you remains unsatisfied for 30 days unless a supersedes or other appeal bond has been filed;

(e) if a levy of execution has been made upon the license granted by this Agreement or any property used in your Business and is not discharged within five (5) days of the levy;

(f) if the Managing Owner fails to satisfactorily complete initial training as required by §5.1;

(g) if you fail to identify an approved site, secure a fully executed lease and Lease Addendum or open your Salon before the associated deadlines set forth in §7.1, §7.2 or §7.4, respectively;

(h) if you abandon or fail to operate your Salon for three (3) consecutive business days unless due to Force Majeure (in which case §24.6 governs) or another reason we approve;

(i) if a Governmental Authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Salon even if you or the Owner have appeal rights;

(j) if you operate the Salon in a manner that presents a health or safety hazard to your customers, employees or the public;

(k) if you underreport Gross Sales by at least 3% on two (2) or more occasions;

(l) if you fail to pay any amount owed to us, our affiliate or an approved or designated supplier within 10 days after demand for payment (subject to your right to dispute, in good faith, amounts owed to third-party suppliers in accordance with §11.7(d));

(m) if you fail to timely notify us of a Reportable Event in accordance with §15.6;

(n) if you (or an Owner) (i) are subject to a material administrative disciplinary action or (ii) plead no contest to, or are convicted of, a felony or other material crime;

(o) if you (or an Owner) fail to comply with a material Law applicable to your Salon;

(p) if you (or an Owner) commit an act that can reasonably be expected to materially and adversely affect the reputation of the System or goodwill associated with the Marks;

(q) if you (or an Owner) make a material misrepresentation to us at any time;

(r) if you (or an Owner) make an unauthorized Transfer;

(s) if you (or an Owner) use the Intellectual Property in an unauthorized manner;

(t) if you (or an Owner) breach a brand protection covenant in §14 or representation in §23.3;

(u) if an Owner (or their spouse) breaches a Franchise Owner Agreement;

(v) if the lease for your premises is terminated due to your default;

(w) if we send you three (3) or more default notices within a 12-month period (even if cured);

(x) if we (or our affiliate) terminate any Definitive Agreement, other than an area development agreement, due to a default committed by you (or your affiliate or an Owner); or

(y) if you (or an Owner) breach any other provision of this Agreement, including any mandatory provision in the Manual, and fail to cure within 30 days after receipt of a default notice.

If we send you a default notice we may cease to perform our obligations under this Agreement until you cure the breach, unless our failure to perform would materially impair your ability to cure.

20.3. By Mutual Agreement. If you and we mutually agree in writing to terminate this Agreement, any notice or cure period that might otherwise apply shall be deemed waived.

21. POST-TERM OBLIGATIONS.

21.1. Obligations of You and the Owners. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

(a) immediately cease use of the Intellectual Property;

(b) comply with all post-term covenants described in §14 or a Franchise Owner Agreement;

(c) cancel all fictitious or assumed name registrations relating to your use of the Marks;

(d) pay us all amounts you owe including, if applicable, liquidated damages pursuant to §21.3;

(e) comply with our data retention policies relating to Business Data;

(f) transfer Customer Data (and, if we so request, assign all customer contracts) to us or our designee;

(g) comply with our instructions to return, destroy or transfer all copies of the Manual and Copyrighted Materials and all signs, brochures, advertising and promotional materials, forms and other materials bearing the Marks or containing Confidential Information;

(h) alter the interior and exterior of the premises to the extent necessary, or to the extent we require, to prevent any further resemblance to or connection with a Salon or our System, including repainting the exterior and interior with new colors and removing trade dress, fixtures, signage, window decals and décor items associated with a Salon;

(i) notify all telephone, listing and domain name registration companies of the termination or expiration of your right to use: (i) any telephone numbers and/or domain names associated with your Salon; and (ii) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the foregoing companies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct these companies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so);

(j) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

Subsections (f), (g), (h) and (i) above do not apply if you Transfer your Salon to an approved transferee or we exercise our right to purchase your Salon. If an Owner transfers his or her entire Equity Interest in the Business or Franchisee Entity but you continue to operate the Salon pursuant to this Agreement, then this Section will not apply to you (or to any remaining Owner) and the former Owner is subject only to the obligations set forth in subsections (a) and (b).

21.2. Purchase Option.

(a) Generally. Upon termination or expiration of this Agreement we have the option to purchase your Salon and/or its assets. If we choose to exercise our purchase option, we will notify you of the assets we wish to purchase (the "Acquired Assets") within 20 days after the termination or expiration date. If we exercise our purchase option we may require that: (i) you assign your lease to us at no additional charge (if you lease the premises); or (ii) you or your affiliate enter into a lease with us upon standard and commercially reasonable leasing terms, including rent at fair rental value, for a term of 10 years or such shorter term that we specify (if you or your affiliate own the real estate). The purchase price for the Acquired Assets will be: (i) the purchase price established by the parties (if mutually agreed upon); or (ii) the Appraised Value established in accordance with §21.2(b) below. We may, at our option, assign our purchase option to a designee of our choosing.

(b) Appraisal Process. If the parties cannot agree on the purchase price, the purchase price shall be the Appraised Value established in accordance with this Section. "Appraised Value" means the fair market value of the Acquired Assets as of the date this Agreement is terminated or expires, as applicable; *provided, however*, that fair market value shall not include any value for goodwill and/or the franchise rights granted by this Agreement. The parties shall attempt to mutually agree upon a single independent appraiser. If they fail to do so, either party may demand the appointment of three (3) appraisers in accordance with the following: (i) no later than 15 days after the demand, each party shall appoint one (1) appraiser and notify the other party of the appointed appraiser's name and contact information; and (ii) no later than 30 days after the demand, the two (2) appraisers appointed by the parties will jointly appoint a third (3rd) appraiser. If either party fails to appoint an appraiser within the 15-day period, then the appraiser appointed by the other party shall be deemed the single appraiser approved by the parties. You must promptly provide any documents or information requested by the appraisers. If a single appraiser is appointed, the purchase price shall be the Appraised Value established by the appraiser. If three (3) appraisers are appointed, the purchase price shall be: (i) the Appraised Value agreed upon by at least two (2) of the appraisers; or (ii) the average of the two (2) Appraised Values that are closest to each other if none of the appraisers agree upon the Appraised Value. Each party shall promptly pay 50% of the cost of the appraisal.

(c) Closing. The parties shall memorialize the acquisition by executing the form of Asset Purchase Agreement we reasonably prescribe, which shall include customary representations and warranties regarding title to and the condition of the Acquired Assets. At closing you must transfer good and clean title to the Acquired Assets, subject to any exceptions set forth in the Asset Purchase Agreement, and we must pay you the purchase price. We may deduct from the purchase price: (i) any amounts you owe us or our affiliates under any Definitive Agreements including, if applicable, liquidated damages and other damages owed (other than lost profits) as a result of our termination of this Agreement due to your breach; and (ii) the amount of any liabilities we assume on your behalf, including future rent and pre-paid liabilities (e.g., gift cards or "package" purchases). We will have at least 60 days after the purchase price of the Acquired Assets has been established to close the transaction.

21.3. Liquidated Damages. You must pay us liquidated damages if either: (a) we terminate this Agreement due to your default; or (b) you terminate this Agreement in any manner other than as permitted by §20.1 or §20.3. Liquidated damages are calculated as the product of Average Weekly Fees multiplied by the lesser of (a) 104 or (b) the total number of full weeks remaining under the Term as of the termination effective date. "Average Monthly Fees" means the combined average weekly royalty fee and brand fund fee (without regard to any fee waivers or other reductions, and regardless of collection) imposed by this Agreement during the 52-week period preceding the termination date (or during the period of time you operated the Business if less than 52 weeks). Liquidated damages are due 30 days after we send you an invoice detailing our calculation of same. Liquidated damages are in addition to and not in lieu of: (a) any fees or other amounts incurred by you prior to the termination of this Agreement, all of which must be paid by you in accordance with the terms of this Agreement; or (b) any damages we or our affiliate incur as a result of your breach of this Agreement; *provided, however*, that we may not pursue a Claim against you for recovery of lost future profits if you pay us all liquidated damages owed when due. The parties agree the amount of liquidated damages set forth in this Section is in proportion to, and is necessary to protect, our legitimate interests, including: (a) encouraging our franchisees to commit to the 10-year franchise relationship in which both parties have already invested time and expense to develop; (b) the time and expense we will incur to ensure your timely and orderly departure from our franchise network and recruit a new franchisee to acquire franchise rights to the Territory; (c) protecting the reputation and goodwill associated with our Marks; and (d) partially compensating us for financial damages we expect to incur as a result of your breach or wrongful termination. If this liquidated damages clause is unenforceable under applicable Law, then we are only entitled to recover actual damages we incur as a result of your default or improper termination.

22. DISPUTE RESOLUTION.

22.1. Negotiation and Mediation. Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions and negotiations. If these efforts are unsuccessful, either party may submit the Dispute to mediation before a mutually-agreeable mediator prior to litigation. All negotiations and mediation proceedings (including all discovery conducted therein and statements and settlement offers made by either party or the mediator in connection with the mediation): (a) shall be strictly confidential; (b) shall constitute "settlement negotiations" for purposes of federal and state rules of evidence; and (c) shall not be admissible or otherwise used for any purpose in any court or arbitration proceeding (except evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made inadmissible simply because of its use in mediation). The mediator may not be called as a witness for any purpose in any court proceeding. Any Dispute involving Claims alleging a breach of §14, §17 and/or §21 (referred to as "Excluded Claims") is not subject to mandatory negotiation or mediation unless both parties agree otherwise.

22.2. Litigation. If a Dispute either (a) is not successfully resolved by mediation within 60 days after a party makes a demand for mediation or (b) involves an Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance with the choice of venue provision below. The parties hereby express their clear and unequivocal intent that a court, rather

than a mediator, has exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an Excluded Claim (i.e., whether any Claim alleges a breach of §14, §17 or §21).

22.3. Venue. All mediation and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, San Diego County, California). The parties irrevocably waive any objection to such venue and consent to the jurisdiction of such courts.

22.4. Attorney's Fees & Costs. If a Dispute is resolved through a judicial proceeding, the substantially prevailing party is entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees and court costs. In addition, if you or an Owner breach any term of a Definitive Agreement, you must reimburse us for all reasonable legal fees and other expenses we incur as a result of the breach, regardless of whether the breach is cured prior to commencement of formal dispute resolution proceedings.

22.5. Waivers. UNLESS PROHIBITED BY APPLICABLE LAW, ANY CLAIM (OTHER THAN FOR PAYMENT OF MONIES OWED OR AN EXCLUDED CLAIM) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED.

23. REPRESENTATIONS.

23.1. Corporate Representations. You and the Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate's) assets are bound; (b) violate any order, injunction, decree, judgment or ruling of a Governmental Authority; or (c) violate any applicable Law. If the franchisee is an Entity, you and the Owners also jointly and severally represent and warrant to us that: (a) the Franchisee Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and perform its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement constitutes the legal, valid and binding obligation of, and is enforceable against, the Franchisee Entity in accordance with its terms.

23.2. General Representations. You and the Owners jointly and severally represent and warrant to us that you and the Owners are aware that: (a) other franchisees may operate under different forms of agreement and our obligations and rights with respect to franchisees differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.

23.3. Anti-Terrorism Compliance. You and the Owners jointly and severally represent and warrant to us that, to the best of your and their knowledge: (a) no property or interest owned by you or any Owner is subject to being "blocked" under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of an Equity Interest in the Business or Franchisee Entity) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name, alias, pseudonym, nickname or address on any Terrorist List, including the list of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.home.treasury.gov); and (c) you and the Owners are in compliance with, and shall continue to comply with, the Anti-Terrorism Law and all other U.S. Laws currently in effect, or enacted in the future, that prohibit corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government. The foregoing representations and warranties are 'continuing' representations and warranties for the duration of the franchise relationship. Accordingly, you must immediately notify us of the occurrence of an event or development of a circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

24. GENERAL PROVISIONS

24.1. **Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship are governed by the Laws of California without reference to its principles of conflicts of law, but any California Law that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. If your Salon is located outside of California, the public policies of the state in which your Salon is located govern the enforceability of non-competition covenants notwithstanding the California choice of law provision set forth above.

24.2. **Relationship of the Parties.** Nothing in this Agreement creates a fiduciary relationship between the parties or is intended to make either party a general or special agent, legal representative, joint venture, partner, employee or servant of the other for any purpose. Throughout the Term you must, in all dealings with third parties, conspicuously identify yourself as a franchisee and the independent owner of your Salon. We may require that you display a written notice of independent ownership, in the form we prescribe, at any location within your Salon that we specify. You must also include a written indication of independent ownership on all agreements, forms, letterhead, advertising materials, business cards and other materials that we specify. Neither party may: (a) make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other; or (b) represent that our relationship is other than franchisor and franchisee. In addition, neither party will be obligated by any agreements or representations made by the other that are not expressly authorized by this Agreement.

24.3. **Severability**. Each section of this Agreement (and portion thereof) is severable. If applicable Law imposes mandatory terms that conflict with this Agreement, the terms required by such Law shall govern to the extent of the inconsistency. If a court concludes any promise or covenant in this Agreement is unreasonable or unenforceable, we or the court may modify such promise or covenant to the minimum extent necessary to make it enforceable.

24.4. **Waivers.** Each party may waive any obligation imposed on the other party in writing. Neither party is deemed to have waived or impaired any of its rights under this Agreement, including the right to require strict compliance with all terms of this Agreement or terminate this Agreement if the other party fails to comply with such terms, by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by a party to exercise any right under this Agreement or require the other party to strictly comply with any term of this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other franchisees; or (d) our acceptance of payment from you after your breach.

24.5. **Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval. Our approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request.

24.6. **Force Majeure.** Neither party is liable for loss or damage or deemed in breach of this Agreement if such party's failure to perform its obligations results from an event of Force Majeure; *provided, however*, that Force Majeure will not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.

24.7. **Binding Effect.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement; *provided, however*, that the additional insureds listed in §15.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to §15.1 and §18, respectively.

24.8. Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY §11.2 AND §24.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. In addition, our issuance of a Site Approval Notice shall be deemed to amend this Agreement to identify the approved site and Territory for your Salon, regardless of whether you countersign and/or return the Site Approval Notice. Any email or informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and expressly states it is intended to modify this Agreement. The attachments are part of this Agreement, which together with any Amendments or Addenda executed on or after the Effective Date, constitute the entire understanding and agreement of the parties. There are no other oral or written understandings or agreements between the parties about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

24.9. Good Faith Covenant. If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant may not imply any right or obligation inconsistent with the express terms hereof. This Agreement, and the relationship of the parties inherent in this Agreement, grants us discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment to exercise this discretion based on our assessment of our own interests and balancing our interests against the interests of our franchisees, but without considering the individual interests of you or any other franchisee.

24.10. Rights of Parties are Cumulative. The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by Law.

24.11. Survival. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement, or the Transfer of an ownership interest in the Salon or Franchisee Entity, shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, §13, §14, §16, §18, §21, §22 and §24.

24.12. Construction. Headings are for convenience only and do not affect the meaning of the Section. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term "you" as used in this Agreement is applicable to one or more Persons. All references to "including" shall be construed as references to "including, but not limited to".

24.13. Time of Essence. Time is of the essence in this Agreement and every term thereof.

24.14. Notices. All notices and notifications given under this Agreement must be in writing and must be delivered by: (a) hand delivery; (b) registered or certified air mail, postage prepaid, return receipt requested; (c) special delivery service (*e.g.*, Federal Express, DHL, UPS, *etc.*); or (d) email, in each case to the following addresses (which may be changed upon 10 business days' prior notice):

YOU: As set forth in Part A of ATTACHMENT "A"

US: EverSun Brands, Inc.
1784 La Costa Meadows Dr., #101
San Marcos, California 92078
Attention: Chief Executive Officer
Email: Faraje@itan.com

Notice is deemed given on the earliest to occur of: (i) the date delivered by hand; (ii) the third (3rd) business day after placed in the mail or provided to special delivery services in accordance with clause (b) or (c) above; or (iii) the first (1st) calendar day after sent by email.

24.15. Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

* * *

The parties below have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

EverSun Brands, Inc., a California corporation

By:_____
Name:_____
Title:_____

YOU (If you are an Entity):

_____,
a(n)_____

By:_____
Name:_____
Title:_____

YOU (If you are not an Entity):

_____
Name:_____

_____
Name: _____

_____
Name: _____

_____
Name: _____

ATTACHMENT "A"

TO FRANCHISE AGREEMENT

DEAL TERMS

A. Franchisee Details

Name of Franchisee: [_____]

Is the franchisee one or more natural Persons signing in their individual capacity? **Yes**: _____ **No**: _____

Type of Entity and State of Formation* (if applicable): [_____]

* *If the franchisee is a business Entity, each Person holding a direct or indirect Equity Interest in the Franchisee Entity, and spouse of each such Person who is a natural Person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each Person holding a direct or indirect Equity Interest in the Business or Franchisee Entity, as applicable, along with a description of their Equity Interest.

Owner's Name	% Equity Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: _____
_____
_____
Attention: _____
Email: _____

B. Initial Franchise Fee

The amount of your initial franchise fee is as follows: (franchisor to check box by appropriate amount):

____ Standard Initial Franchise Fee: $49,500

____ Veteran's Discount: $44,550

____ Multi-Unit Discount: $_____ (insert appropriate fee, if applicable)

C. Site Selection Area

The Site Selection Area referenced in the Franchise Agreement consists of the following geographic area: [_____]

* *The Site Selection Area is not your territory and there are no protections associated with this area.*

D. Approved Site

We hereby approve the site listed below for your Salon.

Approved Address: [_____]

* *If the site for your Salon has not been approved by us at the time this Agreement is signed, we will send you a Site Approval Notice in accordance with §7.1 listing the address of your approved site.*

E. Territory

The Territory referenced in the Franchise Agreement consists of, and shall be limited to, the following geographic area (as may be further depicted on a map attached below or the following page):

[_____]

If the boundaries that define the Territory change during the Term, the boundaries of your Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date (as may be depicted on a map attached below or on the following page).

* *If the site for your Salon has not been approved by us at the time this Agreement is signed, we will send you a Site Approval Notice in accordance with §3 identifying the geographic area that comprises your Territory.*

[Insert Map Below (if applicable)]

ATTACHMENT "B"

TO FRANCHISE AGREEMENT

FORM OF SITE APPROVAL NOTICE

[See Attached]

SITE APPROVAL NOTICE

EverSun Brands, Inc. ("we" or "us") is issuing this Site Approval Notice (this "Notice") to _____ ("you"), effective _____, 202___, in connection with the EverSun Franchise Agreement (the "Franchise Agreement") that we executed with you on _____, 202___. The purpose of this Notice is to confirm our approval of the site you proposed for your Salon and our designation of the boundaries of your "Territory".

Approved Address:

Pursuant to §7.1 of the Franchise Agreement, we hereby approve the site listed below for your Salon:

_____
_____
_____

Territory:

Pursuant to §3 of the Franchise Agreement, we hereby designate the following geographic area as your Territory under the Franchise Agreement (as may be further depicted on the map attached on the following page):

[_____]

If the boundaries that define the Territory change during the Term, the boundaries of your Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the date hereof (as may be depicted on a map attached below or on the following page).

* * *

By signing below, you and we agree that: (a) the address identified in this Notice shall be deemed the approved site for your Salon established and operated pursuant to the Franchise Agreement; and (b) the geographic area described in this Notice under "Territory" shall be deemed your Territory under the Franchise Agreement. You acknowledge and agree that our acceptance of the site you proposed is in no way a representation by us that your site will be successful. Rather, our acceptance merely indicates the site meets our minimum standards and requirements.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your approved site or Territory. Our designation of your approved site and Territory, as set forth in this Notice, shall be binding on you effective as of the effective date listed in the first paragraph in this Notice.

Franchisor	**Franchisee**
EverSun Brands, Inc.	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

ATTACHMENT "C"

LEASE ADDENDUM

[See Attached]

LEASE ADDENDUM

This Lease Addendum (this "Agreement") is executed as of _____, 202__ by and among EverSun Brands, Inc., a California corporation ("Franchisor"), [_____], a(n) [_____], with principal offices located at [_____] ("Landlord"), and [_____], a(n) [_____], with principal offices located at [_____] ("Tenant").

Background

A. On [_____], 202[__], Franchisor and Tenant executed an EverSun Franchise Agreement (the "Franchise Agreement"), pursuant to which Franchisor granted Tenant the right and obligation to develop, open and operate an EverSun™ salon at the premises described in Exhibit "A" (the "Premises").

B. Concurrently with the execution of this Agreement, Landlord and Tenant are executing a lease agreement (the "Lease"), pursuant to which Landlord will lease the Premises to Tenant.

C. To protect Franchisor's rights and interests under the Franchise Agreement, Landlord agrees to grant certain rights to Franchisor as set forth below.

Agreement

1. Default Notices. Landlord agrees to provide Franchisor with copies of all written default notices sent to Tenant at the same time such notices are sent to Tenant. Landlord agrees to send such copies to Franchisor by email and registered mail as set forth below (Franchisor may change the notice email and address from time to time by sending written notice to Landlord):

   Mail: EverSun Brands, Inc.
   1784 La Costa Meadows Dr., #101, San Marcos, California 92078
   Attention: Faraje Kharsa
   Email: Faraje@itan.com

2. Right to Cure. If Tenant defaults under the Lease, Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. In such event, Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining Landlord's or Tenant's consent. Franchisor may thereafter assign the Lease to another EverSun™ franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

3. Right to Assign. At any time, including, without limitation, upon the expiration or termination of the Franchise Agreement, and without Landlord's prior consent, Tenant may assign the Lease to Franchisor. In such event, Franchisor may thereafter assign the Lease to another EverSun™ franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

4. Right of First Refusal. Landlord hereby grants Franchisor the first right of refusal to lease the Premises as the new tenant upon the expiration or termination of the Lease. Franchisor shall have a period of 30 days after the expiration or termination of the Lease to decide whether to exercise its right of first refusal.

5. Expiration or Termination of Franchise Agreement. Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant's interests under the Lease in accordance with §2 above.

6. Acknowledgement of Rights. Landlord acknowledges Franchisor's rights under the Franchise Agreement to enter the Premises, without being guilty of trespass or any other tort or crime, to: (a) make any modifications or alterations to the Premises that Franchisor deems necessary to protect its franchise system or trademarks; and (b) remove any trade fixtures, interior or exterior signs and other items bearing Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.

7. Modification of Lease. Landlord and Tenant will not amend, modify, supplement, terminate, renew or extend the Lease without Franchisor's written consent.

8. Miscellaneous.

   (a) In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.

   (b) All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.

   (c) This Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.

   (d) This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

In witness whereof, this Agreement has been executed the date and year first above written.

FRANCHISOR:

EverSun Brands, Inc., a California corporation

By:_____
Name:_____
Date:_____

LANDLORD:

_____, (a)n _____
_____

By:_____
Name:_____
Date:_____

TENANT:

_____, (a)n _____
_____

By:_____
Name:_____
Date:_____

EXHIBIT "A" TO LEASE ADDENDUM

DESCRIPTION OF PREMISES

[_____]

ATTACHMENT "D"

TO FRANCHISE AGREEMENT

FRANCHISE OWNER AGREEMENT

[See Attached]

FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this "Agreement") is entered into by: (a) each of the undersigned Owners of Franchisee (defined below); and (b) the spouse of each such Owner who is a natural Person, in favor of EverSun Brands, Inc., a California corporation, and its successors and assigns ("us"). Each signatory to this Agreement is referred to as "you".

1. DEFINITIONS. Capitalized terms not defined above have the meanings given to them below, or if not defined below, the meanings given to them in the Franchise Agreement:

"*Development Agreement*" means, if applicable, the Area Development Agreement pursuant to which the Franchise Agreement was executed.

"*Franchise Agreement*" means the EverSun Franchise Agreement executed by Franchisee with an effective date of _____, 202__.

"*Franchisee*" means _____. For purposes of this Agreement, the term "Franchisee" includes both: (a) [_____], as Franchisee under the Franchise Agreement; and (b) the Person who signed the Development Agreement (if applicable), as Developer, if such Person is different than Franchisee.

"*Restricted Period*" means the two-year period after the earliest to occur of: (a) the termination or expiration of the Franchise Agreement; (b) the date Franchisee assigns the Franchise Agreement to another Person with respect to whom neither you nor your spouse own an Equity Interest; or (c) the date neither you nor your spouse own an Equity Interest in the Business or Franchisee Entity; *provided however*, that if a court of competent jurisdiction determines the two-year period is too long to be enforceable then Restricted Period means the one-year period after the earliest to occur of: (a) the termination or expiration of the Franchise Agreement; (b) the date Franchisee assigns the Franchise Agreement to another Person with respect to whom neither you nor your spouse own an Equity Interest; or (c) the date neither you nor your spouse own an Equity Interest in the Business or Franchisee Entity.

2. BACKGROUND. In your capacity as an Owner (or the spouse of an Owner) of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. In addition, you understand that certain terms of the Franchise Agreement apply to "Owners" and not just Franchisee. You agree to comply with this Agreement to: (a) avoid damaging our System by engaging in unfair competition; and (b) bind yourself to the terms of the Franchise Agreement applicable to Owners.

3. BRAND PROTECTION COVENANTS.

(a) Intellectual Property and Confidential Information. You agree to: (i) refrain from using the Intellectual Property or Confidential Information in any capacity or for any purpose other than the operation of Franchisee's Salon in compliance with the Franchise Agreement and Manual; (ii) maintain the confidentiality of the Confidential Information at all times; (iii) refrain from making unauthorized copies of documents containing Confidential Information; (iv) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (v) immediately stop using the Intellectual Property and Confidential Information at such time that you are (or your spouse is) no longer an Owner. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable Law precludes you from assigning ownership to us, then you agree to perpetually license the Improvement to us, free of charge, with full rights to use, commercialize and sublicense the same.

(b) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are (or your spouse is) an Owner; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competing Business during the Restricted Period as long as the Competing Business is not located in the Restricted Territory. If you engage in any Prohibited Activity during the Restricted Period (other than having an interest in a Competing Business permitted by this Section) your Restricted Period will be extended by the period of time during which you engaged in the

Prohibited Activity. Any such extension of time will not constitute a waiver of your breach or impair any of our rights or remedies relating to your breach. For purposes of clarity, you remain bound by any non-competition covenants in other Definitive Agreements that remain in effect for a period of time that extends beyond the expiration of the Restricted Period under this Agreement, and the expiration of the Restricted Period under this Agreement does not in any way diminish your obligation to comply with such other covenants.

(c) Family Members. You could circumvent the purpose of §3 by disclosing Confidential Information to immediate family members (i.e., parent, sibling, child or grandchild) and it would be difficult for us to prove your breach. For that reason you are presumed to have breached this Agreement if an immediate family member: (i) engages in a Prohibited Activity at any time you are prohibited from doing so; or (ii) uses or discloses Confidential Information. However, you may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.

(d) Covenants Reasonable. You agree that: (i) the covenants in §3 are reasonable in duration and geographic scope; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with these covenants. Although you and we believe the covenants in §3 are reasonable we may, upon written notice to you, unilaterally modify the brand protection covenants in §3 of this Agreement by limiting the scope of the Prohibited Activities, narrowing the definition of a Competing Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure the covenants are enforceable under applicable Law.

(e) Breach. You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed $1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

4. TRANSFER RESTRICTIONS. We must approve all Persons who own an Equity Interest in the Business or Franchisee Entity. If you are an Owner, you agree that you will not Transfer an Equity Interest in the Business or Franchisee Entity except in accordance with §19 of the Franchise Agreement.

5. FINANCIAL SECURITY. In order to secure Franchisee's financial obligations under the Franchise Agreement and all other Definitive Agreements (collectively, the "Secured Agreements") you hereby personally and unconditionally: (a) guarantee to us and our successors and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreements; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive: (i) acceptance and notice of acceptance by us of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness guaranteed; (iv) any right you may have to require that an action be brought against Franchisee or any other Person as a condition of liability; and (v) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed. You agree that: (a) your direct and immediate liability under this guaranty is joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the Secured Agreements upon demand if Franchisee fails to promptly do so; (c) your liability is not contingent or conditioned upon our pursuit of any remedies against Franchisee or any other Person; and (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence we grant to Franchisee or any other Person, including the acceptance of any partial payment or performance, or the compromise or release of any Claims, none of which shall in any way modify or amend this guarantee, which remains continuing and irrevocable during the term of each Secured Agreement and following the termination, expiration or transfer of each Secured Agreement to the extent any financial obligations under a Secured Agreement survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy of Franchisee or any assignee or

successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement will be impaired, modified, released or limited in any manner whatsoever by any impairment, modification, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

6. **REPRESENTATION**. You represent to us that you received a copy of the executed Franchise Agreement.

7. **DISPUTE RESOLUTION**. Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution provisions set forth in the Franchise Agreement, which are incorporated into this Agreement by reference as if fully set forth herein. **You acknowledge and agree that your breach of this Agreement constitutes a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with its terms.**

8. **MISCELLANEOUS**.

   (a) If either party hires an attorney or files suit against the other party for breach of this Agreement, the losing party must reimburse the prevailing party for its reasonable attorneys' fees and costs.

   (b) This Agreement is governed by the Laws of the state in which you reside.

   (c) Any Claim or defense you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

   (d) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof). A court may revise any provision of this Agreement to the extent necessary to make the provision enforceable.

   (e) We may deliver to you any notice contemplated by this Agreement in the same manner and to the same address listed in the notice provision of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

Each of the undersigned has executed this Agreement as of the date or dates set forth below.

OWNER / SPOUSE

By:_____

Name:_____

Date:_____

OWNER / SPOUSE

By:_____

Name:_____

Date:_____

OWNER / SPOUSE

By:_____

Name:_____

Date:_____

ATTACHMENT "E"

TO FRANCHISE AGREEMENT

ACH AUTHORIZATION FORM

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
Bank Account No.	☐ Checking ☐ Savings (check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

Authorization:

Franchisee hereby authorizes EverSun Brands, Inc. ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature:_____ Date:_____

Name:_____

Title:_____

Federal Tax ID Number:_____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

ATTACHMENT "F"

TO FRANCHISE AGREEMENT

BRAND PROTECTION AGREEMENT

[See Attached]

BRAND PROTECTION AGREEMENT

This Agreement (this "Agreement") is entered into by the undersigned ("you") in favor of EverSun Brands, Inc., a California corporation and its successors and assigns ("us") upon the terms set forth below.

1. DEFINITIONS. Capitalized terms that are not defined above have the meanings given to them below:

"*Business Data*" means all data pertaining to Franchisee's Salon, customers and business operations, whether collected by you, Franchisee, us or any other person.

"*Competing Business*" means any business that meets at least one of the following criteria: (a) any business that generates, or could reasonably be expected to generate, at least 50% of its revenue from the sale of: tanning services; tanning products; and/or services similar to the spa services offered at a Salon (including infrared body wraps, aqua massage, teeth whitening, salt therapy or photo light therapy); (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competing Business does not include a Salon operated pursuant to a valid franchise agreement or license agreement with us or our affiliate.

"*Confidential Information*" means and includes: (a) Know-How; (b) Business Data, including the names, contact information and other data pertaining to current, former, or prospective Salon customers; (c) information in the Manual or comprising the System; (d) terms of the Franchise Agreement (and related agreements) signed by Franchisee in connection with the Salon; and (e) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee's owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we (or any person associated with us) or Franchisee (or any person associated with Franchisee) disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose the information to you without breaching a confidentiality covenant imposed on such third party.

"*Copyrighted Materials*" means all copyrightable materials for which we or our affiliate claim or secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Salon.

"*Franchisee*" means the EverSun™ franchisee for whom you are an employee or independent contractor.

"*Improvement*" means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Salon, (b) method of operation of a Salon, (c) processes, systems or procedures utilized by a Salon, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Salon or (e) trademarks, service marks, logos or other intellectual property utilized by a Salon, whether developed by you, Franchisee, us or any other person.

"*Intellectual Property*" means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

"*Know-how*" means and includes our (and our affiliates') trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Salon including, but not limited to: architectural plans, drawings and specifications for a prototype Salon; site selection criteria; menu systems; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information

comprising the System or included in the Manual.

"*Manual*" means our confidential brand standards manual for the operation of a Salon.

"*Marks*" means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Salons to use, including: (a) the primary service marks, EverSun™, EverSun Beauty & Wellness™ and the associated logos; (b) ancillary service marks, including LumiNova™, iTAN®, iTAN SUN SPRAY SPA®, TANOLOGY®, CALIFORNIA SPA® and the associated logos; and (c) any distinctive trade dress used to identify a Salon or the products it sells.

"*Prohibited Activities*" means and includes any of the following: (a) owning, operating or having any other interest (e.g., as a director, officer, employee, manager, consultant, creditor, representative, agent or in any similar capacity) in a Competing Business, other than owning less than 5% of the Equity Interests in a Competing Business that is a publicly-traded company; (b) disparaging or otherwise making negative comments about us, our affiliate, the System or a Salon; (c) diverting business from us, our affiliate or another franchisee; or (d) inducing any Person to transfer their business from a Salon to a competitor.

"*Restricted Period*" means the two (2) year period after you cease to be an employee or independent contractor of Franchisee; *provided, however*, that if a court of competent jurisdiction determines the two-year period is too long to be enforceable then Restricted Period means the one-year period after you cease to be an employee or independent contractor of Franchisee.

"*Restricted Territory*" means: the geographic area within a 10-mile radius from: (a) Franchisee's Salon (including the Salon's premises); and (b) all other Salons that are operating or under construction when the Restricted Period begins; *provided, however*, that if a court of competent jurisdiction determines the foregoing Restricted Territory is too broad to be enforceable then Restricted Territory means the geographic area within a 10-mile radius from Franchisee's Salon (including the Salon's premises).

"*Salon*" means any salon we authorize to operate under the Marks and use our System.

"*System*" means our system developed for the operation of a Salon, the distinctive characteristics of which include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary retail products and equipment; high quality tanning services, technology and techniques; comprehensive training programs; advertising and marketing strategies; merchandising strategies; and operating system.

2. BACKGROUND. You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. To avoid such damage, you agree to comply with the terms of this Agreement.

3. BRAND PROTECTION COVENANTS.

(a) Protection of Confidential Information and IP. You agree to: (i) refrain from using the Intellectual Property or Confidential Information in any business or for any purpose other than the operation of Franchisee's Salon for the exclusive benefit of Franchisee; (ii) refrain from using the Intellectual Property or Confidential Information for any purpose or in any manner unrelated to the performance of your responsibilities to Franchisee in accordance with the terms of your employment or engagement with Franchisee; (iii) maintain the confidentiality of Confidential Information at all times; (iv) refrain from making unauthorized copies of documents containing Confidential Information; (v) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (vi) immediately stop using the Intellectual Property and Confidential Information at such time that you are no longer an employee or independent contractor of Franchisee.

(b) Improvements. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.

(c) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are an employee or independent contractor of Franchisee; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competing Business during the Restricted Period as long as the Competing Business is not located in the Restricted Territory. If you engage in a Prohibited Activity during the Restricted Period (other than having an interest in a Competing Business permitted by this Section) your Restricted Period will be extended by the period of time you engaged in the Prohibited Activity. Any such extension of time will not be construed as a waiver of your breach or impair any of our rights or remedies relating to the breach.

(d) Family Members. You could circumvent the purpose of this Agreement by disclosing Confidential Information to immediate family members (i.e., parent, sibling, child or grandchild) and it would be difficult for us to prove your breach. For that reason you are presumed to have breached this Agreement if an immediate family member: (i) engages in a Prohibited Activity at any time you are prohibited from doing so; or (ii) uses or discloses Confidential Information. However, you may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.

(e) Covenants Reasonable. You agree that: (i) the covenants in this Agreement are reasonable both in duration and geographic scope; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with this Agreement. Although you and we both believe the covenants in this Agreement are reasonable, we may at any time unilaterally modify the terms of the brand protection covenants in §3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competing Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure that the covenants are enforceable under applicable law.

(f) Breach. You agree that: (i) any breach of §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed $1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

4. MISCELLANEOUS.

(a) If either party hires an attorney or files suit against the other party for breach of this Agreement, the losing party must reimburse the prevailing party for its reasonable attorneys' fees and costs.

(b) This Agreement is governed by the laws of the state in which you reside and the courts in that state have exclusive jurisdiction over any legal proceedings arising out of this Agreement.

(c) Any claim or defense you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

(d) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof). A court may revise any provision of this Agreement to the extent necessary to make the provision enforceable.

This Brand Protection Agreement is executed as of the date or dates set forth below.

By:_____

Name:_____

Date:_____

ATTACHMENT "G"

TO FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

[See Attached]

CONFIDENTIALITY AGREEMENT

This Agreement (this "Agreement") is entered into by the undersigned ("you") in favor of EverSun Brands, Inc., a California corporation and its successors and assigns ("us").

1. DEFINITIONS. Capitalized terms that are not defined above have the meanings given to them below:

"*Business Data*" means all data pertaining to Franchisee's Salon, customers and business operations, whether collected by you, Franchisee, us or any other person.

"*Confidential Information*" means and includes: (a) Know-How; (b) Business Data; (c) information in the Manual or comprising the System; (d) terms of the Franchise Agreement (and related agreements) signed by Franchisee in connection with the Salon; and (e) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee's owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we (or any person associated with us) or Franchisee (or any person associated with Franchisee) disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose the information to you without breaching a confidentiality covenant imposed on such third party.

"*Copyrighted Materials*" means all copyrightable materials for which we or our affiliate claim or secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Salon.

"*Franchisee*" means the EverSun™ franchisee for whom you are an employee or independent contractor.

"*Improvement*" means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Salon, (b) method of operation of a Salon, (c) processes, systems or procedures utilized by a Salon, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Salon or (e) trademarks, service marks, logos or other intellectual property utilized by a Salon, whether developed by you, Franchisee, us or any other person.

"*Intellectual Property*" means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

"*Know-how*" means and includes our (and our affiliates') trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Salon including, but not limited to: architectural plans, drawings and specifications for a prototype Salon; site selection criteria; menu systems; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

"*Manual*" means our confidential brand standards manual for the operation of a Salon.

"*Marks*" means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Salons to use, including: (a) the primary service marks, EverSun™, EverSun Beauty & Wellness™ and the associated logos; (b) ancillary service marks, including LumiNova™, iTAN®, iTAN SUN SPRAY SPA®, TANOLOGY®, CALIFORNIA SPA® and the associated logos; and (c) any distinctive trade dress used to identify a Salon or the products it sells.

"*Salon*" means any salon we authorize to operate under the Marks and use our System.

"*System*" means our system developed for the operation of a Salon, the distinctive characteristics of which

include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary retail products and equipment; high quality tanning services, technology and techniques; comprehensive training programs; advertising and marketing strategies; merchandising strategies; and operating system.

2. **BACKGROUND**. You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our franchise system if you were to misuse our Intellectual Property. To avoid such damage, you agree to comply with the terms of this Agreement.

3. **INTELLECTUAL PROPERTY & CONFIDENTIAL INFORMATION**. You agree to: (a) refrain from using the Intellectual Property or Confidential Information in any business or for any purpose other than the operation of Franchisee's Salon; (b) maintain the confidentiality of Confidential Information at all times; (c) refrain from making unauthorized copies of documents containing Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) immediately stop using the Intellectual Property and Confidential Information at such time that you are no longer an employee or independent contractor of Franchisee. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.

4. **FAMILY MEMBERS**. You could circumvent the intent of this Agreement by disclosing Confidential Information to immediate family members (i.e., parent, sibling, child or grandchild) and it would be difficult for us to prove your breach. For that reason you are presumed to have breached this Agreement if an immediate family member uses or discloses Confidential Information. You may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.

5. **BREACH**. You agree that: (a) any failure to comply with this Agreement is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (b) we are entitled to injunctive relief if you breach this Agreement together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed $1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

6. **MISCELLANEOUS**.

   (a) If we hire an attorney or file suit against you for breach of this Agreement and we prevail, you must reimburse us for our reasonable attorneys' fees and costs.

   (b) This Agreement is governed by the laws of California. Any legal proceedings arising out of this Agreement must be brought exclusively in a court of competent jurisdiction in San Diego County, California.

   (c) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof). A court may revise any provision of this Agreement to the extent necessary to make the provision enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

By:_____

Name:_____

Date:_____

EXHIBIT "D"

TO DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

[See Attached]

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPER: _____
DATE: _____

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ATTACHMENTS

ATTACHMENT "A" Deal Terms

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is entered into as of _____, 202__ (the "Effective Date") between EverSun Brands, Inc., a California corporation ("we" or "us") and _____, a(n) _____ ("you").

1. DEFINITIONS. Capitalized terms used in this Agreement shall have the meanings given to them below, or if not defined below, the meanings given to them in the Initial Franchise Agreement.

"*Developer Entity*" means the Entity that: (a) signs this Agreement as the area developer (if this Agreement is signed by an Entity); or (b) assumes this Agreement subsequent to its execution by the original Owners.

"*Development Business*" means the franchised business you conduct pursuant to this Agreement consisting of developing and opening Salons within the Development Territory.

"*Development Fee*" means the development fee described in §6 that you must pay us upon execution of this Agreement, and which is deemed to include the initial franchise fee for all Required Salons referred to in the Development Schedule.

"*Development Schedule*" means the schedule described in §4.1 and Part C of ATTACHMENT "A" for the development of the Required Salons within the Development Territory.

"*Development Territory*" means the geographic area described in Part D of ATTACHMENT "A".

"*Dispute*" means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer or sale of the area development rights; or (c) the relationship between the parties.

"*Franchise Agreement*" means an EverSun Franchise Agreement executed by us and you (or your affiliate) for the development and operation of a Salon pursuant to this Agreement.

"*General Release*" means our then-current form of Waiver and Release of Claims that you and your Owners must sign pursuant to §8.2 in connection with a Transfer.

"*Initial Franchise Agreement*" means the Franchise Agreement you execute for the first Required Salon to be developed pursuant to this Agreement.

"*Optional Salon*" means any Salon you choose to develop and open in accordance with §4.2 during the Term after you successfully develop and open all Required Salons. The term "Optional Salon" does not include any Required Salon.

"*Owner*" means a Person who meets any of the following criteria: (a) the Person directly signs this Agreement as the area developer, either alone or in conjunction with one or more other Persons; (b) the Person directly or indirectly through one or more intermediaries owns an Equity Interest in the Development Business or Developer Entity; (c) the Person directly signs a Franchise Agreement as the franchisee, either alone or in conjunction with one or more other Persons; and/or (d) the Person directly or indirectly through one or more intermediaries owns an Equity Interest in any affiliate of yours that executes a Franchise Agreement as authorized by §7.

"*Permitted Transfer*" means a Transfer: (a) between existing Owners; or (b) by the Owners to a new Developer Entity for which such Owners collectively own and control 100% of the Equity Interests; *provided, however*, that a Permitted Transfer does not include any Transfer that results in the Managing Owner owning less than 20% of the Equity Interests in the Development Business or Developer Entity.

"*Required Salon*" means each Salon referenced in the Development Schedule that you are required to develop and open pursuant to this Agreement during the Term. The term "Required Salon" does not include any Optional Salon.

"*Term*" means the period of time beginning on the Effective Date of this Agreement and expiring on the earlier to occur of: (a) the opening date listed in the Development Schedule for the last Required Salon you are required to open; or (b) the date this Agreement is effectively terminated.

"*Transfer*" means any direct or indirect, voluntary or involuntary, assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of:

(a) this Agreement (or any interest therein);

(b) the area development rights granted by this Agreement (or any interest therein);

(c) the Development Business you conduct pursuant to this Agreement (or any interest therein);

(d) the right to manage a Salon or occupy the Salon's premises; or

(e) an Equity Interest in the Developer Entity, including public and private offerings;

including by: merger or consolidation; judicial award, order or decree; issuance of additional Equity Interests (including public and private offerings); foreclosure of a security interest by a lender; or operation of Law, will or a trust upon an Owner's death (including via the Laws of intestate succession).

2. GRANT OF DEVELOPMENT RIGHTS. Subject to the terms of this Agreement, we hereby grant you (a) the right and obligation to develop, open and operate each of the Required Salons referred to in the Development Schedule; and (b) the option, but not the obligation, to develop, open and operate one (1) or more Optional Salons during the Term in accordance with §4.2. All Salons developed pursuant to this Agreement (including Optional Salons and Required Salons) must be located within the Development Territory. This Agreement does not grant you any right or license to use our Intellectual Property.

3. TERRITORIAL PROTECTIONS AND LIMITATIONS. During the Term we will not develop or operate, or license a third party to develop or operate, a Salon that is physically located within the Development Territory other than: (a) any Salon that is operating, under development, or for which a franchise agreement has been executed, in each case as of the Effective Date, and that is (or will be) located within the Development Territory; and (b) any Salon otherwise permitted by this Section. At any time during the Term we reserve the right to engage in Acquisitions that involve, or subsequently result in, conversion of the acquired or acquiring company's outlets to EVERSUN™ Salons, even if those outlets are located in the Development Territory. We reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) within the Development Territory through Alternative Channels of Distribution.

4. DEVELOPMENT OBLIGATIONS

4.1. Required Salons. You must develop, open and operate all Required Salons listed in the Development Schedule. You must develop and open each Required Salon in strict compliance with the opening dates set forth in the Development Schedule. The opening date listed in the Development Schedule for a given Required Salon may be earlier than the opening date required under the terms of the associated Franchise Agreement. In order to comply with the Development Schedule you must open each Required Salon by the opening date listed in the Development Schedule even if such date is earlier than the opening date required by the associated Franchise Agreement. If a Force Majeure event occurs that directly prevents you from opening a Required Salon on or prior to the required opening date set forth in the Development Schedule, the opening date may be extended in accordance with §13.5 for such period of time that is reasonable in light of the nature of the Force Majeure event (not to exceed 180 days).

4.2. Optional Salons. If (a) you develop and open all Required Salons prior to the expiration of the Term of this Agreement and (b) you and your affiliates have substantially complied with the Development Schedule and all Definitive Agreements, then you shall have the option, but not the obligation, to develop one (1) or more additional Salons within the Development Territory during the remainder of the Term (each, an "Optional Salon").

4.3. Reasonableness of Development Schedule. You represent that you: (a) have conducted your own independent investigation and analysis of the prospects for development of the Required Salons in the Development Territory; (b) approve the Development Schedule as being reasonable and viable; and (c) recognize that a breach of the Development Schedule is a material breach of this Agreement.

5. DEVELOPMENT AND OPERATION OF SALONS

5.1. **Site Selection**. You must select a specific site within the Development Territory for each Salon in compliance with our then-current site selection criteria. Each site you select is subject to our prior approval in accordance with the applicable Franchise Agreement.

5.2. **Franchise Agreements**. You must sign a separate Franchise Agreement for each Salon. You must sign the Initial Franchise Agreement for your first (1st) Required Salon at the time you sign this Agreement. We will not review proposed sites for a Salon until you sign the applicable Franchise Agreement for that Salon. Each Franchise Agreement shall be our then-current form of EverSun Franchise Agreement, the terms of which may vary materially and substantially from the terms of the Initial Franchise Agreement; *provided, however*, that the initial franchise fee imposed under each Franchise Agreement executed pursuant to this Agreement shall be determined in accordance with §5.3. You have no right to construct or operate a Salon until the parties have signed the Franchise Agreement and all ancillary agreements for that Salon. You must develop, open and operate each Salon in compliance with the Franchise Agreement and the Manual.

5.3. **Initial Franchise Fees**. The initial franchise fee imposed under each Franchise Agreement executed pursuant to this Agreement shall be as follows:

INITIAL FRANCHISE FEE & DEVELOPMENT FEE		
Salon	**Initial Franchise Fee**	**Development Fee**
Salon 1	$49,500	N/A – 3 unit minimum for ADA
Salon 2	$42,000	N/A – 3 unit minimum for ADA
Salon 3	$38,000	$129,500
Salon 4	$36,000	$165,500
Salon 5	$34,000	$199,500
Salon 6	$32,000	$231,500
Salon 7+	$30,000 (per Salon)	$261,500 (plus additional $30,000 for each Salon in excess of 7)

* The initial franchise fee for the first Required Salon is reduced to $39,500 if you are an existing franchisee who signed a Franchise Agreement with us prior to execution of this Agreement.

The Development Fee imposed by §6 is deemed to include and satisfy the initial franchise fee imposed under each Franchise Agreement you sign for a Required Salon.

6. **DEVELOPMENT FEE.** Upon execution of this Agreement, you must pay us a development fee (the "Development Fee") in the amount set forth in Part B of ATTACHMENT "A". The Development Fee is calculated as the sum of the initial franchise fees applicable to all Required Salons listed in the Development Schedule. The Development Fee, and the initial franchise fees for the Required Salons comprised by the Development Fee, are fully earned and nonrefundable upon receipt.

7. **DEVELOPER ENTITY.** You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon request, you must send us a resolution of the Developer Entity authorizing the execution of this Agreement, a copy of its organizational documents and a current Certificate of Good Standing. You may form a separate Entity to enter into each Franchise Agreement provided that: (a) the Person or Persons owning the Equity Interests (and the percentage of the Equity Interests owned) in each such Entity must be the same Person or Persons owning the Equity Interests (with the same percentage of the Equity Interests owned) in the Developer Entity; and (b) each such Entity guarantees the performance of all other Entities formed under the authority of this §7. Each Owner, and the spouse of each Owner who is a natural Person, must sign a Franchise Owner Agreement.

8. TRANSFERS

8.1. **By Us**. This Agreement is fully assignable by us, without prior notice to you, and shall inure to the

benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.

8.2. **By You**. The rights and duties created by this Agreement are personal to you and the Owners. We are granting you area development rights in reliance upon the character, skill, attitude, business ability and financial resources of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in a Transfer (other than a Permitted Transfer) without our prior approval. Any Transfer (other than a Permitted Transfer) without our approval is void and constitutes a breach of this Agreement. We will not unreasonably withhold our approval of a proposed Transfer if all of the following conditions are satisfied:

(a) we believe the proposed transferee has sufficient business experience, aptitude and financial resources to develop, own and operate all Required Salons remaining to be developed under this Agreement and meets our minimum criteria for area developers;

(b) you and your Owners and affiliates are in full compliance with all Definitive Agreements;

(c) the transferee's owners successfully complete, or make arrangements to attend, the initial training program and the transferee pays us any applicable training fee;

(d) the transferee and its owners sign our then-current form of area development agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (i) the Term shall be the Term remaining under this Agreement; (ii) the transferee need not pay a separate Development Fee; and (iii) the Development Schedule and Development Territory shall be the same Development Schedule and Development Territory specified in this Agreement (modified to reflect the development obligations satisfied prior to the Transfer);

(e) you or the transferee pay us a $10,000 transfer fee (in addition to the transfer fee, you must reimburse us for any commission we pay our broker if our broker finds the transferee);

(f) you assign all Franchise Agreements to the transferee in accordance with the transfer provisions under each such Franchise Agreement, including payment of any transfer fee imposed under each such Franchise Agreement (unless we waive this requirement);

(g) you and your Owners sign a General Release;

(h) we choose not to exercise our right of first refusal described in §8.5; and

(i) you or the transferring Owner, as applicable, and the transferee satisfy all other conditions we reasonably require as a condition to our approval of the Transfer.

You may not: (a) transfer less than all development rights remaining under this Agreement (i.e., you may not retain the right to develop any Salon); or (b) transfer your development rights to multiple transferees. Our consent to a Transfer shall not constitute a waiver of any Claims we may have against the transferor or our right to demand the transferee comply with all terms of the area development agreement.

8.3. **Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior notice; and (b) upon our request, cause the former Developer Entity to sign a corporate guarantee in the format we require to secure performance of the new Developer Entity's financial obligations under all Definitive Agreements (if the Permitted Transfer results in a new Developer Entity). You and the Owners (and the transferee) agree to sign all documents we reasonably request to effectuate and document the Permitted Transfer.

8.4. **Owner Death or Disability.** Within 180 days after an Owner's death or permanent disability, the Owner's Equity Interest in the Development Business or Developer Entity must be Transferred to another Person in compliance with §8.2 or §8.3. An Owner is deemed to have a "permanent disability" if he/she has a medical or mental problem that prevents him/her from substantially complying with his/her obligations under this Agreement for a period of at least three (3) months.

8.5. **Our Right of First Refusal.** If you or an Owner wish to engage in a Transfer, you or the Owner, as

applicable, must obtain and send us a bona-fide offer executed by the purchaser after completion of due diligence. We have 30 days after receipt of the offer to decide whether to purchase the interest for the same price and upon the same terms contained in the offer, except we may substitute cash for any non-cash form of payment proposed in the offer. If we notify you within the 30-day period that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional 60 days to prepare for closing. You or the Owner, as applicable, must provide us with all customary representations and warranties regarding the title to and condition of the assets or Equity Interest that we purchase, or at our option, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to the terms of the offer, subject to the requirements of §8.2, including our approval of the transferee. If the sale is not completed within 120 days after we receive the offer, or there is a material change to the terms of sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall not apply to a Permitted Transfer.

9. TERMINATION

9.1. **By Us**. We may terminate this Agreement, effective upon delivery of a notice of termination, for any of the following reasons, all of which constitute material events of default and "good cause" for termination, and without opportunity to cure except for any cure period expressly set forth below:

(i) if we terminate any Definitive Agreement due to a default committed by you or one of your Owners or affiliates; or

(ii) if you (or an Owner) breach any provision of this Agreement and fail to cure within 30 days after receipt of a default notice.

9.2. **By Mutual Agreement**. If you and we mutually agree in writing to terminate this Agreement, any notice or cure period that might otherwise apply shall be deemed waived.

10. EFFECT OF TERMINATION. Termination of this Agreement ends all your rights and development obligations under this Agreement, including your interests in the Development Territory and right to sign new Franchise Agreements or open new Salons. We will not refund any portion of the development fee.

11. DISPUTE RESOLUTION. Any Dispute between the parties relating to this Agreement shall be resolved pursuant to the dispute resolution provisions in the Initial Franchise Agreement. All such dispute resolution provisions are incorporated herein by reference as if fully set forth in this Agreement.

12. REPRESENTATIONS

12.1. **Corporate Representations.** You and your Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate's) assets are bound; (b) violate any order, injunction, decree, judgment or ruling of a Governmental Authority; or (c) violate any applicable Law. If the developer is an Entity, then you and your Owners also jointly and severally represent and warrant to us that: (a) the Developer Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and to perform its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement constitutes the legal, valid and binding obligation of, and is enforceable against, the Developer Entity in accordance with its terms.

12.2. **General Representations.** You and your Owners jointly and severally represent and warrant to us that: (a) other area developers may operate under different forms of agreement and our obligations and rights with respect to area developers differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other area developers and we have no obligation to offer you the same or similar negotiated terms or concessions.

12.3. **Anti-Terrorism Compliance.** You and your Owners jointly and severally represent and warrant to

us that, to the best of your knowledge: (a) no property or interest owned by you or any Owner is subject to being "blocked" under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of an Equity Interest in the Development Business or Developer Entity) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name, alias, pseudonym, nickname or address on any Terrorist List, including the list of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.home.treasury.gov); and (c) you and the Owners are in compliance, and will continue to comply, with the Anti-Terrorism Law and all other U.S. Laws currently in effect, or enacted in the future, that prohibit corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government. The foregoing representations and warranties are 'continuing' representations and warranties for the duration of the franchise relationship. Accordingly, you must immediately notify us of the occurrence of an event or development of a circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

13. GENERAL PROVISIONS

13.1. Governing Law. This Agreement and the franchise relationship are governed by the Laws of California without reference to its principles of conflicts of law, but any California Law that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

13.2. Severability. Each section of this Agreement (and portion thereof) is severable.

13.3. Waivers. Each party may waive any obligation imposed on the other party in writing. Neither party shall be deemed to have waived or impaired any of its contractual rights under this Agreement, including the right to require strict compliance with all terms of this Agreement or terminate this Agreement due to the other party's failure to comply with such terms, by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by a party to exercise any right under this Agreement or require the other party to strictly comply with its obligations under this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other developers; or (d) our acceptance of payment from you after your breach.

13.4. Approvals. Whenever this Agreement requires our approval, you must make a timely written request for approval. Our approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request.

13.5. Force Majeure. Neither party is liable for loss or damage or deemed in breach of this Agreement if such party's failure to perform its obligations results from an event of Force Majeure; *provided, however*, that an event of Force Majeure shall not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.

13.6. Binding Effect. This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement.

13.7. Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email or informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which together with any Amendments or Addenda executed on or after the Effective Date constitutes the entire understanding and agreement of the parties. There are no other oral or written understandings or agreements

between the parties about the subject matter of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

13.8. **Good Faith Covenant**. If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant shall not imply any rights or obligations inconsistent with the express terms hereof. This Agreement, and the relationship of the parties inherent in this Agreement, grants us discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees, but without considering the individual interests of you or any other franchisee.

13.9. **Rights of Parties are Cumulative**. The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by Law.

13.10. **Survival**. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement, or the Transfer of an Equity Interest in the Development Business or Developer Entity, shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire.

13.11. **Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term "you" as used in this Agreement is applicable to one or more Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

13.12. **Time of Essence.** Time is of the essence in this Agreement and every term thereof.

13.13. **Notices.** All notices and notifications given under this Agreement must be in writing and must be provided in accordance with the Notice Provision of the Initial Franchise Agreement.

13.14. **Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

[Signature Page Follows]

The parties below have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

EverSun Brands, Inc., a California corporation

By:_____
Name:_____
Title:_____

YOU (If you are an Entity):

_____,
a(n)_____
By:_____
Name:_____
Title:_____

YOU (If you are not an Entity):

_____
Name:_____
_____
Name: _____
_____
Name: _____
_____
Name: _____

ATTACHMENT "A"

TO AREA DEVELOPMENT AGREEMENT

DEAL TERMS

A. Area Developer Details

Name of area developer: [_____]

Is the area developer one or more natural Persons signing in their individual capacity? **Yes**: _____ **No**: _____

Type of Entity and State of Formation* (if applicable): [_____]

** If the area developer is a business Entity, each Person holding a direct or indirect Equity Interest in the Developer Entity, and spouse of each such Person who is a natural Person, must sign a Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each Person holding a direct or indirect Equity Interest in the Development Business or Developer Entity, as applicable, along with a description of their Equity Interest.

Owner's Name	% Equity Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: _____
_____
_____
Attention:_____
Email:_____

B. Development Fee

The Development Fee is $_____.

C. Development Schedule.

You must comply with the following minimum development obligations as specified in §4 of the Agreement:

DEVELOPMENT PERIOD ENDING*	NUMBER OF SALONS OPENED DURING DEVELOPMENT PERIOD	CUMULATIVE NUMBER OF SALONS OPENED AND IN OPERATION
1 year after Effective Date		
2 years after Effective Date		
3 years after Effective Date		
4 years after Effective Date		
5 years after Effective Date		
Total Number of Salons to be Developed: [_____]		

* A Salon's required opening date is the last day of the Development Period in which the Salon must open.

D. <u>Development Territory</u>.

The Development Territory consists of, and shall be limited to, the following geographic area, as further depicted on the map attached below:

[_____]

If the boundaries that define the Development Territory change during the Term, the boundaries of your Development Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date (as may be depicted on a map attached below or on the following page).

[Attach Map Below (if applicable)]

EXHIBIT "E"

TO DISCLOSURE DOCUMENT

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[See Attached]

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EXHIBIT "F"

TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Part A (Current Franchisees)

The following table lists franchisees that were open as of December 31, 2024.

FRANCHISEES OPEN AS OF DECEMBER 31, 2024				
State	**City**	**Address**	**Phone**	**Owner Name(s)**
California	Carlsbad	6994 El Camino Real, Suite #111 Carlsbad, California 92009	760-842-5281	Timothy Herlehy (MV Tan Venture LLC)
California	Carmel Mountain	11835 Carmel Mountain Rd., #1301 San Diego, CA 92128	858-451-0588	Erin Naanee* (Urban Sun Tan LLC)
California	Chula Vista	2127 Olympic Parkway #1007 Chula Vista, California 91915	619-482-3268	Timothy Herlehy (MV Tan Venture LLC)
California	Del Mar	12853 El Camino Real Ste. 203 San Diego, California 92130	858-792-9392	Timothy Herlehy (MV Tan Venture LLC)
California	El Cajon	1125 Avocado Ave. El Cajon, California 92020	619-447-1177	Michel N. Mikse (Inter Business Solutions, LLC)
California	Encinitas	421 Santa Fe Drive Encinitas, California 92024	760- 942-9632	Timothy Herlehy (MV Tan Venture LLC)
California	Escondido	306 West El Norte Parkway Escondido, California 92026	760-735-6199	Erin Naanee* (Urban Sun Tan LLC)
California	Hemet	2995 W Florida Ave, Suite F3 Hemet California, 92545	951-658-9011	Erin Naanee* US Elevated Inc.
California	La Mesa	8215 La Mesa Boulevard La Mesa, California 91941	619-644-5714	Erin Naanee* (Urban Sun Tan LLC)
California	Lake Elsinore	29263 Central Ave, Suite E Lake Elsinore, California 92532	951-471-2020	Erin Naanee* US Elevated Inc.
California	Lake Forest	23628 El Toro Rd. Ste 4C Lake Forest, California 92630	949-699-2826	Timothy Herlehy (MV Tan Venture LLC)
California	Morgan Hill	106 Cochrane Plaza Morgan Hill, California 95037	408-239-4114	Jill Cudia (Cudia Enterprise LLC)
California	Oceanside	4171 Oceanside Blvd., Suite 105, Oceanside, California 92056	760-941-8548	Timothy Herlehy (MV Tan Venture LLC)
California	Poway	12642 Poway Road, Suite #20 Poway, California 92064	858-513-1444	Michel N. Mikse (Inter Business Solutions, LLC)
California	San Clemente	638 Camino de los Mares, Suite C210 San Clemente, California 92673	949-388-3452	Timothy Herlehy (MV Tan Venture LLC)
California	San Diego	925 Camino de la Reina, Suite B San Diego, California 92108	619-220-8100	Timothy Herlehy (MV Tan Venture LLC)

FRANCHISEES OPEN AS OF DECEMBER 31, 2024				
State	**City**	**Address**	**Phone**	**Owner Name(s)**
California	San Diego	10450 Friars Road, Suite H San Diego, California 92120	619-521-3100	Timothy Herlehy (MV Tan Venture LLC)
California	San Diego	1764 Garnet Avenue San Diego, California 92109	858-581-9060	Timothy Herlehy (Herlehy Inc.)
California	San Diego	3663 Midway Drive, Suite F San Diego, California 92110	619-222-8777	Timothy Herlehy (MV Tan Venture LLC)
California	San Diego	107 West G Street San Diego, California 92101	619-238-7161	Erin Naanee* (Urban Sun Tan LLC)
California	San Diego	4223 Genesee Ave., Suite 114 San Diego, California 92117	858-492-1100	Michel N. Mikse (Inter Business Solutions, LLC)
California	San Diego	660 University Avenue San Diego, California 92103	619-298-1826	Erin Naanee* (Urban Sun Tan LLC)
California	San Marcos	1003 W. San Marcos Blvd San Marcos, California 92078	760-752-1826	Erin Naanee* (Urban Sun Tan LLC)
California	Santee	9850 Mission Gorge Rd, Suite B Santee, California 92071	619-562-8991	Erin Naanee* (Urban Sun Tan LLC)
California	Temecula	32195 Temecula Parkways, Suite 102, Temecula, California 92592	951-303-0730	Erin Naanee* (US Elevated Inc.)
California	Temecula	39694 Winchester Road, Ste C, Temecula, California 92591	951-694-8037	Erin Naanee* (US Elevated Inc.)
California	Vista	1605 S. Melrose Drive, Suite A Vista, California 92081	760-842-5281	Timothy Herlehy (MV Tan Venture LLC)
California	Wildomar	23905 Clinton Keith Rd., Suite 111, Wildomar, California 92595	951-600-0101	Erin Naanee* (US Elevated Inc.)

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2024.

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2024				
State	**City**	**Address**	**Phone**	**Owner Name(s)**
None.				

* These franchisees are also area developers that have committed to open multiple franchised businesses under the terms of an area development agreement.

Part B (Former Franchisees Who Left System During Prior Fiscal Year)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
California	Ramona	760-789-0020	Barbie Swanson

* 1 Salon was closed in 2023 by Timothy Herlehy, and due to an inadvertent error, was not disclosed as a closure in Table 3 of Item 20 nor removed from Part A of this exhibit. This franchisee remains in the system.

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

EXHIBIT "G"

TO DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

[See Attached]

iTAN FRANCHISING, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

iTAN FRANCHISING, INC.

		Pages
I	Index	1
II	Independent auditor's report	2 - 3
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CONSIDINE & CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Stockholder
iTan Franchising, Inc.

Opinion

We have audited the accompanying financial statements of iTan Franchising, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of earnings, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of iTan Franchising, Inc. as of December 31, 2024 and 2023, and the results of its activities and its cash flows for the years 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of iTan Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 iTan Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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TEL 619-231-1977 • FAX 619-231-8244 • www.cccpa.com

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 iTan Franchising, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about iTan Franchising, Inc.'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.

Considine & Considine

CONSIDINE & CONSIDINE
An accountancy corporation

March 11, 2025

iTAN FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	$ 12,947	$ 349,230
Accounts receivable	126,374	96,871
Due from related parties (note 5)	1,700,000	1,550,230
Prepaid expenses	13,426	9,196
Prepaid taxes	137,975	-
Deferred tax asset (note 9)	40,619	37,027
	2,031,341	2,042,554
PROPERTY AND EQUIPMENT (note 3)	70,353	88,280
TOTAL ASSETS	2,101,694	2,130,834
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	16,029	3,765
Accrued liabilities (note 7)	63,191	47,595
Accrued taxes	-	60,182
Contract liabilities (note 8)	103,500	115,000
Deferred tax liability (note 9)	49,948	39,617
Note payable - current portion (note 10)	17,413	15,038
	250,081	281,197
LONG TERM LIABILITIES		
Note payable (note 10)	39,561	56,974
TOTAL LIABILITIES	289,642	338,171
STOCKHOLDER'S EQUITY		
Common stock (note 11)	50,000	50,000
Additional paid in capital	38,000	38,000
Accumulated earnings	1,724,052	1,704,663
	1,812,052	1,792,663
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 2,101,694	$ 2,130,834

See accompanying notes to the financial statements

iTAN FRANCHISING, INC.
STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
SALES		
Royalties	$ 863,175	$ 746,395
Membership and technology service fees	32,676	22,788
Franchise renewal fee	1,000	-
Area development agreement fees (note 8)	11,500	-
	908,351	769,183
OPERATING EXPENSES		
Auto	14,241	8,000
Credit loss	284	-
Depreciation	17,927	443
Dues and subscriptions	8,507	6,945
Insurance	72,234	85,562
Office	98,068	14,371
Outside services	83,583	51,677
Payroll costs	392,761	207,031
Professional fees	75,850	25,584
Lease	37,022	35,933
Taxes and licenses	342	325
Training	12,750	-
Travel and meetings	10,311	1,249
Utilities	18,151	14,555
	842,031	451,675
OPERATING INCOME	66,320	317,508
OTHER INCOME/(EXPENSES)		
Marketing fund fees	667,682	635,751
Interest income	7	-
Interest expense	(3,552)	-
Marketing fund expenses	(697,753)	(581,424)
	(33,616)	54,327
INCOME BEFORE TAXES	32,704	371,835
INCOME TAX EXPENSE (note 9)	(13,315)	(99,689)
NET EARNINGS	$ 19,389	$ 272,146

See accompanying notes to the financial statements

iTAN FRANCHISING, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Common stock Shares	Common stock Amount	Additional paid in capital	Accumulated earnings	Total stockholder's equity
Balance at December 31, 2022	1,500	$ 50,000	$ 38,000	$ 1,432,517	$ 1,520,517
Net earnings	-	-	-	272,146	272,146
Balance at December 31, 2023	1,500	50,000	38,000	1,704,663	1,792,663
Net earnings	-	-	-	19,389	19,389
Balance at December 31, 2024	1,500	$ 50,000	$ 38,000	$ 1,724,052	$ 1,812,052

See accompanying notes to the financial statements

iTAN FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS (USED)/PROVIDED BY OPERATING ACTIVITIES		
Net earnings	$ 19,389	$ 272,146
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation	17,927	443
Credit loss expense	284	-
Changes in operating assets and liabilities:		
Accounts receivable	(29,787)	4,540
Prepaid expenses	(4,230)	74,586
Prepaid taxes	(6,030)	5,087
Income tax receivable	(131,945)	-
Deferred tax asset	(3,592)	(32,366)
Accounts payable	12,264	2,973
Accrued liabilities	15,596	16,196
Accrued taxes	(60,182)	44,709
Contract liabilities	(11,500)	115,000
Deferred tax liability	10,331	(5,430)
	(190,864)	225,738
NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES	(171,475)	497,884
CASH FLOWS USED BY INVESTING ACTIVITIES		
Due from related parties	(149,770)	(151,009)
Purchase of property and equipment	-	(16,054)
NET CASH USED BY INVESTING ACTIVITIES	(149,770)	(167,063)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Principle payments on note payable	(15,038)	-
NET (DECREASE)/INCREASE IN CASH	(336,283)	330,821
CASH AT BEGINNING OF YEAR	349,230	18,409
CASH AT END OF YEAR	$ 12,947	$ 349,230
Supplementary disclosures		
Income taxes paid	$ 204,745	$ 92,776
Non-cash financing transactions:		
Purchase of property and equipment with note payable	$ -	$ 72,012

See accompanying notes to the financial statements

NOTE 1 THE COMPANY

iTan Franchising, Inc. (the "Company") was incorporated on April 9, 2008, with operations beginning in 2009. The Company is a franchisor of salons. Currently all salons are located in California, though the objective is to grow the franchises throughout the country through regional development and individual franchise sales.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles (GAAP) in the United States.

Use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Consolidation of variable interest entities - The Company follows the alternative accounting standard for private companies with respect to entities under common control. As such, entities under common control have not been evaluated under the guidance in the variable interest subsections of the Financial Accounting Standards Board ("FASB") ASC 810.

Fair value measurements - The Company follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities. The fair value measurements have no material financial effects on the Company's financial statements.

Cash - The Company considers financial instruments with a fixed maturity date of less than three months to be cash equivalent. The Company holds its cash deposits at a regional bank. The balance in the account is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank as of December 31, 2024 and 2023. The Company had $0 and $104,387 that were in excess of the FDIC limit as of December 31, 2024 and 2023, respectively. Management believes that the Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable - Accounts receivable consist mainly of monthly royalties and marketing funds due according to franchise agreements. Management assesses the collectability of accounts receivable at the close of each period and records an allowance for doubtful accounts based on specific identification. Management has determined all accounts to be collectible at December 31, 2024 and 2023.

Credit losses - The Company follows standards applicable to accounting for credit losses, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to trading receivables, financing receivables, held-to-maturity debt securities, and receivables relating to repurchase agreements and securities lending agreements. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized

by a lessor in accordance with Topic 842 on leases. Receivables held by the Company are subject to this guidance. At December 31, 2024 and 2023 the Company had no allowances for credit losses.

Property and equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method of depreciation over the assets estimated useful lives of five years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

The Company follows Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") *Revenue from Contracts with Customers*, provides guidance for revenue recognition. This ASC's core principle requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the company expects to be entitled in exchange for those goods or services.

The Company follows Accounting Standards Update 2021-02 "Franchisors - Revenue from Contracts with Customers". The ASU provides a practical expedient to allow qualifying franchisors to account for certain pre-opening services as distinct from franchise license.

Leases - The Company follows ASU 2016-02, Leases (Topic 842) and all related amendments. The standard established a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months and disclose key information about the leasing arrangements. Options to renew a lease are only included in the lease term to the extent those options are reasonably certain to be exercised. Leases will be classified as either finance or operating. Operating lease liabilities and their corresponding ROU assets are initially recorded based on the present value of lease payments over the term of the lease. The rate implicit in lease contracts is typically not readily determinable and, as a result, the Company utilizes the treasury yield rate to discount lease payments. Finance leases are generally those leases that allow the Company to substantially utilize or pay for the entire asset of its estimated life. The Company had no finance leases at December 31, 2024 and 2023.

Marketing fund fees - The Company acts as an agent for franchisees in the management of certain marketing funds pursuant to its franchise agreements. The Company collects 5.5% of sales from franchisees (see note 6) and provides marketing services and conducts marketing services for all franchisees. The Company has discretion as to how the funds are spent, provided the funds are spent in accordance with the franchise agreements. The Company recognizes marketing fund fees as revenue at the time the underlying sales occur.

Initial franchise fees - Initial franchise fee revenues are recognized when the Company satisfies performance obligation by providing services to the franchisee. These services include support for site selection, architectural plans, interior and exterior design and layout, training, marketing and sales techniques and pre-opening assistance. All services are substantially provided at the time of the location opening.

Royalty fee income - The Company is entitled to a percentage of sales generated by each franchise location. Royalty fee revenues are recorded as revenues are earned by the franchise locations.

Membership and technology service fees - Membership and technology service fees include salon transfer fees, salon renewal fees, technology fees, SharePort license fees, LMS platform fees, and fees related to electronic funds transfers. Salon transfer fee revenues are recorded upon the sale or transfer of an existing franchise location to another person or entity. Salon transfers require the approval of the Company. The Company collects from its franchisees Technology and License fees per the following schedule:

Technology Fees	$30 per salon per month
EFT Services	$10 per salon per month
SharePort License Fees	$4-$20 per user per month
LMS Platform Fees	$50 per salon per month
Franchise Renewal Fees	$1,000 due at renewal

Franchise marketing costs - The Company expenses costs related to marketing future franchise locations as incurred. Such costs include website maintenance, print material and franchise trade show expenses. There were no franchise marketing expenses for the years ended December 31, 2024 and 2023.

Income taxes - The Company follows accounting standards applicable to accounting for income taxes, which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for expected future tax consequences. It generally considers all expected future events other than enactments of changes in the tax laws or rates. Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statements and tax basis of assets and liabilities using presently enacted tax rates.

The Company follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, and measurement of a tax position taken or to be taken in a tax return. As of December 31, 2024 and 2023, the Company has not accrued interest or penalties related to uncertain tax positions.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2024	2023
Computers and equipment	$ 25,753	$ 25,753
Furniture	18,716	18,716
Vehicles	82,012	82,012
	126,481	126,481
Less: accumulated depreciation	(56,128)	(38,201)
	$ 70,353	$ 88,280

Depreciation expense was $17,927 and $443 for the years ended December 31, 2024 and 2023.

NOTE 4 COMMITMENTS

The Company is currently leasing office space from a related party through common ownership (see note 5). The lease commenced on November 1, 2018, and continues as a month-to-month tenancy. Either party may terminate the tenancy by giving written notice at least 30 days prior to the intended termination date. The terms of the monthly payments are reviewed periodically and may be adjusted. The lease currently requires monthly payments of approximately $3,133 for rent and common area maintenance.

Lease expense for the years ended December 31, 2024 and 2023 was $37,022 and $35,933, respectively.

NOTE 5 RELATED PARTY TRANSACTIONS

Kharsa Holdings, Inc. ("KHI") and Evolv Brands, Inc. ("Evolv") are under common control of the Company's owner. KHI paid marketing fund fees to the Company during 2023, and the companies share common expenses. The Company leases office space from Evolv (see note 4). The Company and the entities under common control are not parties to any arrangements in which they are liable for mutual financial support nor events that would cause the Company to report a loss beyond any amounts reported as receivables.

During the years ended December 31, 2024 and 2023, KHI paid for expenses on behalf of the Company totaling $362 and $3,030 and the Company paid for expenses on behalf of KHI totaling $0 and $69,478, respectively. For the years ended December 31, 2024 and 2023, $0 and $181, respectively, is due to KHI and is reflected in accounts payable on the balance sheets.

In addition, as of December 31, 2023, KHI owned five franchise locations. At the end of 2023, KHI sold all five franchise locations to a third party. Per the franchise agreement, KHI paid no royalty fees to the Company during the year ended December 31, 2023. Total marketing fund fees from KHI for the year ended December 31, 2023 were $96,154. KHI owes marketing fees and amounts for workers compensation insurance, supplies, and services to the Company of $0 and $6,706 for the years ended

December 31, 2024 and 2023, respectively. These balances due from this related party are reflected in accounts receivable on the balance sheets. At December 31, 2024 and 2023, the Company had a $1,700,000 and $250,000 receivable, respectively, from KHI. This amount is a short-term loan and is reflected in due from related parties on the balance sheets. The loan does not accrue interest.

Rent paid to Evolv for the years ended December 31, 2024 and 2023 was $37,022 and $35,933, respectively. During the years ended December 31, 2024 and 2023, Evolv paid for expenses on behalf of the Company of $2,745 and $2,387, and the Company paid for expenses on behalf of Evolv totaling $14,887 and $19,065, respectively. For the years ended December 31, 2024 and 2023, $0 and $230, respectively, was due from Evolv and is reflected in due from related parties on the balance sheets. For the years ended December 31, 2024 and 2023, $27 and $89, respectively, is due to Evolv and is reflected in accounts payable on the balance sheets.

The Company has a licensing agreement with a related party which owns the trademarks, service marks and other marks (the "Marks") related to the iTan name and franchise. The licensing agreement provides the Company to use and sublicense the Marks to its franchise locations. The licensing agreement calls for a one-time payment of $10 by the Company to the related party.

At December 31, 2024 and 2023, the Company had $0 and $1,300,000 receivable from its stockholder. This amount was a short-term advance to the stockholder and is reflected in due from related parties on the balance sheets. The advance did not accrue interest.

NOTE 6 FRANCHISING

The Company generates revenues from franchising through individual franchise agreements. In general, the Company's franchise agreements provide for the payment of an initial franchise fee for each franchise salon opened. The franchise agreements also require the franchisees to pay the Company a royalty fee of 6% of sales, with the exception of franchises belonging to a related party (see note 5). The franchise agreements also set forth a fee based on the percentage of sales to be contributed to a marketing fund to be spent on advertising for all locations. This fee can be changed from time to time. During the year ended December 31, 2023, the marketing fund contribution rate was 4% of sales. The marketing fund contribution rate remained at 4% of sales through September 30, 2024. Upon October 1, 2024, the marketing fund rate was altered to a cumulative amount of 5.5%, 2% being dedicated to a general fund and 3.5% being directed to a regional fund dependent on the franchisee's location.

The following is a summary of open franchise locations:

	2024	2023
Franchise locations, beginning of year	29	31
Opened franchise locations	-	-
Closed franchise locations	1	2
Franchise locations, end of year	28	29

During 2024 and 2023, the number of franchise locations owned by a related party were zero and five, respectively (see note 5).

NOTE 7 ACCRUED LIABILITIES

Accrued Liabilities consist of the following:

	2024	2023
Accrued payroll	$ 14,518	$ 4,743
Credit card payable	48,673	42,852
	$ 63,191	$ 47,595

NOTE 8 CONTRACT LIABILITIES

The Company signed a ten-year, non-refundable Area Development Agreement (ADA) in December 2023. The ADA is for the opening of ten to twenty salons over ten years. This amount is to be recognized on a straight-line basis over the course of the ten-year ADA. For the years ended December 31, 2024 and 2023, there was an allocation of $11,500 and $0, respectively, towards revenue classified as Area Development Agreement fees on the statements of earnings. As of December 31, 2024 and 2023, contract liabilities is $103,500 and $115,000 .

NOTE 9 INCOME TAXES

Income tax expense is calculated as follows:

	2024	2023
Current taxes:		
Federal	$ -	$ 64,194
State	6,013	32,905
	6,013	97,099
Deferred taxes:		
Federal	5,153	1,772
State	2,149	818
	7,302	2,590
Income tax expense	$ 13,315	$ 99,689

The deferred tax liability is $49,948 and $39,617 for the years ending December 31, 2024 and 2023, respectively. The deferred tax asset is $40,619 and $37,027 for the years ending December 31, 2024 and 2023, respectively. The deferred tax asset and liability is derived from the tax return being on the cash basis of accounting and differences between tax and GAAP depreciation. Due to differences in the treatment of the marketing funds between tax and GAAP, there are permanent differences of approximately -$30,000 and $54,000 for the years ending December 31, 2024 and 2023, respectively.

The Company files income taxes in the United States of America and the State of California.

NOTE 10 NOTE PAYABLE

Note payable represents a five-year vehicle loan received in December 2023. Principal and interest payments of $1,690 are due monthly with interest stated at 5.84%.

The future principal payments required under the notes payable for the years ending December 31 are as follows:

2025	$	17,413
2026		18,458
2027		19,565
2028		1,538
	$	56,974

NOTE 11 COMMON STOCK

There are 1,500 shares of no-par common stock authorized with 1,500 shares issued and outstanding as of December 31, 2024 and 2023.

NOTE 12 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 11, 2025, the date on which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.

iTAN FRANCHISING, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

iTAN FRANCHISING, INC.

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VII	Notes to the financial statements	8 - 15

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CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholder
iTan Franchising, Inc.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of iTan Franchising, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of earnings, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of iTan Franchising, Inc. as of December 31, 2023 and 2022, and the results of its activities and its cash flows for the years 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of iTan Franchising, Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 iTan Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 iTan Franchising, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about iTan Franchising, Inc.'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.

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An accountancy corporation

March 25, 2024

iTAN FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 349,230	$ 18,409
Accounts receivable	96,871	101,411
Due from related parties (note 5)	1,550,230	1,399,221
Prepaid expenses	9,196	83,782
Prepaid taxes	-	5,087
Deferred tax asset (note 9)	37,027	4,661
	2,042,554	1,612,571
PROPERTY AND EQUIPMENT (note 3)	88,280	657
TOTAL ASSETS	2,130,834	1,613,228
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	3,765	792
Accrued liabilities (note 7)	47,595	31,399
Accrued taxes	60,182	15,473
Contract liabilities (note 8)	115,000	-
Deferred tax liability (note 9)	39,617	45,047
Note payable - current portion (note 10)	15,038	-
	281,197	92,711
LONG TERM LIABILITIES		
Note payable (note 10)	56,974	-
TOTAL LIABILITIES	338,171	92,711
STOCKHOLDER'S EQUITY		
Common stock (note 11)	50,000	50,000
Additional paid in capital	38,000	38,000
Accumulated earnings	1,704,663	1,432,517
	1,792,663	1,520,517
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 2,130,834	$ 1,613,228

See accompanying notes to the financial statements

iTAN FRANCHISING, INC.
STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
SALES		
Royalties	$ 746,395	$ 685,019
Membership and technology service fees	22,788	24,761
Salon transfer fees	-	24,000
Franchise renewal fee	-	4,000
	769,183	737,780
OPERATING EXPENSES		
Auto	8,000	8,286
Depreciation	443	1,543
Dues and subscriptions	6,945	3,493
Franchise marketing	-	54
Insurance	85,562	75,633
Office	14,371	7,906
Outside services	51,677	14,419
Payroll costs	207,031	238,355
Professional fees	25,584	27,707
Lease	35,933	35,112
Taxes and licenses	325	325
Travel and meetings	9,249	8,677
Utilities	14,555	13,210
	451,675	426,434
OPERATING INCOME	317,508	311,346
OTHER INCOME/(EXPENSES)		
Marketing fund fees	635,751	591,317
Other income (note 12)	-	105,969
Interest income	-	286
Loss on disposal of asset	-	(900)
Marketing fund expenses	(581,424)	(657,115)
	54,327	39,557
INCOME BEFORE TAXES	371,835	350,903
INCOME TAX EXPENSE (note 9)	(99,689)	(117,133)
NET EARNINGS	$ 272,146	$ 233,770

See accompanying notes to the financial statements

iTAN FRANCHISING, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common stock Shares	Common stock Amount	Additional paid in capital	Accumulated earnings	Total stockholder's equity
Balance at December 31, 2021	1,500	$ 50,000	$ 38,000	$ 1,198,747	$ 1,286,747
Net earnings	-	-	-	233,770	233,770
Balance at December 31, 2022	1,500	50,000	38,000	1,432,517	1,520,517
Net earnings	-	-	-	272,146	272,146
Balance at December 31, 2023	1,500	$ 50,000	$ 38,000	$ 1,704,663	$ 1,792,663

See accompanying notes to the financial statements

iTAN FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net earnings	$ 272,146	$ 233,770
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation	443	1,543
Loss on disposal of property and equipment	-	900
Income from loan forgiveness	-	(74,517)
Changes in operating assets and liabilities:		
Accounts receivable	4,540	(7,924)
Due from related parties	-	1,972
Prepaid expenses	74,586	24,122
Prepaid taxes	5,087	(5,087)
Income tax receivable	-	35,755
Deferred tax asset	(32,366)	(4,661)
Accounts payable	2,973	(578)
Accrued liabilities	16,196	(26,670)
Accrued taxes	44,709	(57,673)
Contract liabilities	115,000	-
Deferred tax liability	(5,430)	31,764
	225,738	(81,054)
NET CASH PROVIDED BY OPERATING ACTIVITIES	497,884	152,716
CASH FLOWS USED BY INVESTING ACTIVITIES		
Due from related parties	(151,009)	(1,400,000)
Purchase of property and equipment	(16,054)	-
NET CASH USED BY INVESTING ACTIVITIES	(167,063)	(1,400,000)
NET INCREASE/(DECREASE) IN CASH	330,821	(1,247,284)
CASH AT BEGINNING OF YEAR	18,409	1,265,693
CASH AT END OF YEAR	$ 349,230	$ 18,409
Supplementary disclosures		
Income taxes paid	$ 92,776	$ 144,200
Non-cash financing transactions:		
Purchase of property and equipment with note payable	$ 72,012	$ -

See accompanying notes to the financial statements

NOTE 1 THE COMPANY

iTan Franchising, Inc. (the "Company") was incorporated on April 9, 2008, with operations beginning in 2009. The Company is a franchisor of salons. Currently all salons are located in California, though the objective is to grow the franchises throughout the country through regional development and individual franchise sales.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles (GAAP) in the United States.

Use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Consolidation of variable interest entities - The Company follows the alternative accounting standard for private companies with respect to entities under common control. As such, entities under common control have not been evaluated under the guidance in the variable interest subsections of the Financial Accounting Standards Board ("FASB") ASC 810.

Fair value measurements - The Company follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities. The fair value measurements has no material financial effects on the Company's financial statements.

Cash - The Company considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Company holds its cash deposits at a regional bank. The balance in the account is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank as of December 31, 2023 and 2022. The Company had $104,387 and $0 that were in excess of the FDIC limit as of December 31, 2023 and 2022, respectively. Management believes that the Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable - Accounts receivable consist mainly of monthly royalties and marketing funds due according to franchise agreements. Management assesses the collectability of accounts receivable at the close of each period and records an allowance for doubtful accounts based on specific identification. Management has determined all accounts to be collectible at December 31, 2023 and 2022.

Property and equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method of depreciation over the assets estimated useful lives of five years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

The Company follows Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") *Revenue from Contracts with Customers*, provides guidance for revenue recognition. This ASC's core principle requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the company expects to be entitled in exchange for those goods or services.

The Company follows Accounting Standards Update 2021-02 "Franchisors - Revenue from Contracts with Customers". The ASU provides a practical expedient to allow qualifying franchisors to account for certain pre-opening services as distinct from franchise license.

Leases – The Company follows ASU 2016-02, Leases (Topic 842) and all related amendments. The standard established a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months and disclose key information about the leasing arrangements. Options to renew a lease are only included in the lease term to the extent those options are reasonably certain to be exercised. Leases will be classified as either finance or operating. Operating lease liabilities and their corresponding ROU assets are initially recorded based on the present value of lease payments over the term of the lease. The rate implicit in lease contracts is typically not readily determinable and, as a result, the Company utilizes the treasury yield rate to discount lease payments. Finance leases are generally those leases that allow the Company to substantially utilize or pay for the entire asset of its estimated life. The Company had no finance leases at December 31, 2023 and 2022.

Marketing fund fees - The Company acts as an agent for franchisees in the management of certain marketing funds pursuant to its franchise agreements. The Company collects 4% of sales from franchisees and provides marketing services and conducts marketing services for all franchisees. The Company has discretion as to how the funds are spent, provided the funds are spent in accordance with the franchise agreements. The Company recognizes marketing fund fees as revenue at the time the underlying sales occur.

Initial franchise fees - Initial franchise fee revenues are recognized when the Company satisfies performance obligation by providing services to the franchisee. These services include support for site selection, architectural plans, interior and exterior design and layout, training, marketing and sales techniques and pre-opening assistance. All services are substantially provided at the time of the location opening.

Royalty fee income - The Company is entitled to a percentage of sales generated by each franchise location. Royalty fee revenues are recorded as revenues are earned by the franchise locations.

Membership and technology service fees - Membership and technology service fees include salon transfer fees, technology fees, shareport license fees, and fees related to electronic funds transfers. Salon transfer fee revenues are recorded upon the sale or transfer of an existing franchise location to another person or entity. Salon transfers require the approval of the Company. The Company collects from its franchisees Technology and License fees per the following schedule:

Technology Fees	$30 per salon per month
EFT Services	$10 per salon per month
SharePort License Fees	$4-$20 per user per month

Franchise marketing costs - The Company expenses costs related to marketing future franchise locations as incurred. Such costs include website maintenance, print material and franchise trade show expenses. Franchise marketing expenses for the years ended December 31, 2023 and 2022 was $0 and $54, respectively. This amount is included in office expense on the statements of earnings.

Income taxes - The Company follows accounting standards applicable to accounting for income taxes, which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for expected future tax consequences. It generally considers all expected future events other than enactments of changes in the tax laws or rates. Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statements and tax basis of assets and liabilities using presently enacted tax rates.

The Company follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of December 31, 2023 and 2022, the Company has not accrued interest or penalties related to uncertain tax positions.

Recent accounting pronouncement – In July 2016, FASB issued ASU 2016-13 Financial Instruments – Credit Losses (Topic 326). The new standard is effective for fiscal years beginning after December 15, 2022. The Organization adopted Topic 326 and all related amendments as of January 1, 2023. The standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to trading receivables, financing receivables, held-to-maturity debt securities, and receivables relating to repurchase agreements and securities lending agreements. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases.

The Company adopted ASC 326 using a modified retrospective transition approach. Under this approach, an entity records an adjustment to retained earnings for the cumulative effect of adopting the standard. The adjustment is made to opening retained earnings as of the start of the reporting period in which the ASU becomes effective. The Company has performed a review of the new guidance as compared to its current accounting policies to determine the impact of this standard on their financial

assets presentation. Upon completion of its review, the Company has made a determination that there is no material impact to their financial assets presentation upon adoption of the new standard.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2023	2022
Computers and equipment	$ 25,753	$ 19,699
Furniture	18,716	18,716
Vehicles	82,012	-
	126,481	38,415
Less: accumulated depreciation	(38,201)	(37,758)
	$ 88,280	$ 657

Depreciation expense was $443 and $1,543 for the years ended December 31, 2023 and 2022.

NOTE 4 COMMITMENTS

The Company is currently leasing office space from a related party through common ownership (see note 5). The lease commenced on November 1, 2018 and continues as a month-to-month tenancy. Either party may terminate the tenancy by giving written notice at least 30 days prior to the intended termination date. The terms of the monthly payments are reviewed periodically and may be adjusted. The lease currently requires monthly payments of approximately $3,000 for rent and common area maintenance.

Lease expense for the years ended December 31, 2023 and 2022 was $35,933 and $35,112, respectively.

NOTE 5 RELATED PARTY TRANSACTIONS

Kharsa Holdings, Inc. ("KHI") and Evolv Brands, Inc. ("Evolv") are under common control of the Company's owner. KHI pays marketing fund fees to the Company and the companies share common expenses. The Company leases office space from Evolv (see note 4). The Company and the entities under common control are not parties to any arrangements in which they are liable for mutual financial support nor events that would cause the Company to report a loss beyond any amounts reported as receivables.

During the years ended December 31, 2023 and 2022 KHI paid for expenses on behalf of the Company totaling $3,030 and $2,686 and the Company paid for expenses on behalf of KHI totaling $69,478 and $70,777, respectively. For the years ended December 31, 2023 and 2022, $181 and $0, respectively, is due to KHI and is reflected in accounts payable on the balance sheets.

In addition, as of December 31, 2023 and 2022 KHI owns five and eight franchise locations, respectively. Per the franchise agreement, KHI pays no royalty fees to the Company. Total marketing fund fees from

KHI for the years ended December 31, 2023 and 2022 were $96,154 and $119,879, respectively. KHI owes marketing fees and amounts for workers compensation insurance, supplies, and services to the Company of $6,706 and $8,028 for the years ended December 31, 2023 and 2022, respectively. These balances due from this related party are reflected in accounts receivable on the balance sheets. At December 31, 2023 and 2022, the Company had a $250,000 and $100,000 receivable, respectively, from KHI. This amount is a short term advance and is reflected in due from related parties on the balance sheets. The advance does not accrue interest.

Rent paid to Evolv for the years ended December 31, 2023 and 2022 was $35,933 and $35,112, respectively. During the years ended December 31, 2023 and 2022, Evolv paid for expenses on behalf of the Company of $2,387 and $95,721, and the Company paid for expenses on behalf of Evolv totaling $19,065 and $18,138, respectively. For the years ended December 31, 2023 and 2022, $230 and $0, respectively, was due from Evolv and is reflected in due from related parties on the balance sheets. At December 31, 2023 and 2022, Evolv had prepaid shared expenses in the amount of $0 and $779, respectively. The prepaid balance is included in due from related parties on the balance sheets. For the years ended December 31, 2023 and 2022, $89 and $0, respectively, is due to Evolv and is reflected in accounts payable on the balance sheets.

The Company has a licensing agreement with a related party which owns the trademarks, service marks and other marks (the "Marks") related to the iTan name and franchise. The licensing agreement provides the Company to use and sublicense the Marks to its franchise locations. The licensing agreement calls for a one-time payment of $10 by the Company to the related party.

At December 31, 2023 and 2022, the Company had $1,300,000 receivable from its stockholder. This amount is a short term advance to the stockholder and is reflected in due from related parties on the balance sheets. The advance does not accrue interest.

NOTE 6 FRANCHISING

The Company generates revenues from franchising through individual franchise agreements. In general, the Company's franchise agreements provide for the payment of an initial franchise fee for each opened franchise salon. The franchise agreements also require the franchisees to pay the Company a royalty fee of 6% of sales, with the exception of franchises belonging to a related party (see note 5). The franchise agreements also set forth a fee based on the percentage of sales to be contributed to a marketing fund to be spent on advertising for all locations. This fee can be changed from time to time. During the years ended December 31, 2023 and 2022 the marketing fund contribution rate was 4% of sales. A vacation rate of 3.5% was effective from January 1, 2022 to June 30, 2022.

The following is a summary of opened franchise locations:

	2023	2022
Franchise locations, beginning of year	31	31
Opened franchise locations	-	-
Closed franchise locations	2	-
Franchise locations, end of year	29	31

During 2023 and 2022, the number of franchise locations owned by a related party were five and eight, respectively (see note 5).

NOTE 7 ACCRUED LIABILITIES

Accrued Liabilities consist of the following:

	2023	2022
Accrued payroll	$ 4,743	$ 5,848
Credit card payable	42,852	25,551
	$ 47,595	$ 31,399

NOTE 8 CONTRACT LIABILITIES

The Company signed a ten year, non-refundable Area Development Agreement (ADA) in December 2023. Contract liabilities have been recognized for the full amount of the agreement of $115,000 as of December 31, 2023. The ADA is for the opening of ten to twenty salons over ten years. This amount is to be recognized on a straight-line basis over the course of the ten year ADA. For the years ended December 31, 2023 and 2022 there have been no allocations towards revenue on the statements of earnings.

NOTE 9 INCOME TAXES

Income tax expense is calculated as follows:

	2023	2022
Current taxes:		
Federal	$ 64,194	$ 51,157
State	32,905	25,590
	97,099	76,747
Deferred taxes:		
Federal	1,772	27,628
State	818	12,758
	2,590	40,386
Income tax expense	$ 99,689	$ 117,133

The deferred tax liability is $39,617 and $45,047 for the years ending December 31, 2023 and 2022, respectively. The deferred tax asset is $37,027 and $4,661 for the years ending December 31, 2023 and 2022, respectively. The deferred tax asset and liability is derived from the tax return being on the cash basis of accounting and differences between tax and GAAP depreciation. Due to differences in the treatment of the marketing funds between tax and GAAP, there are permanent differences of approximately $54,000 and -$66,000 for the years ending December 31, 2023 and 2022, respectively.

The Company files income taxes in the United States of America and the State of California.

NOTE 10 NOTE PAYABLE

Note payable represents a five year vehicle loan received in December 2023. Principal and interest payments of $1,690 are due monthly with interest stated at 5.84%.

The future principal payments required under the notes payable for the years ended December 31 are as follows:

2024	$ 15,038
2025	17,413
2026	18,458
2027	19,565
2028	1,538
	$ 72,012

NOTE 11 COMMON STOCK

There are 1,500 shares of no-par common stock authorized with 1,500 shares issued and outstanding as of December 31, 2023 and 2022.

NOTE 12 GOVERNMENT GRANTS

On February 12, 2021 the Company entered into a note payable agreement with Northeast Bank for $74,517, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note matures two years from the disbursement date and bears interest at a rate of 1.000% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (qualifying expenses), pursuant to the terms and limitations of the PPP.

On February 7, 2022, the Company received forgiveness for the full portion of the PPP loan above. The Company has decided to account for it as a government grant. While GAAP does not contain guidance on the accounting for government grants, the Company is following the guidance in International Accounting Standards, or IAS, 20, Accounting for Government Grants and Disclosure of Government Assistance. Under the provisions of IAS 20, "a forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan." Under IAS 20, government grants are recognized in income as required activities are undertaken. Included in other income on the statement of earnings for the year ended December 31, 2022 is the full amount of the PPP loan, $74,517. No liability for the PPP loan is reflected in the balance sheet as of December 31, 2022.

The CARES Act also provided an Employee Retention Credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to the employees during a quarter, capped at $10,000 of qualified wages per employee throughout the year. The Company qualified for the tax credit in the second quarter of 2020, and the second quarter of 2021, totaling an accrued benefit of $31,452 related to the ERC. The credit is included in other income on the Company's statement of earnings for the year ended December 31, 2022.

NOTE 13 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 25, 2024, the date on which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.

EXHIBIT "H"

TO DISCLOSURE DOCUMENT

OTHER AGREEMENTS

EXHIBIT "H"-1

STATE ADDENDA

[See Attached]

STATE ADDENDA AND AMENDMENTS TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES

BACKGROUND AND PURPOSE

The following modifications are made to the EverSun™ Franchise Disclosure Document ("FDD" or "Disclosure Document") issued by EverSun Brands, Inc. ("we" or "us" or "franchisor") to franchisee ("you" or "franchisee") and may supersede certain portions of the Franchise Agreement between you and us dated _____, 202__ (the "Franchise Agreement"). When the term "Supplemental Agreements" is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum ("State Addendum") will modify these agreements to comply with the applicable state's laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document.

2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

3. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

4. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.

5. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement or Supplemental Agreement restricting venue to a forum outside the State of California.

6. The Franchise Agreement and Supplemental Agreements require application of the laws of California. This provision may not be enforceable under California law.

7. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

8. The Franchise Agreement and Supplemental Agreements may contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

9. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

10. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

11. You must sign a general release of claims 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).

12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT https://dfpi.ca.gov/.

HAWAII

1. The following is added to the Cover Page:

   THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

   THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

   THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

2. Our registered agent in the state authorized to receive service of process:

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

3. The states in which this filing is effective are listed on the Exhibit to the FDD titled "State Effective Dates".

4. The states in which this filing is or will be shortly on file include the following: _____

5. The states, if any, which have refused, by order or otherwise, to register these franchises include the following: _____

6. The states, if any, which have revoked or suspended the right to offer these franchises include the following: _____

7. The states, if any, in which the filing of these franchises has been withdrawn include the following: _____

ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. Illinois law shall apply to and govern the Franchise Agreement and Supplemental Agreements.

2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois.

3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. The Franchise Agreement and Supplemental Agreements are amended to state the following:

To the extent that any provision in the Illinois State Addendum is inconsistent with any provision in this Agreement, the provision in the Illinois State Addendum shall control.

INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.

2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.

3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.

4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.

5. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1(9).

6. Termination penalties are prohibited by law in the State of Indiana. Therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended to delete all references to any fees or other financial obligations that constitute termination penalties under Indiana law.

7. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law"), the Disclosure Document is amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:

    a. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply any liability under the Maryland Franchise Registration and Disclosure Law.

    b. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

    c. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

    d. In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

    e. The Franchise Agreement and Supplemental Agreements provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

2. The Franchise Disclosure Questionnaire, which is attached as an Exhibit to the Disclosure Document, is amended as follows:

    All representations requiring prospective franchisees to assent to the release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

    In recognition of the requirements of the Maryland Franchise Law, the Franchise Agreement and Supplemental Agreements are amended to add the following:

3. Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

4. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.

5. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.

6. The Franchise Questionnaire that you completed in connection with your application for the franchise requires you, as a prospective franchisee, to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Law as a condition to your purchase of the franchise. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.

7. Any acknowledgements or representations by you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.

8. Nothing in the Franchise Agreement, Supplemental Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any document relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(v) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(vi) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(vii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(viii) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if

the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.

2. We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Supplemental Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

3. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statues, chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J), which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond if required.

4. We will comply with Minnesota Statute Section 80C.12, Subd. 1(g), which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

5. We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.

NEW YORK

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. The following information is added to the cover page of the Disclosure Document:

   INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3 of the Disclosure Document:

   Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

   A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

   B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

   C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

   D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or 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.

3. The following is added to the end of Item 4 of the Disclosure Document:

   Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as 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 that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5 of the Disclosure Document:

   The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c) of the Disclosure Document, titled "**Requirements for franchisee to renew or extend**," and Item 17(m) of the Disclosure Document, entitled "**Conditions for franchisor approval of transfer"**:

   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d) of the Disclosure Document, titled **"Termination by franchisee"**:

   You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j) of the Disclosure Document, titled "**Assignment of contract by franchisor"**:

   However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v) of the Disclosure Document, titled "Choice of forum", and Item 17(w) of the Disclosure Document, titled "**Choice of law"**:

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

9. We will not require that you prospectively assent to a release, assignment, novation, waiver, or estoppel that purports to relieve any person from liability imposed by the New York Franchise Law.

10. We will not place any condition, stipulation, or provision in the Franchise Agreement that requires you to waive compliance with any provision of the New York Franchise Law.

11. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the New York Franchise Law is amended to provide for a three (3) year statute of limitations for purposes of bringing a claim arising under the New York Franchise Law.

12. Notwithstanding the transfer provision in the Franchise Agreement, we will not assign the Franchise Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law (the "North Dakota Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Law. Item 17 of the Disclosure Document and certain provisions in the Franchise Agreement and Supplemental Agreements include certain covenants restricting competition to which you must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statue, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Law. The Disclosure Document, Franchise Agreement and Supplemental Agreements are amended accordingly to the extent required by law.

2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee's business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the parties must agree on the site where arbitration or mediation will be held.

3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Provisions requiring you to sign a general release upon renewal of the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.

10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Invest Law.

RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act (the "Rhode Island Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Rhode Island Franchise Law. This provision does not apply to the settlement of disputes, claims, or civil lawsuits brought under the Rhode Island Franchise Law.

2. Section 19-28.1-14 of the Rhode Island Franchise Law provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." If a claim is enforceable under the Rhode Island Franchise Law, we will not restrict jurisdiction or venue to a forum outside the State of Rhode Island or require the application of the laws of another state.

3. We will not prohibit you from joining a trade association or association of franchisees. We will not retaliate against you for engaging in these activities.

4. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Rhode Island Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Rhode Island Franchise Law. Notwithstanding the foregoing, if a rescission offer has been approved by the Rhode Island director of business registration, then the statute of limitations is ninety (90) days after your receipt of the rescission offer.

VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:

   Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

   Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

2. If any provision of the Franchise Agreement or any Supplemental Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.

3. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Virginia Retail Franchising Act. This provision does not prohibit you and us from entering into binding arbitration consistent with the Virginia Retail Franchising Act.

4. Any provision in the Franchise Agreement or Supplemental Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Retail Franchising Act is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Retail Franchising Act.

5. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, will prevail.

2. RCW 19.100.180 may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

8. The claims limitation provision in Section 22.5 of the Franchise Agreement does not apply to Washington franchisees.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

(Signatures on following page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states ("**Addenda**") is checked as an "Applicable Addenda" below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement. We are responsible for checking the appropriate box or boxes.

☐ California	☐ Michigan	☐ South Dakota
☐ Hawaii	☐ Minnesota	☐ Virginia
☐ Illinois	☐ New York	☐ Washington
☐ Indiana	☐ North Dakota	☐ Wisconsin
☐ Maryland	☐ Rhode Island	

Dated: _____, 202____

FRANCHISOR:

EverSun Brands, Inc.

By:_____
Name:_____
Title:_____

FRANCHISEE:

[_____]

By:_____
Name:_____
Title:_____

EXHIBIT "H"-2

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this "Agreement") is made as of _____, 202__ (the "Effective Date") by _____, a(n) _____ ("you") and each individual holding a direct or indirect ownership interest in you (collectively "Owner") in favor of EverSun Brands, Inc., a California corporation ("us," and together with you and Owner, the "Parties").

Background

A. We signed a Franchise Agreement with you, dated _____, 202____ (the "Franchise Agreement") pursuant to which we granted you the right to own and operate an EverSun™ salon.

B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**].

C. As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.

D. In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

Agreement

1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the "Franchisee Parties"), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the "Franchisor Parties"), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.

2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive §1542 of the California Civil Code, which provides the following:

   "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

   [Section 2 only applies for California franchisees; otherwise it is omitted]

3. Washington Franchise Law. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

   [Section 3 only applies for Washington franchisees; otherwise it is omitted]

4. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor

Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.

5. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (ii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].

6. Miscellaneous.

   (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.

   (b) This Agreement shall be construed and governed by the laws of the State of California.

   (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

   (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.

   (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.

   (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

   (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.

   (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

FRANCHISEE:

[_____]

By:_____
Name:_____
Title:_____

FRANCHISE OWNERS:

_____
Name:_____

_____
Name:_____

_____
Name:_____

EXHIBIT "H"-3

CONVERSION ADDENDUM

[See Attached]

EVERSUN CONVERSION ADDENDUM

This EverSun Conversion Addendum (this "Addendum") is entered into as of _____, 202__ (the "Effective Date") between EverSun Brands, Inc., a California corporation ("we" or "us") and _____, a(n) _____ ("you" and, together with us, the "Parties").

Background

A. You currently own and operate a business (the "Current Business") from the premises located at the address listed in Part A of Attachment A to this Addendum (the "Premises").

B. The Current Business offers services that are similar to the services offered by an EverSun™ Salon.

C. You desire to acquire an EverSun™ franchise for purposes of converting your Current Business to an EverSun™ Salon and we are willing to grant you the right and obligation to do so.

D. Concurrently with the execution of this Addendum, the Parties are entering into an EverSun Franchise Agreement (the "Franchise Agreement"), pursuant to which we will grant you the right and obligation to convert the Current Business to an EverSun™ Salon that operates in accordance with our System and features tanning, beauty and wellness services (e.g., FIT Bodywrap®, aqua massage, teeth whitening, salt therapy, photo light therapy and other approved services) and sells related retail items under our Marks (your "EverSun™ Salon").

E. In order to effectuate the conversion of your Current Business to an EverSun™ Salon, the Parties desire to modify the Franchise Agreement according to the terms and conditions set forth herein.

F. In consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, and intending to be legally bound, the Parties hereby agree to the terms and conditions set forth below.

Agreement

1. **Defined Terms and Section References**. Any capitalized term that is not defined in this Addendum shall have the meaning given to such term in the Franchise Agreement. Any reference to "Section" or "Sections" shall refer to the Section or Sections of the Franchise Agreement.

2. **Conversion Date**. You may not utilize any of our Marks, including, without limitation, by advertising or promoting the upcoming conversion of your Current Business to an EverSun™ Salon at any time prior to our issuance of a written "Certificate of Conversion Completion" confirming: (a) you have complied with all conversion requirements set forth in this Addendum and all other pre-opening obligations set forth in the Franchise Agreement; and (b) your Premises is ready to commence operations as an EverSun™ Salon (your "Conversion Date"). You must complete the construction and conversion of your Premises to an EverSun™ Salon no later than the conversion completion deadline set forth in Attachment B to this Addendum.

3. **Lease**. If you lease the Premises, you must negotiate with your landlord, if necessary, to modify your lease in order to provide you with a term of at least 10 years from the Conversion Date. You must also cause your landlord to execute our required Lease Addendum. We may require that you complete these steps prior to execution of the Franchise Agreement and this Addendum. At a minimum, we may require execution of the Lease Addendum as a condition to us issuing our Certificate of Conversion Completion pursuant to §5 of this Addendum.

4. **Construction and Conversion of Premises**. You must, at your sole expense, re-image, remodel, renovate, refurbish, and modernize the Premises to comply with all standards and specifications in the Manual, including, without limitation, our required design and layout, construction materials, furniture, fixtures and equipment, interior and exterior signage and trade dress. We may, at our discretion, limit the required remodeling to painting and lightweight items to limit the required conversion costs. You must hire a licensed and bonded architect to prepare your construction plans to convert your Premises to an EverSun™ Salon. Your architect must ensure the construction plans: (a) incorporate the required minimum modifications and improvements set forth in Attachment C to this Addendum; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all Laws (including the Americans with

Disabilities Act), building codes, permits and lease requirements and restrictions applicable to the premises. You must obtain our approval of the construction plans within 90 days after the Effective Date of this Addendum. The limited purpose of our review is to verify the construction plans are consistent with our system standards. Once approved, you must, at your sole expense, construct and equip the premises according to the approved construction plans and the specifications in the Manual. You must also purchase (or lease) and install all signage, Technology Systems, equipment, fixtures and other items we require and incorporate all required trade dress. At all times during the construction process, you must maintain the minimum general liability and property damage insurance required by the Manual.

5. **Certificate of Conversion Completion**. We will not issue a Certificate of Conversion Completion until all of the following requirements have been satisfied:

   (a) your Premises meets all of our required standards and specifications;

   (b) we review and approve the construction, build-out and layout of your facility;

   (c) you purchase and install all required equipment, furniture, fixtures, decorations and signage;

   (d) you obtain all required insurance and provide us with proof of coverage (you must ensure we are a named insured on your insurance policies as required by the Franchise Agreement);

   (e) you obtain all required licenses, permits and approvals from Governmental Authorities;

   (f) your Managing Owner and general managers successfully complete our initial training program;

   (g) you pay all amounts owed to us, our affiliates and suppliers that are due as of the opening date; and

   (h) you comply with all of your other obligations under this Addendum.

   Upon our issuance of the Certificate of Conversion Completion, you shall immediately cease operating the Current Business at the Premises and commence operation of your EverSun™ Salon utilizing our Intellectual Property. At all times prior to issuance of the Certificate of Conversion Completion, including throughout the conversion process, you may, but need not, continue to operate the Current Business at the Premises.

6. **Grand Opening**. Section 10.3(a) of the Franchise Agreement is deleted in its entirety. Within the 30-day period following our issuance of the Certificate of Conversion Completion, you must spend a total of at least $5,000 on advertising and other marketing activities to promote the conversion of your Current Business and reopening as an EverSun™ Salon, including digital advertising, guerilla marketing and public relations. We must approve all such advertising in accordance with §10.3(a) of the Franchise Agreement. We may specify a grand opening marketing program that you must follow.

7. **Fees**. All fees imposed under the Franchise Agreement shall apply, commencing with the execution of the Franchise Agreement, except as otherwise provided below:

   (a) Initial Franchise Fee. If you operated your Current Business for at least one (1) year prior to execution of the Franchise Agreement, your initial franchise fee will be reduced to $15,000; *provided however*, that if the Franchise Agreement is being executed pursuant to an Area Development Agreement, the foregoing discount shall not apply.

   (b) Royalty and Brand Fund Fee. Your initial payment of royalty fees and brand fund fees shall be due on the first (1st) Wednesday following the Conversion Date and shall be calculated based on Gross Sales generated from the Conversion Date through the close of business on the Sunday immediately preceding your first royalty fee due date. For purposes of clarity, if your Conversion Date occurs on a Monday or Tuesday, your first royalty fee and brand fund fee shall be $0. Commencing with the Conversion Date, your royalty fee shall be as set forth in the table below:

ROYALTY RAMP UP SCHEDULE	
PERIOD OF TIME (COMMENCING WITH CONVERSION DATE)	**APPLICABLE ROYALTY RATE**
Months 0 through 12	4.5% of Gross Sales

ROYALTY RAMP UP SCHEDULE	
PERIOD OF TIME (COMMENCING WITH CONVERSION DATE)	**APPLICABLE ROYALTY RATE**
Months 13 through 24	5.5% of Gross Sales
Remainder of Term	6.5% of Gross Sales

8. Miscellaneous.

(a) Modification. This Addendum and the Franchise Agreement when executed constitute the entire agreement and understanding between the Parties with respect to the subject matter contained herein and therein. Any and all prior agreements and understandings between the Parties and relating to the subject matter contained in this Addendum and the Franchise Agreement, whether written or verbal, other than as contained within the executed Addendum and Franchise Agreement, are void and have no force and effect. In order to be binding between the Parties, any subsequent modifications must be in writing signed by the Parties.

(b) Effect on Agreement. Except as specifically modified or supplemented by this Addendum, all terms and conditions set forth in the Franchise Agreement shall remain in full force and effect.

(c) Inconsistency. In the event of any inconsistency between the executed Franchise Agreement and this Addendum, this Addendum shall prevail.

(d) Counterparts. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same document.

* * *

The Parties below have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

EverSun Brands, Inc., a California corporation

By:_____
Name:_____
Title:_____

YOU (If you are an Entity):

_____,
a(n)_____

YOU (If you are not an Entity):

_____
Name:_____

_____
Name: _____

_____
Name: _____

ATTACHMENT A

To Conversion Addendum

Description of the Premises

ATTACHMENT B

To Conversion Addendum

Conversion Completion Deadline

ATTACHMENT C

To Conversion Addendum

Remodeling, Renovations and Improvement

EXHIBIT "H"-4

RENEWAL ADDENDUM

[See Attached]

EVERSUN RENEWAL ADDENDUM

This EverSun Renewal Addendum (this "Addendum") is entered into as of _____, 202___ (the "Execution Date") between EverSun Brands, Inc., a California corporation ("we" or "us") and _____, a(n) _____ ("you" and, together with us, the "Parties").

RECITALS

A. The Parties entered into a Franchise Agreement dated _____, 20__ (the "Franchise Agreement") which granted you the right and obligation to own and operate the EverSun salon (formerly operated under the name iTAN®) located at _____ (the "Salon").

B. The term of the Franchise Agreement expires on _____, 202__ (the "Expiration Date").

C. Concurrently with the execution of this Addendum, the Parties are entering our current form of EverSun Franchise Agreement (the "Successor Agreement"), which represents the first (1st) **OR** second (2nd) renewal Franchise Agreement for your Salon.

D. The Parties desire to modify the Successor Agreement in order to waive or modify certain terms that do not apply to the renewal of an open and operational Salon. or adjust certain preopening obligations that are not applicable to the renewal of franchise rights for an open and operational Salon.

E. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the terms and conditions set forth below.

AGREEMENT

1. Defined Terms. Capitalized terms not defined herein have the meanings given to them in the Successor Agreement.

2. Term. The term of the Successor Agreement (the "Renewal Term") begins on the Execution Date (the "Renewal Effective Date") and ends on the fifth (5th) anniversary of the Expiration Date (the "Renewal Expiration Date"). Any reference to the "Term" in the Successor Agreement shall be deemed amended to refer to the "Renewal Term".

[OR USE BELOW IF ADDENDUM/RENEWAL FA SIGNED PRIOR TO RENEWAL EFFECTIVE DATE]

The term of the Successor Agreement (the "Renewal Term") begins on the Expiration Date (the "Renewal Effective Date") and ends on the fifth (5th) anniversary of the Expiration Date (the "Renewal Expiration Date"). Any reference to the "Term" in the Successor Agreement shall be deemed amended to refer to the "Renewal Term". If the Parties execute the Successor Agreement and this Addendum prior to the Renewal Effective Date, the terms of the Franchise Agreement continue to apply from the Execution Date of this Addendum until the Renewal Effective Date. If you or any of your Owners are in default under any Definitive Agreement as of the Renewal Effective Date, we reserve the right to cancel the Successor Agreement and this Addendum and rescind your renewal rights.

3. Renewal Conditions. As required by the Franchise Agreement, you must satisfy all renewal conditions set forth below in order to renew. We are deemed to have waived any renewal condition set forth in the Franchise Agreement that is not listed either below or elsewhere in this Addendum.

(a) Renewal Fee. You must pay us a $1,000 renewal fee upon execution of the Successor Agreement in lieu of an initial franchise fee.

(b) Execution of Agreements. Concurrently with the execution of this Addendum: (i) you must execute the Successor Agreement to which this Addendum is attached; (ii) each of your Owners must execute the Franchise Owner Agreement attached thereto; and (iii) you and your Owners must sign the Waiver and Release of Claims attached to this Addendum as Attachment A.

(c) Lease Extension. If you lease the Salon's premises, you must provide us with evidence that your landlord extended the term of your lease to coincide with the Renewal Term.

(d) No Default. Neither nor any of your Owners may be in default under any Definitive Agreement.

(e) Remodeling and Upgrades. You must remodel your Salon and upgrade all furniture, fixtures and equipment to conform to our then-current standards and specifications ("Salon Updates"). Any Salon Updates we require will are listed on Attachment B. You agree to complete all Salon Updates in the time and manner described in Attachment B at your expense. If no Salon Updates are required, Attachment B shall state "None".

4. Remaining Renewal Rights. Notwithstanding anything in §4.1 of the Successor Agreement, the Parties agree that the number of remaining renewal terms available to you, and the duration of each such renewal term, shall be governed by the renewal provisions contained in the original Franchise Agreement you signed for the Salon.

5. Preopening Obligations. Because the Successor Agreement grants you renewal rights for the continued ownership and operation of a fully developed and operational Salon, the Parties agree that the following sections of the Successor Agreement shall not apply:

§5.1 (Initial Training);

§6.2 (Startup Package);

§7.1 (Site Selection);

§7.2 (Lease);

§7.3 (Construction);

§7.4 (Opening);

§10.3(a) (Grand Opening);

§13.1 (Initial Franchise Fee);

§15.3(b) (Report of Initial Investment Costs);

§20.2(f) (termination due to Managing Owners failure to successfully complete initial training); and

§20.2(g) (termination due to develop and open your Salon in a timely manner).

6. Miscellaneous.

(a) Modification. This Addendum and the Successor Agreement when executed constitute the entire agreement and understanding between the Parties with respect to the subject matter contained herein and therein. Any prior agreements and understandings between the Parties relating to the subject matter contained in this Addendum and the Successor Agreement, whether written or verbal, other than as contained within the executed Addendum and Successor Agreement, are void and have no force and effect. Subsequent modifications must be in a writing signed by the Parties in order to be binding.

(b) Effect on Agreement. Except as specifically modified or supplemented by this Addendum, all terms, conditions, covenants and agreements in the Successor Agreement remain in full force and effect.

(c) Inconsistency. If there is any conflict between the terms in the Successor Agreement and the terms in this Addendum, the terms in this Addendum control.

(d) Counterparts. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same document.

[Signature Page Follows]

The Parties have executed this Addendum as of the Execution Date set forth above.

FRANCHISOR: EverSun Brands, Inc., a California corporation	
By:_____ Name:_____ Title:_____	
YOU (If you are an Entity): _____, a(n)_____	**YOU (If you are not an Entity):** _____ Name:_____
By:_____ Name:_____ Title:_____	_____ Name: _____ _____ Name: _____ _____ Name: _____

ATTACHMENT A

Waiver and Release of Claims

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this "Agreement") is made as of _____, 202__ (the "Effective Date") by _____, a(n) _____ ("you") and each individual holding a direct or indirect ownership interest in you (collectively, "Owner") in favor of EverSun Brands, Inc., a California corporation ("us," and together with you and Owner, the "Parties").

BACKGROUND

A. We signed a Franchise Agreement with you, dated _____, 20____ (the "Franchise Agreement") pursuant to which we granted you the right and obligation to own and operate an EverSun™ salon (formerly operated under the name iTAN®) located at _____ (the "Salon").

B. You have notified us of your desire to renew your franchise rights for the Salon by entering into a successor franchise agreement (the "Successor Franchise Agreement").

C. As a condition to renewing your franchise rights, the Franchise Agreement requires that you and Owner execute this Agreement in order to waive and release certain claims.

D. In consideration of our entering into a successor franchise agreement, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

AGREEMENT

1. Release. You, Owner and each of your officers, directors, employees, representatives, affiliates, successors and assigns ("Franchisee Parties") hereby release, acquit and forever discharge us, our affiliates, and our (and our affiliates') past and present owners, officers, directors, employees, representatives, successors and assigns ("Franchisor Parties") from all claims, liabilities, damages, expenses, actions or causes of action that any Franchisee Party may now have or ever had, known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the: (a) execution, performance or breach of the Franchise Agreement; or (b) offer, sale or acceptance of the franchise rights associated therewith, including any disclosures or representations made in connection therewith. This release does not apply to: (a) any obligations contained in this Agreement; or (b) any claims relating to the Successor Agreement or the offer, sale or acceptance of renewal franchise rights associated therewith.

   (a) California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive §1542 of the California Civil Code, which provides the following:

   "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

   [Clause (a) only applies for California franchisees; otherwise it is omitted]

   (b) Washington Franchise Law. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

   [Clause (b) only applies for Washington franchisees; otherwise it is omitted]

2. Nondisparagement. Franchisee Parties agree not to: (a) disparage, or make false statements or negative comments regarding, a Franchisor Party; or (b) make any other statements to third parties intending to damage a Franchisor Party's business or reputation. The restrictions in this Section: (a) apply to all methods of communications, including online statements and social media posts; and (b) prohibit a Franchisee Party from indirectly violating this Section by influencing or encouraging a third party to engage in activities that would violate this Section if done by a Franchisee Party.

3. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned or transferred, either voluntarily or by operation of law, any rights or claims against any Franchisor Party or any rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any Franchisor Party a legal proceeding of any kind, including filing a claim or complaint with a state or federal court or regulatory agency, alleging a violation of any law or public policy or (ii) make any statements prohibited by §2; and (d) the persons identified as Owner on the signature page collectively own 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].

4. Communications with Governmental Authorities. Nothing in this Agreement shall restrict or be deemed to preclude you from disclosing truthful information to governmental authorities in response to any request for information you receive from them.

5. Miscellaneous.

   (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.

   (b) This Agreement is governed by the laws of the State of California.

   (c) If either Party must institute legal action to enforce this Agreement, the prevailing Party is entitled to recover all of its reasonable costs and attorneys' fees from the non-prevailing Party.

   (d) This Agreement is binding on, and inures to the benefit of, the Parties and their respective executors, administrators, heirs, assigns and successors in interest.

   (e) This Agreement constitutes the entire agreement and understanding between the Parties regarding the subject matter hereof. This Agreement may not be modified except in a writing signed by both Part.

   (f) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof).

   (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.

   (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

In witness whereof, the Parties have executed this Agreement as of the date first written above.

FRANCHISEE:

_____

By: _____
Name: _____
Title: _____

FRANCHISE OWNERS:

_____
Name: _____

_____
Name: _____

ATTACHMENT B

Salon Updates

None

OR

REQUIRED REMODELING AND UPGRADES		
No.	**Description of Remodeling/Upgrade**	**Deadline for Completion**
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

EXHIBIT "I"

TO DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, 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	July 15, 2025 (amended _____, 2025)
Hawaii	
Illinois	
Indiana	April 29, 2025 (amended _____, 2025)
Maryland	
Michigan	October 14, 2025 (amended October 3, 2025)
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

EXHIBIT "J"

TO DISCLOSURE DOCUMENT

RECEIPTS

[See Attached]

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 EverSun Brands, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If EverSun Brands, Inc. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

____ Faraje Kharsa; 1784 La Costa Meadows Dr., #101, San Marcos, California 92078; 760-806-7513
____ Paizlyn Rogers; 1854 W Stonebridge Dr #55, St. George, Utah 84770
____ Hannah Mort; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
____ Ashley Fechner; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
____ Amie Hawk; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
____ Kara Stark; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
____ Cassie Gordon; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
____ Samantha Chacon; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
____ _____

Issuance Date: April 17, 2025 (amended October 3, 2025)

EverSun Brands, Inc.'s agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

EXHIBIT "A"	List of State Administrators and Agents for Service of Process
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Area Development Agreement
EXHIBIT "E"	Table of Contents of the confidential Brand Standards Manual
EXHIBIT "F"	List of Franchisees
EXHIBIT "G"	Financial Statements of EverSun Brands, Inc.
EXHIBIT "H"	Other Agreements
EXHIBIT "H"-1	State Addenda
EXHIBIT "H"-2	General Release
EXHIBIT "H"-3	Conversion Addendum
EXHIBIT "H"-4	Renewal Addendum
EXHIBIT "I"	State Effective Dates
EXHIBIT "J"	Receipts

_____
Print Name

_____ _____
Date (Signature) Prospective Franchise Owner

_____

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to EverSun Brands, Inc.)

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 EverSun Brands, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If EverSun Brands, Inc. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

____ Faraje Kharsa; 1784 La Costa Meadows Dr., #101, San Marcos, California 92078; 760-806-7513
____ Paizlyn Rogers; 1854 W Stonebridge Dr #55, St. George, Utah 84770
____ Hannah Mort; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
____ Ashley Fechner; 14301 FNB Pkwy, Suite 312 Omaha, Nebraska 68154, 531-333-3278
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_____
Print Name

_____
Date

_____
(Signature) Prospective Franchise Owner

_____

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to EverSun Brands, Inc.)