FRANCHISE DISCLOSURE DOCUMENT

PROSE Franchising, LLC,
an Arizona limited liability company
4250 North Drinkwater Blvd., #300
Scottsdale, AZ 85251
Telephone (602) 499-3971
Email: franchise@myprose.com
www.myprose.com

The franchise offered by PROSE Franchising, LLC is for the establishment and operation of a **PROSE® Salon**, which is a healthy and enriching hand and foot care brand offering an unparalleled experience that delivers transformative hand and foot services through its cutting-edge salon design, world-class products and personalized approach.

The total investment necessary to begin operation of a PROSE™ Boutique is from $328,750 to $570,109. This includes $35,500 to $45,500 that must be paid to the franchisor or its affiliate(s). If you sign a Multi-Site Development Agreement you will incur the total investment necessary to begin operation of a PROSE® Boutique for each location you commit to opening, (minimum of two locations).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 to you. To discuss the availability of disclosures in different forms, contact the Franchise Department at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251; or at Franchise@myprose.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 29, 2022

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 E and 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 H 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 PROSE® business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a PROSE® franchisee?	Item 20 or Exhibit E and 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 multi-site development agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Arizona. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Arizona than in your own state.

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

3. **Financial Condition**. The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the Franchisor's financial ability to provide services and support to you.

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.

NOTICE REQUIRED
BY
STATE OF 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:

(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 THE 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.

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.

ADDRESS FOR NOTICES TO THE MICHIGAN ATTORNEY GENERAL:

DEPARTMENT OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION
FRANCHISE SECTION
G. MENNEN WILLIAMS BUILDING, 1ST FLOOR
525 W. OTTAWA STREET
LANSING, MI 48909
517-373-7117

TABLE OF CONTENTS

ITEM		PAGE
ITEM 1.	THE FRANCHISOR AND PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2.	BUSINESS EXPERIENCE	4
ITEM 3.	LITIGATION	5
ITEM 4.	BANKRUPTCY	5
ITEM 5.	INITIAL FEES	5
ITEM 6.	OTHER FEES	6
ITEM 7.	ESTIMATED INITIAL INVESTMENT	11
ITEM 8.	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	15
ITEM 9.	FRANCHISEE'S OBLIGATIONS	17
ITEM 10.	FINANCING	19
ITEM 11.	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	19
ITEM 12.	TERRITORY	28
ITEM 13.	TRADEMARKS	30
ITEM 14.	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	31
ITEM 15.	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	32
ITEM 16.	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	33
ITEM 17.	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	33
ITEM 18.	PUBLIC FIGURES	41
ITEM 19.	FINANCIAL PERFORMANCE REPRESENTATIONS	42
ITEM 20.	OUTLETS AND FRANCHISEE INFORMATION	49
ITEM 21.	FINANCIAL STATEMENTS	52
ITEM 22.	CONTRACTS	52
ITEM 23.	RECEIPTS	52

EXHIBITS

Exhibit A:	List of State Agencies and Agents for Service of Process
Exhibit B:	Franchise Agreement and Exhibits
Exhibit C:	Deposit Receipt
Exhibit D:	Multi-Site Development Agreement and Exhibits
Exhibit E:	List of Current Franchisees and Area Developers
Exhibit F:	List of Former Franchisees and Area Developers
Exhibit G:	Sample General Release
Exhibit H:	Financial Statements
Exhibit I:	Manual Table of Contents
Exhibit J:	State Addenda and State Riders
Exhibit K:	Non-Disclosure Agreement
Exhibit L:	State Effective Dates
Exhibit M:	Receipts

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The Franchisor is PROSE Franchising, LLC ("**PROSE**"). For ease of reference, PROSE will be referred to as "us," "we", or "our." When we use "you" or "your" in this disclosure document, it means the person, partnership, limited liability company or corporation who buys the franchise. If you are a corporation, partnership, or limited liability company, certain provisions of this disclosure document also apply to your shareholders, partners, members and owners and their spouses as will be noted. If you are an individual, certain portions of this disclosure document also apply to your spouse as will be noted.

We are an Arizona limited liability company formed on January 25, 2017. We maintain our principal place of business at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251. We conduct business under our corporate name and the trademark "**PROSE®**". Our agents for service of process are disclosed in Exhibit A to this disclosure document.

We began offering franchises as of December 18, 2017. We have not conducted a business of the type you will be operating and do not engage in any types of business activities other than franchising and providing services to our franchisees and offering Area Representatives a franchise to do the same under a separate franchise disclosure document. Our affiliate PROSE Boutiques, LLC ("PB") operates a PROSE® Salon similar to the one you will operate under the Franchise Agreement. We have not offered, nor do we currently offer, franchises in other lines of businesses.

Parents, Predecessors and Affiliates

Our parent, PROSE Holding Company, LLC, an Arizona limited liability company ("PROSE Holding") was organized on November 10, 2016. PROSE Holding's principal office is the same as ours. PROSE Holding is in the business of owning shares of affiliated companies. PROSE Holding does not engage in any other business activities. PROSE Holding has never offered franchises in any line of business and does not provide products or services to our franchisees.

PRC Capital Holdings LLC has been one of our lenders since April 2020, and has the right to convert warrants into equity in us, but has not done so as of the issuance date of this Disclosure Document.

Our affiliate, PB, is an Arizona limited liability company that was organized on January 25, 2017. PB's principal office is the same as ours. PB owns and operates one PROSE® Salon in Phoenix, Arizona. PB does not engage in any other business activities, does not provide products or services to our franchisees and does not offer franchises in any line of business.

Our affiliate, PROSE Gift Card Funding, LLC, an Arizona limited liability company ("PGCF") was organized on July 18, 2017. PGCF's principal office is the same as ours. PGCF currently does not engage in any business activities, does not provide products or services to our franchisees and does not offer franchises in any line of business.

Our affiliate, PROSE IP, LLC, an Arizona limited liability company ("PIP"), was organized on December 7, 2017. PIP's principal business address is the same as ours. PIP has licensed us the right to use all of its Marks in connection with our franchising activities (See Item 13).

The Franchise

We offer franchises to qualified individuals and entities to establish and operate a **PROSE® Salon**, which is a healthy and enriching hand and foot care brand offering an unparalleled experience that delivers transformative hand and foot services through its cutting-edge salon design, world-class products and personalized approach under a comprehensive system we developed (each a "**PROSE® Salon**" or "**Salon**"). If, at the time you execute your Franchise Agreement, a location for your PROSE® Salon is not identified,

we will determine a specific geographic area (the "**Site Selection Territory**") in which you may identify a location to develop your PROSE® Salon.

PROSE® Salons operate under and are identified by our Trademarks. We market our services to customers of all ages and economic levels, but target adults between the ages of 12 and 75. Our current form of Franchise Agreement is attached as Exhibit B to this disclosure document.

A typical PROSE® Salon occupies approximately 1,400 to 1,600 square feet of space that may be either owned or leased from a third party. All PROSE® Salons are constructed to our specifications as to size, layout, décor and the like. PROSE® Salons are typically located in a metropolitan area or surrounding suburbs, and proximity to high traffic areas is desirable. A PROSE® Salon may be located either in a freestanding building or in an upper-middle class retail center or regional indoor shopping mall that may have a variety of tenants including: full-service hair salons, day spas, trendy/upscale restaurants, coffee shops, dry cleaners, banks, specialty shops and grocery stores. All PROSE® Salons must be in a location that has ample parking, good visibility and availability of prominent signage.

PROSE® Salons operate under Trademarks (described below) and under distinctive business formats, including prescribed exterior and interior design, décor, color scheme and furnishings; uniform standards, specifications and procedures for operations; quality and uniformity of products and services offered; the right to sell private label products; customer service standards and procedures; advertising and promotional specifications and requirements; and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing a PROSE® Salon, all of which we may improve, further develop or otherwise modify from time to time (the "**System**"). We use, promote and license in the operation of a PROSE® Salon the trade name and service mark "PROSE®" and other trademarks, service marks, logos, slogans, designs, artwork, trade dress, commercial symbols and e-names that we designate to identify the brand (collectively the "**Trademarks**" or "**Marks**"), all of which have gained and continue to gain public acceptance and goodwill. We may in the future create, use and license additional Marks in conjunction with the operation of PROSE® Salons.

You will operate a PROSE® Salon as an independent business unit utilizing the Marks, System, business concepts, support, guidance and materials developed by us. You will offer and provide products and services to the general public under the terms and conditions contained in the Franchise Agreement and our confidential operations manuals (the "**System Manuals**") that will be loaned to you at the time of training. Your PROSE® Salon must at all times be compliant with our current proprietary standards as set forth in our System Manual (the "**System Standards**").

Approval as a franchisee for your first PROSE® Salon does not guaranty that you will be approved as a franchisee for any additional PROSE® Salon.

Multi-Site Development Agreement

We may offer you the right to develop multiple PROSE® Salons (minimum of two locations) under the terms of a Multi-Site Development Agreement (the "**Multi-Site Development Agreement**") within Site Selection Territories for each location. The PROSE® Salons you will be allowed to establish will be in a number determined by us, within the Site Selection Territories established by us. We will determine the size of each Site Selection Territories for each proposed PROSE® Salon location and the timeline by which each must be open for business (the "**Development Schedule**"). If you sign a Multi-Site Development Agreement, you will be responsible for developing the number of PROSE® Salons set forth in the Development Schedule. Each location must be approved by us and be compliant with our System Standards as applicable in the operation of a single unit franchise. You must continue to meet our then-current System Standards at each of your PROSE® Salons for the grant of a new franchise under the Development Schedule. If any of your PROSE® Salon locations do not meet our then-current System Standards our approval of your continued development under the Development Schedule may be withheld or your Multi-Site Development Agreement may be terminated.

Upon establishing each additional outlet under the Development Schedule, you must sign a then-current Franchise Agreement for each PROSE® Salon you propose to develop under the Multi-Site Development Agreement, which may differ from the current Franchise Agreement included with this document.

Area Representative Agreement

We have established an additional franchise for the establishment and operation of an area representative business that solicits and screens prospective Franchisees for, and assists us in providing certain services to, PROSE® Salon franchises (a "**PROSE® Area Representative Business**" or "**Business**"). This franchise has been offered as a separate line of business under a separate franchise disclosure document since December 18, 2017. Area Representatives do not have any management responsibility over PROSE® Salons by us.

Market and Competition

The nail care business is well developed and highly competitive. The general market in which you will operate your PROSE® Salon will include customers of all ages who are seeking nail services, but generally target adults between the ages of 12 and 75. You may have to compete with other nail service providers that offer manicures, including franchised operations, national chains and independently owned companies offering similar services to customers such as, high-end salons that offer nail care services at higher price points and budget salons that offer nail care services at lower price points in a less inviting environment with less attention to customer service and hygiene. You may also compete with online sellers for beauty products similar to those that your PROSE® Salon may sell. You may encounter competition from other PROSE® Salons. Changes in local and national economic conditions, pricing policies of competitors, changes to laws or regulations, changes in supply and demand, and population density affect this industry and are generally difficult to predict.

Industry Regulations

You must comply with federal, state, and local health and environmental safety regulations concerning your Salon. Environmental regulations may require that certain chemicals and solutions be used, stored and disposed of in a particular manner. Building codes may require special ventilation in your PROSE® Salon. There may be other laws, rules, or regulations that affect your PROSE® Salon, including the Americans with Disability Act, the Occupational Safety and Health Administration (OSHA) regulations, and employment laws, including federal and state discrimination laws, minimum wage and other laws and regulations that apply to businesses generally. We strongly recommend that you retain your own legal counsel to assist you with understanding and complying with applicable laws, rules, ordinances and regulations before you decide to purchase a PROSE® Salon franchise.

ITEM 2

BUSINESS EXPERIENCE

Nate McFarland – Director

Mr. McFarland has been our Director since April 2020. He also served as our Chief Executive Officer from April 2020 through July 2022. Prior to serving in that role, Mr. McFarland was our Senior Vice President of Operations from April 2019 to July 2019. Before joining us, Mr. McFarland was a PROSE® Area Developer in Maryland, Virginia, DC, and Hawaii from January 2010 to the present. In addition, Mr. McFarland opened and operated 5 Massage Envy franchised locations in Hawaii from January 2010 to the present. From August 2015 to December 2018, Mr. McFarland developed the Orange Theory Fitness brand in Iowa overseeing 10 locations.

Beau Citron – Vice President of Operations

Mr. Citron is a PROSE® founding equity investor and has been our Vice President of Operations since October, 2017. Prior to that, from October 2014 to October 2017, Mr. Citron was an attorney practicing civil litigation with Breyer Law in Phoenix, Arizona.

Joe Luongo – Director

Mr. Luongo has been our Director since April 2022. He is also currently serving as Chairman of the Board for WellBiz Brands, Inc., in Englewood, CO and has held that position since June 2019. He also leads Stone Eagle Advisors, a consulting firm specializing in helping companies improve operations, in Marana, AZ, since February 2016.

Todd Treml – Director

Mr. Treml has served on our Board of Directors since April 2020. Beginning in September 2018, Mr. Treml has served as the CEO for PSMN Holdings, LLC, a PROSE® Area Developer in Minnesota, South Dakota, and North Dakota. Prior to that, Mr. Treml served as Executive Vice President of United Franchise Group in West Palm Beach, Florida from January 2016 to September 2018. Mr. Treml has also been a member of PRC Capital Holdings LLC, an equityholder and lender of the Franchisor, since April 2020.

Craig Flom – Director

Mr. Flom has served on our Board of Directors since April 2020. In addition, Mr. Flom currently operates a PROSE® Salon in Denver, Colorado and is a PROSE® Area Developer in Colorado and Nebraska, all since November 2018. Mr. Flom has also been a member of PRC Capital Holdings LLC, an equityholder and lender of the Franchisor, since April 2020. Mr. Flom also owns RFB Investments LLC, which has operated a Sola Salons unit in Columbus, Ohio, beginning in September 2016. From July 1999 to December 2018, Mr. Flom was the Operating Partner of Breads of the World, LLC, operating a Panera Bread unit in Denver, Colorado.

Lisa Williams – Director

Ms. Williams has served on our Board of Directors since May 2020. In addition, Ms. Williams has been the Principal of intelliGroup, LLC from June 2015 to the present, in Irvine, California.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

You must pay us an initial, non-refundable franchise fee when you sign your Franchise Agreement ("**Initial Franchise Fee**"). If you are new to the PROSE® Salon System and are acquiring the right to operate a single Salon, the Initial Franchise Fee is $45,000. If you are an existing franchisee with an operating PROSE® Salon and you are acquiring the right to operate an additional Salon, the Initial Franchise Fee is discounted to $35,000. In the last fiscal year, our Initial Franchise Fee ranged from $30,000 to $45,000.

If you are signing a Multi-Site Development Agreement, the Initial Franchise Fee for your first PROSE® Salon is $45,000. The Initial Franchise Fee for each additional PROSE® Salon you agree to develop pursuant to a Development Schedule is $35,000, minimum of two locations. Upon signing of the Multi-Site Development Agreement, you must sign a separate Franchise Agreement and pay non-refundable Initial Franchise Fees for each PROSE® Salon you agree to develop.

Prior to executing the Franchise Agreement, you may be required to pay a $9,500 deposit (a "**Deposit**") along with signing a Deposit Receipt, a copy of which is attached to this disclosure document as Exhibit C. After we receive your Deposit, we will assist you with your search for your Salon site location. When you and we enter into your Franchise Agreement, the Deposit is applied against the Initial Franchise Fee, and you will be required to pay the remaining balance of $35,500 for your first Salon or $25,500 for each additional Salon. The Deposit is fully refundable if you or we, for any reason, decide not to enter into a Franchise Agreement for a PROSE® Salon. If so, we will refund the entire Deposit to you within 30 days of such determination. Upon entering into a Franchise Agreement, the Initial Franchise Fee, including the Deposit, is fully-earned by us and non-refundable.

Prior to opening your Salon, you must pay a one-time, nonrefundable $500 stocking fee when you order your initial inventory of PROSE® products. This fee is in addition to the cost of the product. See Item 7.

ITEM 6

OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Revenues[2]	Due weekly on the day of each week we specify	Royalty Fee is paid directly to us and is non-refundable.
Brand Fund Fee	2% of Gross Revenues. We reserve the right to increase the Brand Fund Fee contribution.	Due weekly on the day of each week we specify	We reserve the right to increase the Brand Fund Fee at any time up to 3% of Gross Revenues in our sole discretion upon 60 days prior notice to you.[3]
Local Marketing Expenditures[4]	Currently, 2% of monthly Gross Revenues, up to 3%	As incurred	This is the minimum amount that you will be required to spend directly every month on local marketing (including direct mail, promotions and online and website listings). All marketing must be pre-approved by us.
Cooperative Advertising Programs	Up to 2% of monthly Gross Revenues plus any fees that we may charge for administering, managing and governing the Cooperative up to $1,000 per month.	Due on the 10th day of the month for the entire preceding calendar month	If you are required to participate in a Cooperative, you will be required to pay up to two percent (2%) of your monthly Gross Revenues ("Cooperative Contribution"), plus any fees we may charge for administering, managing and governing the Cooperative up to $1,000 per month. The Cooperative Contribution will be credited against the amount you are required to spend on Local Marketing Expenditures. If you fail to remit payment of your Cooperative Contribution, you will be required to reimburse us for amounts we spend on your behalf to satisfy your Cooperative Contribution, plus our related expenses.

Type of Fee[1]	Amount	Due Date	Remarks
Technology Access Fee	Currently $750 per month, up to $1,000 per month	Due on the 10th day of the month for the entire preceding calendar month	You must pay us a Technology Access Fee for your use of the software we require you to use in the operation of your PROSE® Salon, including up to 3 myprose.com e-mail addresses that we will provide you. We have the right to increase this fee at any time upon 60 days prior notice to you. Due to the unpredictability of technology expenses, there is no cap on the amount we can increase this fee by, provided any increase will be commercially reasonable.
Annual Conference	Up to $1,000 per attendee. In addition, you must pay for employee salaries, transportation costs, meals, lodging and other living expenses incurred by employees attending the conference. These fees are subject to change at our discretion.	Payable within 10 days of receipt of invoice	You and your General Manager must attend our annual conference. You must pay the annual conference fee regardless of whether you and/or your General Manager attend.
Training Fee (Subsequent to Initial Training)[5]	$3,000 plus meals, lodging, incidental expenses, and travel expenses	Payable within 10 days of receipt of invoice	We may require you, or you may request to attend additional training programs or seminars or advanced management training at locations designated by us, which may be required for your employees. This fee does not apply to training we provide as a result of you hiring a new General Manager.

Type of Fee[1]	Amount	Due Date	Remarks
Transfer Fee	$25,000	Prior to consummation of the transfer, subject to approval by us	The Transfer Fee is used to defray our expenses in reviewing a request for approval of a prospective transferee, reviewing the documents related to the transfer, and training and supervising the new franchisee.
Indemnification	Varies under circumstances	As incurred	You must reimburse us for, and pay for our counsel to defend us against, claims caused by or related to your operation of your PROSE® Salon.
Costs and Attorneys' Fees	Varies depending on nature of your default	As incurred	Payable as provided in the Franchise Agreement or to us upon your default or breach of your Franchise Agreement.
Late Charges and Collection Costs	The lesser of 18% per annum or the maximum rate of interest allowed by law plus $100 if bank payment is refused for any check or pre-authorized draft received by us	Payable upon receipt of invoice	Only payable if you fail to make payments to us when due or a bank payment is refused. Interest begins from the date payment was due.
Audit[6]	Our cost for an audit of your books and records	Payable upon receipt of invoice	Payment of the audit costs is triggered if you understate any amount in any report to us by 2% or more.
Liquidated Damages[7]	Lump sum equal to Royalty Fees and Brand Fund Fee payable to us for the 36 months immediately preceding termination	As incurred	Payable to us upon wrongful termination of Franchise Agreement by you, or termination as a result of your breach.
Renewal Fee	2/3 of then-current Initial Franchise Fee	At time of renewal	Payable to us upon you executing a successor Franchise Agreement for the continued operation of your PROSE® Salon.

Type of Fee[1]	Amount	Due Date	Remarks
Management Fee	The greater of (i) two times the salary paid to the individual(s) assigned by us to operate the Salon, or (ii) 10% of the Salon's monthly Gross Revenues plus expenses for travel, lodging, meals, and all other expenses.	As incurred	Payable during period that our appointed manager manages your Salon upon your death or disability. This management fee will be in addition to the Royalty Fees and Brand Fund Fees due to us.

All amounts are uniformly imposed by and are payable to us unless otherwise noted. All fees are nonrefundable.

Explanatory Notes:

1. Before your PROSE® Salon opens, you must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty Fee, Brand Fund Fee, Technology Access Fee and other amounts due under the Franchise Agreement and for your purchases from us. The Authorization Agreement for Pre-Approved Payments (ACH Debits) is attached to the Franchise Agreement as Schedule A.

2. The term "Gross Revenues" means the total amount received or receivable by or in connection with the operation of your PROSE® Salon from, connected with or related to the sale of any products, goods, merchandise or services and all business transacted in or from your PROSE® Salon, including, without limitation, sales made or services provided under the away from the PROSE® Salon or at a customer's location, directly or indirectly, excluding only (a) the amount of any federal, state, or local sales or excise taxes or other similar taxes, separately stated, which may be required by law to be collected and paid by your PROSE® Salon to any governmental agency or authority, (b) the amount of any refunds to customers for bona fide returns or cancellations, and (c) gratuities. Collections and bad debts are your responsibility.

3. The Brand Fund Fee will be deposited into a fund maintained and operated by us (the "PROSE® Brand Fund") (see Item 11).

4. You must spend at least 2% of your monthly Gross Revenues for approved local advertising, promotion and marketing. This fee is in addition to the Brand Fund Fee (see Item 11).

5. If at any time subsequent to the initial training, additional training is required by us or requested by you, you will pay our training fee plus meals, lodging, incidental expenses, and travel expenses for your attendees. This fee does not apply to training you require if you hire a new General Manager.

6. We estimate current audit costs at $1,000 per day, plus wages, meals, lodging and travel expenses. If any inspection by us of your books and records discloses that you understated Gross Revenues or the amount owed to us for the period of the report by 2% or more, you are required, in addition to paying us the amount of the understatement and applicable late fees and interest, to reimburse us for all costs and expenses connected with the inspection (including reasonable accounting and attorneys' fees). All of these amounts due are payable upon receipt of an invoice from us. If an audit or financial review reveals an understatement by you of 5% or more for any calendar year,

then in addition to paying the additional amounts due, interest as calculated above and the full cost of the audit or financial review for the entire period of examination, your understatement will constitute a material and incurable breach of this Agreement which will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

7. If we terminate your Franchise Agreement as a result of your default, or you terminate the Franchise Agreement without cause prior to its expiration date, then you shall pay to us liquidated damages on or before 30 days following the termination. The amount of liquidated damages will be equal to the Royalty Fees and Brand Fund Fees that we would have received for three (3) years based on your most recent annual Gross Revenues. If your PROSE® Salon has not been open for one (1) year immediately preceding termination, the liquidated damages will be calculated by taking the number that is the monthly average of Royalty Fees and Brand Fund Fees payable to us from the date your PROSE® Salon was opened through the date of termination and multiplying it by thirty-six (36). If the time remaining in the Franchise Agreement is less than thirty-six (36) months, the monthly average as calculated above will be multiplied by the number of months remaining in the Term of the Franchise Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditures[1]	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee[2]	$35,000	$45,000	Lump sum	Upon execution of the Franchise Agreement	Us
Lease Security Deposit[3]	$0	$5,539	As incurred	As incurred	Third parties
Utility Deposits	$800	$2,000	As incurred	As incurred	Third parties
Gross Leasehold Improvements (not including Tenant Allowance)[3, 4]	$134,000	$277,570	As arranged	As arranged	Third parties
Inventory[5]	$19,500	$25,000	Lump Sum	As arranged	Approved Suppliers
Computer Hardware and Software[6]	$3,100	$15,000	Lump Sum	As arranged	Approved Suppliers
Office Supplies & Misc.[7]	$2,350	$4,000	As incurred	As incurred	Us or Approved Suppliers
Furniture & Fixtures[8]	$43,000	$75,000	As incurred	As incurred	Third parties
Business Licenses & Permits[9]	$1,000	$6,000	As incurred	As incurred	Third parties
Professional Fees[10]	$5,000	$12,000	As arranged	As arranged	Third parties
Insurance[11]	$2,000	$2,000	Lump sum	Before commencing business	Third parties

Type of Expenditures[1]	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Training[12]	$2,500	$5,000	As incurred	As incurred	Third parties
Grand Opening Marketing[13]	15,500	$20,000	As incurred	As incurred	Third parties
Additional Funds/Working Capital (3 months)[14, 16]	$65,000	$76,000	As incurred	As incurred	Third parties
Total for Single Unit Franchise [3, 16, 17]	**$328,750**	**$570,109**			

Explanatory Notes:

1. All expenditures that are paid to us are not refundable. Unless specifically agreed to by third-party suppliers to whom you make payments, all expenditures with third parties are not refundable.

2. Your Initial Franchise Fee is not refundable. If you are new to the PROSE® Salon System and are acquiring the right to operate a single Salon, the Initial Franchise Fee is $45,000. If you are an existing franchisee with an operating PROSE® Salon and you are acquiring the right to operate an additional Salon, the Initial Franchise Fee is discounted to $35,000.

   If you are signing a Multi-Site Development Agreement, the Initial Franchise Fee for your first PROSE® Salon is $45,000. The Initial Franchise Fee for each additional PROSE® Salon you agree to develop pursuant to a Development Schedule is $35,000 (minimum of two locations). Upon signing of the Multi-Site Development Agreement, you must sign a separate Franchise Agreement and pay an Initial Franchise Fee for each PROSE® Salon you agree to develop.

3. You are responsible for locating a site for your PROSE® Boutique that meets our criteria. The estimated amount is for your security deposit on the site (typically first and last month's rent). Your monthly rent will vary depending on factors such as size, condition, location and the local real estate rental market. You will need approximately 1,400 to 1,600 square feet for your PROSE® Boutique. We estimate that a tenant allowance offered by your landlord could range from $0 to $105,600.

4. This amount includes any additional expense you may incur in connection with your contractor, architect and engineer having to be approved by us. You must construct, remodel, alter and improve the location to our specifications. These figures assume your location will be a leased, unimproved, unfinished retail space. Construction and remodeling costs vary widely and depend on the size and location of your PROSE® Boutique, the type of improvements desired or required, the amount of usable improvements already in place at the location, the design, configuration and condition of the location, and the condition and configuration of existing services and facilities such as air conditioning, electrical and plumbing. This cost will also vary depending on the amount (if any) of construction work and/or dollars you negotiate with your landlord. Based on the

experience of our affiliates, Landlord contributions to leasehold improvements can range from $48,000 to $55,000. If you are acquiring an existing PROSE® Boutique, the leasehold improvements may be included in the amount you pay for the existing facility. At your discretion, you may incur long-term financing to cover leasehold or other expenses and cash outlays (the cost of any financing is not included in this estimate). Market forces would determine the terms and costs of financing. We do not provide any of this financing.

5. The initial inventory that you will need for your PROSE® Salon includes nail polishes, nail gels, acetone, alcohol, neck pillows, nail files and other nail supplies and equipment. This estimate includes a one-time stocking fee that we charge with the initial order. See Item 5 for more information.

6. This estimate includes the cost of purchasing computer hardware and software that meets our standards and specifications. It includes the purchase price of 3 iPads, Zenoti point-of-sale software (including credit card processing), televisions, a music system and installation and set-up fees.

7. This estimate is for basic supplies such as paper, pens, tape measure, stapler, file folders, office stationary, visitor cards, pricing cards, note cards, envelopes, business cards, brochures, employee uniforms, drink service, cleaning supplies, client apparel and branded promotional products. This cost estimate does not include the cost of shipping to your location.

8. Furniture and fixtures include interior design elements, furnishings and nonpermanent fixtures, including manicure tables, chairs for members, Salon employees, a washer and dryer, autoclave sanitization equipment, security camera and system, refrigerator, microwave, safe, wall cabinets, desks, file cabinets and any other customary office furniture. This estimate does not include shipping to your location and assumes that all items will be purchased new.

9. You can obtain information from your local, county and state authorities (as well as your legal counsel) regarding the required licenses and related types of expenses in your local area. Generally you will need permits for construction and signage and a business license. This expense may be higher in metropolitan areas.

10. This is only an estimate and includes such things as retaining architects to produce your plans and specifications and attorneys and accountants to review this disclosure document, your Franchise Agreement and set up your accounts, books and records. This amount will depend upon the fees charged by the professionals you select. This amount includes any additional expense you may incur in connection with your contractor, architect and engineer having to be approved by us.

11. This is an estimated down payment against your annual premiums to acquire the insurance listed in the Franchise Agreement. We may, periodically, specify and change the types and amounts of coverage required. You must provide us with a copy of each insurance policy. Each insurance policy must name us, our affiliates and our and their respective officers and owners as additional named insured and must require 30 days written notice to us before being modified, cancelled or terminated and 30 days prior written notice to us before the policy expires. A company with an A.M. Best Standards rating of A or higher must underwrite all insurance policies.

12. We do not charge a fee for 2 individuals (you and one other) attending our Initial Training Program. You must, however, pay all expenses, including salaries, fringe benefits, payroll taxes, unemployment compensation, worker's compensation insurance, meals, lodging, incidental expenses, and travel expenses for your attendees. The estimate above includes only the expenses associated with the 2 individuals attending Initial Training.

13. This amount is in addition to the minimum Local Marketing Expenditures you must make. You also must implement our pre-sales program. You will need to hire a General manager and up to 3 Curators.

14. Working capital is an estimate of the funds needed to cover the operational expenses incurred during the first three months of operation (please note this estimate is exclusive of all costs listed elsewhere in this Item 7). We have relied on data from franchisees operating existing franchised PROSE® Salons to compile this estimate. We estimate that the amount given should be sufficient to cover ongoing expenses for the first three months of the business. This is only an estimate and we cannot guarantee that the upper range amount is sufficient or that you will not have additional expenses starting your business.

15. As stated in Item 10, we do not offer direct or indirect financing. We do not guarantee your note, lease or obligations with regard to your initial investment.

16. The estimates disclosed in this Item 7 are subject to variations according to geographic location and site. We have relied on our affiliate, PROSE Boutiques, LLC's, experience operating two PROSE® Salons to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. The availability and terms of financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have, and lending policies of financial institutions.

17. If you sign a Multi-Site Development Agreement you will incur these expenses for every PROSE® Salon you agree to open. The total initial investment based on an agreement for two Salons is as below:

Type of Expenditures	Low Amount	High Amount
Initial Franchise Fee	$80,000	$80,000
Lease and Utility Deposits	$3,200	$16,000
Gross Leasehold Improvements	$446,442	$708,144
Inventory and Training	$44,400	$60,636
Computer Equipment, Office Supplies & Misc.	$11,800	$23,600
Furniture & Fixtures	$104,948	$149,184
Licenses, Professional Fees and Insurance	$18,600	$29,000
Grand Opening Marketing	$75,556	$84,000
Additional Funds/Working Capital	$30,000	$120,000
Total for Multi Unit Development (2 Salons)	**$814,946**	**$1,270,584**

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases from Approved or Designated Suppliers

You must operate your PROSE® Salon according to our standards and specifications as we may establish from time to time in our Confidential Manual or otherwise by written communication from us. We will provide you with drawings of our interior and exterior PROSE® Salon prototype. You must engage an architect that we approve to prepare architectural drawings and engage a general contractor that we approve to build out your PROSE® Salon.

We will regulate, among other things, the types, models and brands of required fixtures, furnishings, equipment, signs, materials, supplies and other items used in operating your PROSE® Salon. You must purchase from us, our affiliates or from approved or designated suppliers all fixtures, furniture and equipment related to the construction and build-out of your PROSE® Salon. You also must purchase from us or from approved or designated suppliers computer hardware and point-of-sale software, private label products and other retail merchandise, all products and supplies used in connection with providing service offerings, the autoclave sanitizing equipment, all of your employee uniforms, advertising, point-of-purchase materials, other printed promotional materials, stationary, business cards, packaging, gift certificates and gift cards. All products and items must conform to those standards and specifications we may periodically establish.

You must obtain our written approval before making any changes in the appearance of your PROSE® Salon and before modifications to or replacements of decorating materials, fixtures, equipment, products, furniture, signs or other items.

Approved suppliers are those we select who demonstrate to us their ability to meet our minimum standards for quality, price, reliability and such other factors as we determine from time to time. Requirements and specifications for products and other items and lists of approved suppliers may be listed in the Confidential System Manual (the "Confidential Manual"). By written notice to you and/or through changes in the Confidential Manual, we may revise our requirements and specifications, add or delete approved suppliers, terminate existing purchase arrangements and suppliers and/or enter into new purchase arrangements with additional suppliers.

Other than Lisa Williams, one of our directors who owns an interest in intelliGroup, LLC, none of our officers own an interest in an approved supplier, but retain the right to do so in the future. Neither we, nor our affiliates, are the only approved suppliers of any goods or services you must purchase.

Supplier Approval

If you desire to purchase any item not authorized by us or to purchase items from a supplier not expressly approved by us in writing, you must first submit all information we may request, including specifications and samples, to enable us to determine whether the item complies with our standards and whether the supplier meets our approved supplier criteria. Approval of a supplier may be conditioned, among other things, on requirements for product quality, price, cost, frequency of delivery, standards of service, brand recognition and concentration of purchases and may be temporary, pending our evaluation of the supplier. We will, within 30 days, notify you of our decision in writing (if approval is not received within 30 days, this constitutes a rejection by us). We periodically establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Our criteria for suppliers of specific products are available upon your written request. We may revoke our approval of a supplier at any time in our sole discretion. We do not charge a fee for approving alternative suppliers.

Purchasing or Distribution Cooperatives

We do not currently have any purchasing or distribution cooperatives. We may attempt to negotiate discounted prices and favorable terms from suppliers for your benefit. We may also negotiate with various vendors to obtain for all of our franchisees and us and our affiliates various advertising related discounts and/or cooperative advertising programs. If we negotiate these programs, you will have the right to participate in the programs, but will not be obligated to do so, unless we make it a requirement. These optional advertising programs in no way affect your obligations to use only approved suppliers and all required suppliers.

Revenue Derived from Franchisee Purchases

We and our affiliates may derive revenue from your required purchases in connection with the operation of your PROSE® Salon. As of the end of fiscal year 2021 (December 31, 2021), neither we nor our affiliate received any revenue from required purchases or leases by franchisees, but we retain the right to do so in the future.

Area Representatives do not receive any rebates arranged by us or our affiliates on required purchases or leases by you.

Estimated Proportion of Required Purchases and Leases

The purchase of products from approved sources will represent approximately 85% to 90% of your overall product purchases in opening your PROSE® and 15% to 20% of your overall product purchases in operating the franchise.

No Material Benefits

We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based on purchases of particular products or services or use of particular suppliers, but you must use only suppliers we approve.

Insurance

Each PROSE® Salon is required to adhere to all of the following Insurance related terms, limits, coverage, policies and procedures, which we reserve the right to change at any time in our discretion.

Carrier Requirements:	Minimum AM Best Standards Rating, Alpha Rating: A
Insurance Coverage and Limit Requirements:	Commercial General Liability • $2,000,000 Per Occurrence • $2,000,000 Personal Injury • $4,000,000 Annual Or General Aggregate • $4,000,000 Products/Completed Operations Aggregate • $300,000 Fire Damage/Property rented to you • $5,000 Medical expense (any one person) *Occurrence limit on each location *Additional insured listing for PROSE® Franchising, LLC Business Automotive Liability $1,000,000 Combined Single Limit *Additional Insured listing for PROSE® Franchising, LLC

	Workers Compensation & Employers Liability • $1,000,000 Bodily Injury by Accident/Each Accident • $1,000,000 Bodily Injury by Disease/Policy Limit • $1,000,000 Bodily Injury by Disease/Each Employee *Waiver of Subrogation in favor of PROSE® Franchising, LLC Employment Practice Liability $250,000 Each Occurrence Network Security and Privacy Coverage $250,000 Each Occurrence
Additional Insured Wording	"PROSE® Franchising, LLC, its affiliates, subsidiaries, and its and their respective employees, agents, officers, and directors are named as additional insured."
Additional Requirements/Notes	*Additional Insured in favor of the above for all liability policies. *Waiver of Subrogation in favor of the above reference additional insured for worker's compensation policies. *Thirty (30) days written notice of cancellation - (Except for non-payment)

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/Lease	Franchise Agreement ("FA") Sections 1.2, 3.1 & 3.2 Multi-Site Development Agreement ("MSDA") Sections 1.1, 2.1 & 6.1	Items 1, 7, 11 and 12
(b) Pre-Opening purchases/leases	FA Sections 6.9 & 6.11 MSDA NONE	Items 5, 7 and 8
(c) Site development and other pre-opening requirements	FA Sections 3.1 - 3.3, 4.1 - 4.5, & 6.1 MSDA Sections 6.1, 6.2 & 6.3	Items 7, 8 and 11
(d) Initial and ongoing training	FA Sections 5.2 - 5.3 & 6.16 MSDA NONE	Items 6 and 11
(e) Opening	FA Section 6.1 MSDA NONE	Items 5 and 11

(f) Fees	FA Sections 1.5, 2.1, 3.4, 5.2, 5.3, 5.5, 6.11, 8.1, 8.3, 9.2, 9.3, 9.4, 9.7, 13.4 & 13.5 MSDA Sections 5.1	Items 5, 6, and 7
(g) Compliance with standards and policies/Operating Manual	FA Recitals, Sections 5.1, 5.5, 6.1 - 6.25, 8.1 & 8.4 MSDA NONE	Items 11 and 16
(h) Trademarks and proprietary information	FA Recitals, FA Sections 14.1-14.9 MSDA 1.1, 1.2, 9.1 & 10.5	Items 13 and 14
(i) Restrictions on products/services offered	FA Sections 5.5, 6.4, 6.8 - 6.10 MSDA NONE	Items 8, 11 and 16
(j) Warranty and Customer Service requirements	FA Section 6.2, 6.12 & 6.24 MSDA NONE	Item 16
(k) Territorial development and sales quotas	FA NONE MSDA Section 2.1 & Exhibit B	Not applicable
(l) Ongoing product/service purchases	FA Sections 5.5, 6.2, 6.8 & 6.10 MSDA NONE	Items 8 and 11
(m) Maintenance, appearance and remodeling requirements	FA Sections 6.3 & 13.4 MSDA NONE	Items 6 and 11
(n) Insurance	FA Sections 7.1 - 7.4 MSDA NONE	Items 6 and 8
(o) Advertising	FA Sections 8.1 - 8.5 MSDA NONE	Items 6, 7 and 11
(p) Indemnification	FA Sections 4.4, 13.4, 14.6 & 15.2 MSDA Section 11.7	Item 6
(q) Owner's participation / management / staffing	FA Sections 6.6 - 6.7 MSDA NONE	Items 9, 11 and 15
(r) Records and reports	FA Sections 6.11, 6.14, 6.15, 6.20, 6.21, 8.3, 10.1 & 10.2 MSDA Section 7.2	Item 6
(s) Inspections and audits	FA Sections 6.14 & 10.2 MSDA Section 6.1	Item 6
(t) Transfer	FA Sections 13.1 - 13.7 MSDA SECTIONS 8.1 & 8.2	Items 6 and 17
(u) Renewal	FA Section 1.5 MSDA NONE	Items 6 and 17
(v) Post-termination obligations	FA Section 17.1 & 17.2 MSDA Article 10	Item 17
(w) Non-competition covenants	FA Sections 12.1 - 12.4 & 13.4 MSDA Sections 9.2 & 9.3	Item 17

(x) Dispute resolution	FA Sections 23.1 - 23.7 MSDA Article 11	Item 17
(y) Other: Guarantee of franchisee obligations (note 1)	FA Section 6.15 & Exhibit B MSDA Section 7.4 & Exhibit D	Item 22

Note 1: The shareholders, partners, members or beneficial owners of the equity interests of a corporate, partnership, limited liability company or other entity franchisee, and the spouses of any of them, if any, are obligated to guarantee all of the obligations of franchisee under the Franchise Agreement and Multi-Site Development Agreement. Each of these persons will be required to sign a Principal Owner's Guaranty in the form of Exhibit B attached to the Franchise Agreement (Exhibit B to this disclosure document) and Exhibit D to the Multi-site Development Agreement (Exhibit D to this disclosure document).

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease 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.

Pre-Opening Assistance

Before you open your Salon, we will:

1. Designate your Site Selection Territory. (Franchise Agreement, Section 1.2 and Exhibit A)

2. Provide you with support to navigate the development process from Franchise Agreement execution to your Salon opening. (Franchise Agreement, Section 6.11)

3. Provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your Salon. (Franchise Agreement, Sections 3.1 and 3.2)

4. Approve or disapprove a site for your Salon Location within 15 business days after you have provided all the information we request to evaluate the site. If we do not approve the site you submit for your Salon Location, you must find a new site to submit to us for approval prior to expiration of the deadline for doing so. If you do not do so, we may terminate your Franchise Agreement. (Franchise Agreement, Sections 1.2, 3.1 and 3.2)

5. Approve or disapprove the lease or purchase agreement for the Salon Location within 15 business days after we receive it. (Franchise Agreement, Sections 1.2 and 3.2)

6. Review your list of architects, contractors, designers and /or engineers, the final plans and specifications and CAD files and the certification of ADA compliance promptly and either approve them in writing or provide comments to Franchisee. (Franchise Agreement, Section 4.1)

7. Provide you with specification for typical furniture, fixtures and equipment and provide contact information for these vendors. We confirm that your order is placed with the vendor; we do not place orders on your behalf or deliver or install the orders. (Franchise Agreement Section 4.3)

8. Approve or disapprove your signage vendor. (Franchise Agreement, Section 4.5)

9. Provide you with a copy of our confidential and proprietary Manual (Franchise Agreement, Section 5.1)

10. Make available to you and one other employee of yours an initial training program. (Franchise Agreement, Section 5.2)

11. We may, in our discretion hold an annual conference. You and your General Manager must attend. You must pay the registration fees established by us for the annual conference regardless of whether you and/or your General Manager attend (currently up to $1,000 per attendee). (Franchise Agreement Section 5.3)

12. Provide you with information regarding the required computer systems and related software and up to 3 e-mail addresses with the myprose.com domain name for use in connection with the operation of the Salon only, and for no other purpose. Additional e-mail addresses may be purchased by you for a fee. (Franchise Agreement, Section 6.11).

13. Designate the opening inventory of products and services you must buy before the opening of the Salon. (Franchise Agreement, Section 6.9)

14. Furnish you with written specifications and/or names of approved suppliers for required products, services, signs, fixtures and supplies. (Franchise Agreement, Section 6.8)

15. We may, in our discretion, establish a regional advertising cooperative for the purpose of administering regional advertising programs, including website or e-commerce development. Your participation is mandatory. (Franchise Agreement, Section 8.1)

16. Either provide or approve or disapprove advertising, promotions, signs, posters and displays before installation or display. (Franchise Agreement, Section 8.1).

Continuing Obligations

During the operation of your Salon, we will:

1. Furnish you with those support services we consider advisable. We may provide these services on-site, off-site, by telephone or through other means. Timing will depend on the availability of our personnel. (See Franchise Agreement, Section 5.4)

2. Furnish you with any specifications for required products and services. (Franchise Agreement, Sections 5.5 and 6.8)

3. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services. (Franchise Agreement, Section 5.6)

4. Administer the Brand Fund (Franchise Agreement, Section 8.5)

5. Use commercially reasonable efforts to correct any failure or cause vendors to correct any failure of computer systems and related software (Franchise Agreement, Section 6.11)

Multi-Site Development Agreement

If you sign a Multi-Site Development Agreement, you will receive a designated geographic area for each Salon you agree to develop (See Exhibits to Multi-Site Development Agreement, a copy of which is attached to this disclosure document at Exhibit D). We will approve or disapprove a site for your Salon locations within the timelines applicable in each Franchise Agreement. (ADA, Section 6.1)

In addition to granting you the right to establish a specific number of Salons under your Multi-Site Development Agreement, we will also provide you with the assistance described in this Item 11 for each Salon you must open under you Multi-Site Development Agreement, using then-current standards for sites.

Manual

Currently, we have a Manual we make available to you through a password protected Web Site. The Manual includes descriptions of marketing techniques, operational procedures, business practices, and management methods for our PROSE® System. The purpose of the Manual is to protect our reputation and goodwill and to maintain uniform standards under the Marks and the PROSE® System. You must operate your PROSE® Salon in accordance with the standards, methods, policies, and procedures in these manuals. You may view the Manual at our corporate office. See Exhibit I to this disclosure document for further information.

There are 174 pages in the Manual.

See Exhibit I to this disclosure document for further information.

Advertising and Promotion

We have no obligation to advertise on behalf of the franchise system.

You may only use advertising, marketing, identification and promotional materials and programs which we have either furnished to you or approved in writing in advance. If we make advertising, marketing, identification and promotional materials and programs available to you, you must use only those materials furnished by us for all of your advertising, marketing, identification and promotion of the Salon, at your cost. In the event that we do not furnish you with advertising, identification and promotional materials and programs for the Salon, you must submit to us, in the form and manner we prescribe, for prior approval, samples of all advertising and promotional materials not prepared or previously approved by us, including materials you wish to present on a website. If you do not receive written or oral approval within 10 days from the date of our receipt of such materials, we will be deemed to have disapproved the submitted materials. You may not use any advertising or promotional materials that we have not approved, have disapproved or that do not include the copyright registration notices and trademark registration notices we designate (Franchise Agreement - Section 14.3). Any advertising, promotion and marketing you do must be completely clear and factual and not misleading, and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. Except for listing your Salon on a local Internet directory, you are not permitted to have or advertise on the Internet or World Wide Web without our prior written consent (Franchise Agreement – Section 8.2). You may not solicit business through a toll-free number, direct mail, internet, or other advertising method without our prior written consent. (Franchise Agreement - Section 8.1).

Brand Fund

You must pay a weekly Brand Fund Fee of 2% of your Salon's Gross Revenue ("**Brand Fund Fee**"). We may increase this fee at any time in our discretion up to 3% of Gross Revenue. We will, at our sole discretion, direct all advertising programs and control the creative concepts, materials and media used,

media placement and allocation. We need not make expenditures for advertising or promotions for you which are equivalent or proportionate to your pro rata contributions. We need not attempt to and are not required to ensure that you benefit directly or proportionately from the Brand Fund. We are not required to spend any amount in your area. The Brand Fund is not a trust and we are not a fiduciary in any capacity. (Franchise Agreement, Section 8.5)

The Brand Fund may, but is not required to, be used to meet all costs of administering, directing, preparing, placing and paying for sales, advertising and marketing initiatives or programs on a national, regional, or local basis. We may use Brand Fund contributions in our sole discretion for the cost of developing, preparing, placing, distributing and conducting television, radio, magazine, newspaper or other advertising campaigns, public relations activities, engaging in telemarketing/Internet activities, Search Engine Optimization on the Internet, establishing, maintaining, updating and upgrading one or more Web sites, obtaining sponsorships and endorsements, and attracting qualified Artists and Curators. Advertising and promotional materials developed with Brand Fund contributions may be either created in-house by our marketing department, or we may retain the services of a national or regional advertising agency. The Brand Fund will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead we may incur in activities related to the administration of the Brand Fund and its programs, including preparing advertising and marketing materials and collecting and accounting for contributions to the Brand Fund; the cost of employing advertising agencies and/or in-house marketing support; paying interest on monies borrowed by the Brand Fund from third parties unaffiliated with us; providing customer service comment cards to you and other PROSE® franchisees; and, sponsoring sporting, charitable or other special promotional events, if we choose to do so at our sole discretion.

The Brand Fund monies are accounted for separately from our other funds, and such funds are held in a dedicated bank account. We may not use these funds for any purpose other than those provided for in the Franchise Agreement. We may use the Brand Fund to cover salaries, travel costs, and reasonable administrative costs.

The Brand Fund is not audited.

No money will be spent by the Brand Fund to primarily solicit new franchisees. Some media placement may advertise that franchises are available to be purchased, but it will be done in conjunction with the program of the PROSE® brand. A statement of monies collected and costs incurred by the Brand Fund will be prepared annually by us and will be furnished to you upon written request.

We will spend most contributions to the Brand Fund for advertising and marketing purposes during the fiscal year in which the contributions are made. If we spend more than the amount the Brand Fund collects in any fiscal year (not including any money we had to spend because we did not spend all the money in the Brand Fund during the year before), then we are entitled to reimburse ourselves (without interest) from the Brand Fund during the next fiscal year for all excess expenditures during the preceding fiscal year. If we spend less than the total in the Brand Fund during any fiscal year, then we can spend the unused money during the next fiscal year.

We have no obligation in administering the Brand Fund to make expenditures for you which are equivalent or proportionate to your contributions, or to ensure that you benefit directly or proportionately from the placement of advertising or any other marketing or advertising activities, or to ensure that such advertising or marketing impacts your PROSE® Salon. If we receive any promotional allowances with respect to your purchases of goods or services from vendors other than us or our affiliates, then we will be under no obligation to contribute the promotional allowances to the Brand Fund.

Although we intend the Brand Fund to be perpetual, we have the right to terminate the Brand Fund. We will not terminate the Brand Fund until we have spent all money in the Brand Fund for marketing, advertising and promotional purposes.

The PROSE® Salon owned and operated by our affiliate participates equally with franchisees in contributing to the Brand Fund.

In the fiscal year ended December 31, 2021, the Brand Fund's income was spent as follows: 13% on production; 17% on media placement; and 70% administrative expenses. Any Brand Fund funds that are not spent in any fiscal year will be retained for use by the Brand Fund in upcoming years. If there is a temporary deficit in the Brand Fund, we may lend it funds to cover the deficit, but we are not obligated to do so.

Local Marketing, Advertising and Promotion

You must expend each month an amount currently equal to 2% and up to 3% of the Salon's Gross Revenue during the preceding month on Local Marketing Expenditure that we have approved (Franchise Agreement, Section 8.3). "**Local Marketing Expenditures**" means the local or regional marketing, advertising and promotional activities that we specify in our Manual or otherwise, or approve in writing in advance. Upon our request, you must submit to us a report detailing your Local Marketing Expenditures made during the time period we specify. You are also required to provide us invoices or other documentation to support your Local Marketing Expenditures reported, if requested by us. You may spend more than the minimum required, at your discretion. If you fail to make the required minimum expenditures for local advertising and promotion, we may, at our option, require you to: (i) contribute the deficient amount to the Brand Fund; or (ii) reimburse us for amounts that we spend on your behalf to satisfy your required Local Marketing Expenditures, plus our related expenses.

You may not advertise or use any of the Marks on the Internet without our prior written consent. We maintain the web site www.myprose.com. We will provide contact information for your PROSE® Salon on our web site. Further, you shall not use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name or in the content of any World Wide Web Site.

Cooperatives

We may, in our discretion, establish regional advertising cooperatives for the purpose of administering regional advertising programs, including website or e-commerce development ("**Cooperative**"). No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval. We have the right to designate any geographical area for purposes of establishing a Cooperative, and your participation is mandatory if your Salon is open.

Each Cooperative will be organized and governed in a form and manner established by or approved by us in writing, and will commence operations on a date specified by us. Any disputes arising among or between Cooperative members or between the Cooperative and members will be resolved by us. Our decision is final and binding.

You will remit the monthly contribution to the Cooperative that we establish, which shall not exceed two percent (2%) ("Cooperative Contribution"), plus any fees we may charge for our role in administering, managing and governing the Cooperative up to $1,000 per month. Your Cooperative Contribution will be credited against the amount you are required to spend on Local Marketing Expenditures. If you fail to remit payment of you Cooperative Contribution, you will be required to reimburse us for amounts we spend on your behalf to satisfy your Cooperative Contribution, plus our related expenses.

Each of the Salons operated by us or our affiliates under the PROSE® System that are located in a geographic area for which a Cooperative has been established, will make contributions to the Cooperative on the same basis as assessments required of other Cooperative members of such Cooperative. (Franchise Agreement, Section 8.1)

Pre-Sales Program

Prior to opening your Salon, beginning when you sign your lease (the "**Pre-Sales Period**"), you must begin marketing and selling membership for your Salon. You must sell at least 250 memberships during the Pre-Sales Period before you will be permitted to open your Salon. You must advertise these pre-sales through various advertising and promotional material, media, special events and other public relations activities that we require or approve, in our Manual or otherwise. You are required to spend at least $5,000 on pre-sales marketing activities. This amount is in addition to your Brand Fund Fees and Local Marketing Expenditure requirements. If you fail to make the required minimum expenditures for pre-sales marketing, we may, at our option, require you to: (i) contribute the deficient amount to the Brand Fund; or (ii) reimburse us for amounts that we spend on your behalf to satisfy your required pre-sale advertising requirement, plus our related expenses. (Franchise Agreement, Section 8.3)

Periodic Promotions

You must offer such rebates, giveaways and other promotions (**"Promotions**") as may be required by us. You must honor all promotions so long as doing so does not contravene with any laws. You may not create or issue any Promotions or sell any Promotions that are not required or sponsored by us. You may not issue coupons or discounts of any type. Your participation in Promotions will be at your expense.

Advertising Council/Advisory Committee

At this time, there is no advertising council composed of PROSE® franchisees.

We may periodically establish an advisory committee (the **"Advisory Committee"**), which will be made up of our representatives and representatives of 1 or more of our franchisees (the exact composition of the Advisory Committee to be determined by us in our sole and absolute discretion), and which will advise us regarding proposed uses of Brand Fund Fees and the PROSE® Brand Fund, suggestions for new services and products and general operations of our franchised facilities. Whether or not the Advisory Committee is formed, how it is established and how it shall conduct its business will be determined by us in our sole and absolute discretion. We will not be required to follow the advice of the Advisory Committee and we can terminate the Advisory Committee at any time. Any expenses of establishing, maintaining or terminating the Advisory Committee will be paid for by Brand Fund Fees out of the PROSE® Brand Fund. Franchised facilities owned or operated by any of our affiliates will also contribute to the PROSE® Brand Fund.

Computer Requirements

It includes the purchase price of 3 iPads, Zenoti point-of-sale software (including credit card processing), televisions, a music system and installation and set-up fees.

You will be required to have at least 4 iPads, 2 televisions and a music system meeting the specifications we require from time to time in our sole discretion. Additional hardware and may be required in the future, at your expense, as determined by us in our sole discretion. You will also need to purchase Zenoti software for your point-of-sale system. The estimated initial cost of purchasing your computer hardware and software is $3,100 – $15,000, which includes installation and set-up fees. This cost may change from time

to time based on our computer hardware and software requirements. There may be costs associated with updates to the computer hardware and software.

We will have independent access to your sales and other information in your point-of-sale system. There are no contractual limitations on our right to access information in your point-of-sale system. You must maintain at all times, the ability to receive and transmit communications from and to us over the Internet. You will be required to provide us independent access to the information and data in your computer systems via a broadband Internet connection.

To ensure full operational efficiency and communication capability between our computers and yours, you must at all times, at your own expense, keep your computer system in good repair and purchase certain annual maintenance and service contracts from the manufacturer of the hardware or the licensor of the software. Currently, we are unaware of any charges associated with updates or maintenance but all hardware and software is provided by third parties that we do not control and, as a result, you may incur additional costs that we cannot predict. You must upgrade/update your software programs, as required by us or as otherwise needed. You must also replace any systems which are inoperable and/or outdated and the cost for replacing the systems will depend upon the systems you are purchasing and the market prices for those systems. We have to approve, in writing, all hardware and software to be used by you in connection with your PROSE® Salon. We reserve the right to require franchisees, at their expense, to install and maintain additional hardware and software, including software that will interface with our computer system over the Internet.

There are no contractual limitations on the frequency and cost of your obligation to purchase or lease computer systems or maintain, repair, upgrade or update your hardware and software.

You must use, at your expense, such internet/wireless services, e-mail services, telephone systems and services as we may require in connection with the operation of the Salon and use only those vendors designated by us, as set forth in the Manual or otherwise. You shall pay the service or maintenance fees charged by vendors for such internet/wireless services, e-mail services and/or telephone system services, which may vary depending on the vendor you use.

We have no obligation to provide ongoing maintenance, repairs, upgrades or updates.

Site Selection

We do not own and then lease to franchisees the premises that Salons are operated from. We will offer you consulting services to assist you in determining the evaluation criteria for selecting the site location for your PROSE® Salon. If you pay us a Deposit and sign a Deposit Receipt before executing a Franchise Agreement, we will assist you with your search for your Salon site location. We do not select the site for your PROSE® Salon, although we must consent to the site. If we do not consent to a site within that time period prescribed below, we, at our option, may terminate the Franchise Agreement. The general site selection criteria you should consider includes traffic patterns, site visibility and size, area demographics, ease of ingress and egress, adequacy of parking, lease rates, competitors, and tenant mix at the proposed location. You are solely responsible for locating a site that meets our standards and criteria and that is acceptable to us. You must provide us with a proposed lease or do not otherwise secure an acceptable location for your Salon within 180 days of executing the Franchise Agreement, supply us with plans and specification to approve within 150 days of executing the Franchise Agreement, and complete construction and begin operations of your PROSE® Salon within 12 months from the date of executing the Franchise Agreement. Failure to meet these deadlines constitutes a material breach of the Franchise Agreement, and we may, at our option, terminate the Franchise Agreement upon notice without affording you any opportunity to cure the breach. (Franchise Agreement, Section 16.2.D).

Typical Length of Time Before Operation

The typical length of time between the signing of the Franchise Agreement and the opening of a Salon depends, in part, on the specific location of the Salon but is generally 9 months to 12 months. You are expected to begin operations 12 months from the signing of your Franchise Agreement. Factors affecting this length of time usually include obtaining a satisfactory site, build out complexity, permits, financing arrangements, completing training, local ordinance compliance questions and delivery/installation of equipment, materials, products and signs.

Training Program

Initial Training

Our Initial Training consists of a maximum of 8 days of training for 2 individuals ("**Trainees**") in our corporate headquarters and/or at any other location as we may specify in writing. We may determine to conduct training virtually. We will conduct Initial Training on an as-needed basis, beginning prior to the date you are required to begin attending. All Trainees must complete the Initial Training to our satisfaction at least 3 weeks, but not more than 6 weeks, before your PROSE® Salon opens for business. We will provide you with a commencement date for the Initial Training Program.

We will provide, at our expense, instructors, facilities and training materials consisting of online Webinars, books, manuals, outlines, pamphlets and live instruction, for the Initial Training of you and another employee or individual. You will be responsible for all expenses of your Trainees in the Initial Training including all travel, lodging and meal expenses and compensation of, including workers' compensation insurance for, your Trainees.

If the person having responsibility for the day-to-day operation of your PROSE® Salon (the "**General Manager**") is no longer willing or able to exercise day-to-day control over your PROSE® Salon, you must hire a new, qualified General Manager for your PROSE® Salon within 30 days of the date of the prior manager's last working day. The new General Manager and all other successive General Managers, if any, shall be required to attend the Initial Training. We will not charge you a fee for this training but you will be responsible for all expenses of your General Manager in the Initial Training including all travel, lodging and meal expenses and compensation of, including workers' compensation insurance for, your General Manager.

Mr. Nate McFarland supervises the training programs. Mr. McFarland has over 10 years of franchise experience managing and operating concepts and has experience with PROSE® Boutiques since December 2017. Mr. Beau Citron assists Mr. McFarland with training. Mr. Citron has been with the PROSE® System since 2017, holding various operational positions with us and also managing a company-owned Boutique. Finally, Mr. Ronald Wadsworth assists Mr. McFarland and Mr. Citron with training. Mr. Wadsworth joined PROSE in 2021 and has 10 years' experience in franchising as a franchisee, as well as operational roles with other franchise concepts. Ms. Lisa Williams will also assist Mr. McFarland with training. Ms. Williams has 2 years' experience with us and 22 years' experience in the beauty and cosmetics industry. Finally, our marketing agency, Iluma, will assist with certain marketing aspects of training.

A schedule for the Initial Training Program is as follows:

TRAINING PROGRAM[1]

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location[2]
PROSE Overview	1	0	Corporate Headquarters
Profitability Planning	3	0	Corporate Headquarters
PROSE Marketing	2	0	Corporate headquarters
Service and Innovation	2	0	Corporate Headquarters
Membership	3	0	Corporate Headquarters
Performance Planning	3	0	Corporate Headquarters and PROSE Salon
Operations	0	7	PROSE Salon
Membership Sales/Pre-Sales	6	10	Corporate Headquarters and PROSE Salon
Opening a PROSE Salon	0	24	Corporate Headquarters and PROSE Salon
TOTAL	**20**	**41**	

[1] We will utilize a blended learning approach to training, with portions of the training conducted in the classroom, online, on-site and self-study. The above times are intended only to be estimates of time allocation.

[2] Our corporate headquarters are located at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251. Training designated to take place at our corporate headquarters may also be conducted virtually. If all or any portion of Initial Training is conducted at a PROSE® Salon it will be at your location or another PROSE® Salon that we designate.

Ongoing Training

We may require you, or you may request to attend additional training programs or seminars or advanced management training at locations designated by us, which may be required for your employees. We will determine the duration, curriculum and location of these programs. You will be responsible for all costs and expenses associated with the training, including our training fee of $3,500 and all travel, meals and lodging costs and compensation of, including workers' compensation insurance, for your attendees.

We will provide you with individual or group advice, consultation, guidance and assistance regarding the operation of your PROSE® Salon based on our inspections and the reports you provide to us. This assistance may be provided in person, by telephone, newsletters or otherwise as we may deem appropriate. In addition, at your request, we will furnish additional guidance and assistance to deal with unusual or unique operating problems at reasonable per diem fees, charges and out-of-pocket expenses established by us.

Our training programs may also be conducted by other senior personnel as well as outside consultants, whose services we may retain for specific training courses. No other formal training staff is maintained at present.

ITEM 12

TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. The Franchise Agreement grants you the right to operate 1 PROSE® Salon. We must approve the location of your PROSE® Salon. Further, you may not relocate your PROSE® Salon without our prior written approval (which we will not unreasonably withhold) of the proposed relocation site, relocation plan, and lease for the new site.

The Franchise Agreement permits you to establish and operate a PROSE® Salon in a specified type of facility at a designated location. If, at the time the Franchise Agreement is executed, a location for Franchisee's Salon is not identified or obtained by you and approved by us, you must lease or acquire a location within a specific geographic area (the "**Site Selection Territory**") within 180 days of executing your Franchise Agreement and begin operating your PROSE® Salon within 12 months after the date you sign your Franchise Agreement.

The location of your PROSE® Salon shall be located within the Site Selection Territory that we establish in our discretion, using the criteria explained below. This is not an exclusive territory or a protected territory. Other than alternatives channels of distributions, which you are prohibited from using (see below), there are no restrictions on you against soliciting consumers outside of your Site Selection Territory, the purpose of such territory is only to identify the geographic boundaries within which you may find a location for your site. We reserve the right to establish or license another person to establish another PROSE® Salon within your Site Selection Territory (but not within your Protected Territory, as explained below). Granting you a Site Selection Territory does not prohibit us or other franchisees from soliciting and accepting customers that may be located in your Site Selection Territory and you will not be paid any compensation for those solicited and accepted customers. If you sign a Multi-Site Development Agreement, you will receive a designated Site Selection Territory for each PROSE® Salon you agree to develop, which will be established by us, and future sites will be considered for approval based on the then-current standards for sites and territories. A description of each Site Selection Territory we grant to you will be set forth in Exhibit A to each Franchise Agreement you execute.

Once you have selected, and we have approved of, a location for your Salon within the Site Selection Territory, we will grant you certain rights within a specified geographic area ("**Protected Territory**"). There will be no minimum geographic size to your Protected Territory. The Protected Territory will be different, and in most cases, smaller than, the Site Selection Territory. During the term of your Franchise Agreement, and provided that you are not in default, we will not establish or license another person to establish another PROSE® Salon within your Protected Territory. Your territorial rights are not dependent upon achievement of a certain sales volume or market penetration.

Your Site Selection Territory and Protected Territory rights are not dependent upon achievement of a certain sales volume or market penetration. There will be no minimum geographic size to your Site Selection

Territory or Protected Territory. We determine the Site Selection Territory and Protected Territory based on our judgment, considering the demographics and population size specific to your location. We determine the minimum population size of the target demographic group within your Site Selection Territory and Protected Territory on a case-by-case basis depending on the results of demographic research. The source of the population and demographic determinations are from the current reports issued by Google Earth Pro, or similar demographic software. Site Selection Territories and Protected Territories will range in size from a site-specific location, i.e., a street address, to a block, a zip code, or a defined measurable area, depending on the market in which you would like to operate your PROSE® Salon. Typically, PROSE® Salons located in metropolitan areas will receive a smaller Site Selection Territory and Protected Territory than PROSE® Salons located in suburban/rural areas. You will negotiate and agree upon the size of your Site Selection Territory and Protected Territory with us at the time you identify a market for your PROSE® Salon. Your Site Selection Territory and Protected Territory will be described in Exhibit A to your Franchise Agreement.

You will operate your PROSE® Salon only from the approved location within your Protected Territory. You may not relocate your PROSE® Salon without obtaining our prior written approval, which we will not unreasonably withhold. Any relocation of your PROSE® Salon will be at your sole expense. All leases, subleases or other agreements you enter into to relocate the PROSE® Salon must conform to the provisions of the Franchise Agreement. If we approve of your request to relocate your PROSE® Salon, then you must complete a new Exhibit A to the Franchise Agreement.

There is no minimum sales quota or performance standard you must maintain. However, if you enter into a Multi-Site Development Agreement, you maintain your rights to develop within the Site Selection Territories you are granted only if you comply with the Development Schedule and are not in default of the Multi-Site Development Agreement. You may only develop 1 PROSE® Salon within each Site Selection Territory you are granted. You will not receive any options, rights of first refusal or similar rights to acquire additional franchises within a particular Site Selection Territory or contiguous areas.

You may not maintain a World Wide Web page or otherwise maintain a presence or advertise the PROSE® Salon on the Internet, through any other alternative channels of distribution such as catalog sales, telemarketing, or other direct marketing, or any other public computer network or social media site to solicit and/or make sales except as required, sponsored, placed or approved in writing by us.

We (on behalf of ourselves and our affiliates) retain all rights with respect to the PROSE® System, the Marks, and the sale of any products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate PROSE® Salons anywhere we consider appropriate, including within your Site Selection Territory or in close proximity to your PROSE® Salon, except for your Protected Territory; (b) offer and sell products and services anywhere we consider appropriate that are not part of the PROSE® System through any distribution method; (c) operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business anywhere we consider appropriate including within your Site Selection Territory, Protected Territory or in close proximity to your PROSE® Salon, and/or (d) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, products, including private-label products, components thereof or variations thereon, which now or in the future are a part of the PROSE® System, to any person or entity, anywhere we consider appropriate and from and/or to any location whatsoever or by means of any channel of distribution, including within your Site Selection Territory, Protected Territory or in close proximity to your PROSE® Salon. We and our affiliates may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Neither the Franchise Agreement nor the Multi-Site Development Agreement confer any trade or marketing exclusivity in Site Selection Territory or Protected Territory on you, and we and our affiliates, subsidiaries, franchisees, and licensees may solicit, service, advertise and offer products and services to any individual or entity, regardless of his/her or its

geographic location, including within your Site Selection Territory, Protected Territory or in close proximity to your PROSE® Salon. Your Franchise Agreement does not grant you any rights, including rights of compensation, with respect to such sales no matter when conducted.

ITEM 13

TRADEMARKS

We grant you a nontransferable, non-exclusive license to use the PROSE® trade name and service mark and the other Marks. You must follow our rules when you use the Marks. You cannot use the Marks as part of a corporate name or with modifying words, designs, or symbols except for those which we license to you. You may not use the Marks in any manner that we have not authorized in writing.

Our parent, PROSE Holdings, registered the following trademarks on the United States Patent and Trademark Office ("USPTO") Principal Register:

MARK	REGISTRATION NUMBER	DATE REGISTERED
PROSE®	5392865	January 30, 2018
PROSE and Bird Design	5392927	January 30, 2018
Hummingbird Design (B&W)	5690675	March 5, 2019
Hummingbird Design (Color)	5749026	May 14, 2019

On December 13, 2017, PROSE® Holdings assigned the Marks to our affiliate, PIP. All required affidavits for the Marks have been filed.

Effective December 1, 2017 we entered into an exclusive perpetual license agreement with PIP for the use of the Marks ("License Agreement"). The License Agreement may be terminated by either us or PIP due to a material breach of any of its provisions. Under the License Agreement, we have acquired the right to sell PROSE® Salon franchises in the United States of America and collect franchise fees, royalties and other fees from franchisees. If we breach the License Agreement, or if the License Agreement is otherwise terminated, you may lose your rights to use the Marks.

Other than the Franchise Agreement and License Agreement, there are no other agreements currently in effect that significantly limit our right to use or license the use of the Marks. There are no currently effective determinations of the USPTO, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks. We are not aware of any infringing uses that could materially affect your use of the Marks.

If you become aware of any apparent infringement, unfair competition or other challenge to your right to use any Mark, or if you become aware of any use of or claim to any mark, name, logo or any other commercial symbol identical to or confusingly similar with any Mark, you must immediately notify us in writing. We shall have the sole discretion to take any action as we deem appropriate and the right to exclusively control any litigation or administrative proceedings arising out of this infringement, challenge or claim. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Mark or if the proceeding is resolved unfavorably to you.

We reserve the right to modify or discontinue use of any names, trademarks, service marks or other Marks or to add additional names, trademarks, service marks or other Marks at our discretion. You must make any additions, deletions, and modifications to all interior and exterior signs, apparel, business cards, printed material, displays, paper products, advertising and anywhere else any of the Marks may appear as we direct at your sole cost and expense and without compensation or reimbursement from us. You must, at your sole cost and expense and without compensation or reimbursement from us, discontinue your use of any name, trademark, service mark or other Mark, as we may direct you to discontinue at any time. We are not responsible for any expenses, losses or damages sustained by you as a result of any addition, discontinuance or modification and you are prohibited to join in any litigation against us if any of these expenses, losses or damages is incurred.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not presently own any patents and no patent applications are presently pending.

We have a confidential and proprietary Manual containing certain detailed information, forms and systems pertaining to the operation of your PROSE® Salon, including proprietary supplier lists, supplies and other trade secrets. We will provide you with a hard copy of our Systems Standards Manual. Although these materials have not been registered with the United States Copyright Office, they are considered proprietary and confidential and we claim copyright protection of these materials. We consider our trade dress (i.e., elements of the PROSE® method and style of doing business) inherently and uniquely distinctive and protectable under applicable Federal and State law.

There are currently no effective determinations of the Copyright Office or any court regarding any of the copyrighted materials.

No agreements are in effect which significantly limit our right to use or license the copyrighted materials. Finally, we are not aware of infringing uses that could materially affect a franchisee's use of the copyrighted materials in any state. The Franchise Agreement does not require us to protect or defend copyrights or confidential information, although we intend to do so when it is in our best interest.

Your Franchise Agreement does not require us to protect these copyrights or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving these copyrights.

Your use of our Systems Standards Manual is contingent upon you complying with the following terms:

- You must keep your login information confidential and only allow access to the Confidential Manual to those employees requiring access for the proper operation of the business. Upon the expiration or

termination of your franchise, your login information will be immediately deactivated. We reserve the right to change your login information at any time or to require you to change login information randomly or in intervals in our sole and absolute discretion.

- You must not use in advertising or any other form of promotion, our copyrighted materials, trademarks, service marks or commercial symbols without the appropriate notices which may be required by law or us including any and all registration notices.
- You must treat the Manual, any other manuals created for or accepted for use in the operation of your PROSE® Salon, and the information contained in them, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, or otherwise make them available to any unauthorized person. The Manual, which is loaned to you for use, will remain our sole property and must be kept in a secure place at the PROSE® Salon. If electronically provided, you must not divulge your user name or password to anyone without out prior written consent.
- You must comply with each new or changed standard in the Manual immediately upon notification.
- You must ensure that the Manual is kept current at all times. In the event of any disputes as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.
- Except as is necessary for the operation of your PROSE® Salon and as we approve, you may not, divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the services, advertising, marketing, designs, plans, or methods of operation of your PROSE® Salon or the PROSE® System. You may disclose to your employees only that confidential, proprietary or trade secret information as is necessary to operate the business and then only while the Franchise Agreement is in effect. Any and all information, or knowledge, including, materials, equipment, marketing, and other data, which we designate as secret or confidential, will be deemed secret and confidential for purposes of the Franchise Agreement.
- At our request, you must require your manager, and any personnel having access to any of our confidential information to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by you at your PROSE® Salon. The covenants must be in a form satisfactory to us, including, specific identification of us as a third-party beneficiary of the covenants, with the independent right to enforce them.
- Should you or anyone affiliated with you develop any discoveries, ideas, modification or additions related to the operation of PROSE® Salons, you shall immediately advise us of such discovery or idea in writing. We may authorize the use and/or dissemination of such discovery or idea, and you agree not to implement the discovery of idea until authorized to do so by us. All such discoveries and ideas developed or used in connection with any PROSE® Salon and/or the PROSE® System are our property, regardless of whether developed by us, you, or otherwise. No compensation is due to you on account of any such discovery or idea.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are obligated to personally and directly supervise the operation of the PROSE® Salon, unless otherwise permitted in writing by us. You further agree to devote the amount of your time, attention and best efforts to the performance of your duties under the Franchise Agreement that is necessary for the proper and effective operation of the PROSE® Salon.

If you are an individual, you shall serve as the General Manager for your PROSE® Salon or may designate a General Manager who shall be responsible for the operations of the PROSE® Salon when you are not

available. The PROSE® Salon shall at all times be under the direct, on-site supervision of you or your General Manager or any additional General Managers (if you employ more than one General Manager) that have successfully completed our Initial Training Program.

You shall inform us in writing as to the identity of your General Manager and any successor General Managers. Your General Manager will have day-to-day management responsibility for the PROSE® Salon, exercise on-premises supervision, and personally participate in the direct operation of the PROSE® Salon. Each General Manager must complete to our satisfaction, the PROSE® Initial Training Program, under the terms and conditions specified in the Franchise Agreement.

Each General Manager shall be required to sign a Confidentiality/Non-Competition Agreement provided by us, and may divulge only Confidential Information necessary to operate the PROSE® Salon, and only to those of your employees, agents or independent contractors who need access to it for this purpose. You are obligated to take all necessary precautions to ensure that all your employees retain the Confidential Information in confidence.

If you are a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law ("**Business Entity**"), then all owners of the Business Entity must sign an agreement under which all owners, and the spouses of any of them, agree to be jointly and severally liable for all the obligations to Franchisor under the Franchise Agreement, and to be bound by all the terms, conditions and covenants of the Franchise Agreement. (Exhibit B to Franchise Agreement). Your General Manager is not required to have any equity interest in your Salon.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must confine your business to the operation of a PROSE® Salon. You may not conduct any other business or activity at or from your PROSE® Salon. You may identify your PROSE® Salon only by the trade name and service mark "PROSE®." You must offer all of the products and services that we prescribe, and we may change the products and services from time to time at our discretion. You may not offer or sell any product or service from your PROSE® Salon except those we authorize.

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

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section In Franchise Or Other Agreement	Summary
(a) Length of the franchise term	FA Section 1.4	Commences on the Effective Date of the FA and expires on the 10th anniversary of the date you open your Salon for business.
	MSDA Section 4.1	Commences on the Effective Date of the MSDA and ends as set forth in the Development Schedule on the first to occur of: (1) 5 years from the Effective Date, or (2) the date the last Salon required to be opened actually opens for business.

(b) Renewal or Extension.	FA Section 1.5	If you satisfy the requirements to obtain a successor franchise, you may be granted the right to continue operating your PROSE® Salon for 1 additional 10 year period.
	MSDA Section 4.2	No rights to renew.
(c) Requirements for franchisee to renew or extend	FA Section 1.5	You must have substantially complied with all of the provisions of the Franchise Agreement during its initial or renewal term. You must maintain possession of your PROSE® Salon and before the expiration date or relocate your PROSE® Salon, bring your PROSE® Salon into full compliance with the specifications and standards then applicable for new or renewing PROSE® Salons. You must give notice of renewal to us at least nine (9) months, but no more than twelve (12) months, prior to the expiration of the Term. You must have satisfied all monetary obligations owed to us and our affiliates and have timely met these obligations throughout the term of the Franchise Agreement. You must execute our then-current form of the Franchise Agreement (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede in all respect the initial agreement and the terms of which may differ materially from the terms of the initial Franchise Agreement including, without limitation, different percentages for Royalty Fees, Brand Fund Fees and Technology Access Fees. You must comply with our then-current qualification and training requirements. You must execute a general release, in a form prescribed by us, of any and all claims against us, our subsidiaries, affiliates and our respective officers, directors, attorneys, agents, shareholders and employees. You must, at your expense, upgrade the Salon to conform to the then-current standards and specifications of the PROSE® Salon System, and complete this upgrading within the time reasonably specified by Franchisor. You must pay us our then-current Successor Franchise Fee. If we determine you do not meet the requirements to be granted a successor franchise, we will give you written notice of our rejection at least 6 months prior to the expiration of the Term of your Franchise Agreement and shall specify the reasons.
	MSDA Not Applicable.	Not Applicable.
(d) Termination by franchisee	FA Not Applicable.	Franchisees may terminate the agreement under any grounds permitted by state law.

	MSDA Not Applicable.	Franchisees may terminate the agreement under any grounds permitted by state law.
(e) Termination by franchisor without cause	FA Not Applicable.	Not Applicable.
	MSDA Not Applicable.	Not Applicable.
(f) Termination by franchisor with cause	FA Sections 16.1 – 16.6	We can terminate you only if you default, including if you default under your MSDA, if applicable or any other agreement with us or our affiliates, (including a Franchise Agreement).
	MSDA Section 10.1 - 10.5	We can terminate you only if you default, including if you default under your FA, (including an Area Representative Agreement).
(g) Cause" defined – curable defaults	FA Sections 8.1, 16.3 and 16.4	Defaults, other than those to which there is no cure period, payment defaults, or to advertising standards, may be cured within 30 calendar days after notice of cure is received. Payment defaults may be cured within 10 calendar days of receipt of a written notice. Advertising standards defaults must be cured within 3 calendar days after franchisee's receipt of notice.
	MSDA Section 10.2 & 10.3	Defaults, other than those for which there is no cure period, will have 30 calendar days after receipt of a written notice of default to remedy any default.
(h) "Cause" defined – non-curable defaults	FA Section 16.2 – 16.3	Non-curable defaults: bankruptcy or insolvency; you do not commence operation of the franchised Salon within 12 months following execution of the Franchise Agreement by us; abandonment; omission or misrepresentation of a material fact in the information you furnish to us; we and you agree in writing to terminate the Franchise Agreement; you do not provide a copy of the proposed Lease, or do not secure a Salon Location within the time limits and following the procedures specified in the Franchise Agreement; loss of possession of the Salon; you engage in an act that constitutes a crime or offense; a threat or danger to public health or safety results from your continued operation of the franchised Salon; You reuse and/or recycle any Proprietary Product, or sells such products to third parties without our prior approval and written consent; you fail to correct any local, state or municipal health or sanitation law or code violation within seventy- two hours after being cited for such violation; you purport to transfer any rights or obligations under the Franchise Agreement, the franchisee (if a legal entity), or the franchised Salon to any third party in violation of the terms of the Franchise Agreement; you conceal revenues;

		knowingly maintain false books or records; falsify information or otherwise defrauds or makes false representation to us or, knowingly submit any substantially false report to us; you engage in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice; you are found to have understated by 5% or more for any calendar year, your Gross Revenue; you interfere or attempt to interfere with our contractual relations with other franchisees, customers, employees, advertising agencies or any third parties; or you interfere or attempt to interfere with our ability or right to franchise or license others to use and employ our Marks and System or you make any use of the Marks not authorized under the Franchise Agreement; you receive three (3) notices of default within any eighteen (18) month period; you offer or sell any unapproved products and/or conduct (or permit the conducting of) any business other than the business contemplated by the Franchise Agreement at or from the Salon without our prior written consent.; any of the individual Franchise Agreements or any other agreement between you and us is terminated; or if Franchisee shall abandon the Salon.
	MSDA Section 10.1	Non-curable defaults: you omit or misrepresent any material fact in the information you furnish to us in connection with our decision to enter into this Agreement; you attempt to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under the ADA, in violation of the terms of the ADA, or without the written consents required by the ADA; you are insolvent or unable to pay your creditors (including us or our affiliates); you file for bankruptcy, reorganization or insolvency; you and we agree in writing to terminate the ADA; you fail to meet the Minimum Development Obligations within the time periods specified in the Development Schedule; you fail at any time during the Term, to have open and continuously operating the number of Salons required by the Development Schedule; you fail to obtain our written approval of a Salon location by the applicable date required by the Development Schedule; you fail to open any of the Salons by the applicable date required by the Development Schedule; you begin construction of a Salon without obtaining our prior written approval of the Location; your business or property(ies) have a suit levied against them to foreclose any lien or mortgage against the premises or equipment of any

		of your Salons which is not dismissed within 60 days, or the real or personal property of the Salon shall be sold after levy by any sheriff, marshal or constable; you are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude; or any crime or offense that is reasonably likely, in the sole subjective opinion of us, to adversely affect us, our affiliates and the PROSE® System; you do any act that we believe has a negative impact on the Marks or the PROSE® System; you interfere or attempt to interfere with our contractual relations with other franchisees, customers, employees, advertising agencies or any third parties; you interfere or attempt to interfere with our ability or right to franchise or license others to use and employ our Marks and System or you make any use of the Marks not authorized under the ADA or the franchise agreements; you remain in default beyond the applicable cure period: (a) under any other agreement with us or our affiliates; (b) under any real estate Lease, equipment Lease or financing instrument relating to one of your Salons; or (c) with any vendor or supplier to one of your Salons; any of the individual franchise agreements or any other agreement between you and us is terminated; or you breach your obligations under Article 9 of the ADA, or any other provisions related to Confidential Information and non-competition by you.
(i) Franchisee's obligations on termination/non-renewal	FA Sections 17.1 - 17.2	Obligations include immediately paying all sums due and owing to us and paying to us the full amount of the Salon's outstanding gift card/certificate; discontinuing the use of the Marks, Manual, and System; cancel any assumed name or equivalent registration which contains the Mark "PROSE®," or any other of our Marks; allow us to enter and take possession of your Salon; pay all of our expenses incurred as a result of the default or termination; at our option, assign to us any interest which you have in any Lease, right or entry or easement for the Salon Location, and vacate the Salon promptly and completely; except if we exercise our option to take over the your Salon immediately close the franchised Salon for business; if you own the Salon, to execute and deliver to us a Lease for the Salon Location on commercially reasonable terms; return all training or other manuals furnished to you, including the Manual and supplements to the Manual; immediately execute all agreements necessary to

		effectuate the termination in a prompt and timely manner; arrange with us for an inventory to be made by us of all the personal property, fixtures, equipment, signs, inventory, supplies and any other tangible assets. We shall have the right (but not the duty), to be exercised by notice of intent to do so within fifteen (15) days after the Effective Date of Termination to purchase any or all of the signs, advertising material, supplies, equipment and any items bearing the Marks at fair market value. If the parties cannot agree on fair market value within a reasonable time, an independent qualified appraiser shall be designated by each party and their determination shall be binding on both parties. If these appraisers are unable to arrive at a fair market value, they will designate a third, approved appraiser whose determination shall be binding upon both parties. Franchisor has rights of set off. Franchisee shall not, for a period of thirty (30) days after termination or expiration of the Agreement, transfer, convey, assign or sell to any person or entity other than Franchisor, any of the fixtures, equipment, inventory, supplies and other tangible assets of Franchisee and the franchised Salon; cease using the telephone numbers listed in any telephone directories, local listings or local internet search engines under the name "PROSE®" or any other confusingly similar name; direct the telephone company to transfer the telephone numbers listed for the franchised Salon to us or to any other person and location that we direct; comply with the post-termination/post- expiration covenants not to compete set forth in the Franchise Agreement; continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in the Franchise Agreement; immediately refrain from engaging in any contacts with customers; immediately surrender to us all computer software, data storage disks or tapes used in the operation of the franchised Salon, printouts, and other information pertaining to computer operations, codes, procedures and programming; if we elect not to assume possession of the Salon, then promptly upon termination or expiration, perform all reasonable redecoration and remodeling of the Salon as we consider necessary in our reasonable judgment to distinguish the Salon from a PROSE® Salon. Remit payment within 30 days of liquidated damages as follows: liquidated damages will be equal to the Royalty Fees and Brand Fund Fees that

		Franchisor would have received for thirty-six (36) months based on Franchisee's most recent annual Gross Revenues. If Franchisee's PROSE® Salon has not been open for one (1) year immediately preceding termination, the liquidated damages will be calculated by taking the number that is the monthly average of Royalty Fees and Brand Fund Fees payable to Franchisor from the date Franchisee's PROSE® Salon was opened through the date of termination and multiplying it by thirty-six (36). If the time remaining in the Franchise Agreement is less than thirty-six (36) months, the monthly average as calculated above will be multiplied by the number of months remaining in the Term of this Agreement.
	MSDA Section 9.3 and 10.5	You must immediately pay to us any and all unpaid amounts due from you to us or our affiliates, plus any accrued interest. For a 2 year period after termination of the MSDA, you may not solicit or induce, or influence in any other manner any of our franchisees or developers to terminate or modify his, her or its business relationship with us or to compete with us; you will not own, manage, operate, control or conduct a Competitive Business within 50 miles of your PROSE® Salons or any other PROSE® Salon; you will not interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the PROSE® System, our business or the business of our affiliates, developers, or franchisees.
(j) Assignment of contract by franchisor	FA Section 13.1	We have an unlimited right to assign the Franchise Agreement.
	MSDA Section 8.1	We have the unlimited right to assign the Multi-Site Development Agreement.
(k) "Transfer" by franchisee – defined	FA Sections 13.2 – 13.4	Includes any transfer of your interest in the Franchise Agreement or Salon.
	MSDA Not Applicable.	There is no right to assign the Multi-Site Development Agreement.
(l) Franchisor approval of transfer by franchisee	FA Sections 13.2 – 13.4	We have the right to approve all transfers and assignments but will not unreasonably withhold our consent.
	MSDA Not Applicable.	There is no right to assign the Multi-Site Development Agreement.
(m) Conditions for franchisor approval of transfer	FA Sections 13.2 – 13.4	New franchisee or principal owner qualifies; you are not in default under the Franchise Agreement; transfer fee paid; all amounts owed by you are paid; training completed; general release signed; new franchise agreement signed; right of first refusal to us provided.

	MSDA Not Applicable.	There is no right to assign the Multi-Site Development Agreement.
(n) Franchisor's right of first refusal to acquire franchisee's business	FA Section 13.6	We can match the offer you receive for the sale of your Salon.
	MSDA Not Applicable.	Not Applicable.
(o) Franchisor's option to purchase franchisee's business	FA Section 17.1.B	We have the right to purchase your Salon or your assets upon the expiration or termination of the Franchise Agreement.
	MSDA Not Applicable.	Not Applicable.
(p) Death or disability of franchisee	FA Section 13.5	The franchise can be transferred to a third party approved by us upon your death, disability or incapacity. Transfer conditions apply (see M above). We may temporarily operate the Salon until a third party qualifies for a fee plus our expenses.
	MSDA Not Applicable.	There is no right to assign the Multi-Site Development Agreement, even upon death or disability.
(q) Non-competition covenants during the term of the franchise	FA Section 12.1	No direct or indirect involvement in the operation of any business selling products or services similar to those sold by your PROSE® Salon. Subject to applicable state law.
	MSDA Section 9.2	No direct or indirect involvement in the operation of any business selling products and services similar to those sold by PROSE® Salons.
(r) Non-competition covenants after the franchise is terminated or expires	FA Section 12.2	No competing business for 2 years within 50 miles of your PROSE® Salon or within 50 miles of any other PROSE® Salon. If you own the location where your PROSE® Salon is located, for a period of 2 years you may not use the location to operate any business which is similar to the business of a PROSE® Salon or which offers or sells any product, service or component which now or in the future is part of the PROSE® System, or any similar product or service. Subject to applicable state law.
	MSDA Section 9.3	No competing business for 2 years within 50 miles of your Site Selection Territories.
(s) Modification of the agreement	FA Section 20; 5.1, 6.4.	No modification unless in writing, although we can change our list of Marks, Manual, or System. Franchisee shall receive 15 days' notice prior to changes to the Manual or System taking affect.
	MSDA Recitals, Section 3.1 and 12.7	No modification unless in writing, although we can change our list of Marks, Manual, or System. Changes to the Site Selection Territories and Development Schedule must have our prior written approval.

(t) Integration/merger clause	FA Section 20	No statements or promises binding unless contained in the Franchise Agreement. Only the terms of the Franchise Agreement are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement or in any related agreement is intended to waive Franchisee's reliance on any representation made by Franchisor in this disclosure document or in its exhibits or amendments, or to disclaim liability for statements authorized by Franchisor in this disclosure document.
	MSDA Section 12.7	No statements or promises binding unless contained in the ADA. Only the terms of the ADA are binding (subject to state law). Any representations or promises outside of the disclosure document and ADA may not be enforceable. However, nothing in the ADA or in any related agreement is intended to waive your reliance on any representation made by us in this disclosure document or in its exhibits or amendments, or to disclaim liability for statements authorized by us in this disclosure document.
(u) Dispute resolution by arbitration or mediation	FA Section 23.7	In any dispute, other than disputes under Sections 16.1 or 16.2, either party has the option of initiating mediation by submitting a written request for mediation to American Arbitration Association or any other mediation service mutually agreed to by the parties.
	MSDA Not Applicable.	Not Applicable.
(v) Choice of Forum	FA Section 23.4	All disputes shall be litigated solely in Maricopa County, Arizona, subject to applicable state law.
	MSDA Section 11.4	All disputes shall be litigated solely in Maricopa County, Arizona subject to applicable state law.
(w) Choice of Law	FA Section 23.3	Arizona law governs, subject to applicable state law.
	MSDA Section 11.3	Arizona law governs, subject to applicable state law.

State statutes may affect individual provisions of this disclosure document. Exhibit J to this disclosure document provides certain provisions that amend this disclosure document for certain states in which we offer franchises.

ITEM 18

PUBLIC FIGURES

We currently do not use any public figures to promote our franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATION

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; and (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.

This Item 19 includes historical sales information for those franchisees with one location ("**Single Salon Franchisees**"). The Single Salon Franchisees are listed in groups, the first group being Single Salon Franchisees who have been open for at least 24 months as of December 31, 2021, plus our one affiliate-owned location in Phoenix, Arizona; a total of 10 Salons. These 10 Salons represent approximately 42% of the 24 total Salons in the PROSE System. The second group is made up of Single Salon Franchisees who have been open for more than 12 months but less than 24 months as of December 31, 2021, a total of 4 Salons. These 4 Salons represent approximately 17% of the 24 total Salons in the PROSE System. All 14 Salons presented in this Item 19 represent approximately 58% of the 24 total Salons in the PROSE System. We have excluded the results of any Salons who were open for less than 12 months as of December 31, 2021, a total of 10 Salons, or approximately 42% of the 24 total Salons in the PROSE System.

The sales information below is from the 2021 calendar year (the "**Measurement Period**"). We are including data in this Item for 13 Salons owned by Single Salon Franchisees, and our one affiliate-owned Salon (a total of 14 Salons), that each have operated as qualified above during the Measurement Period (the "**2021 Reporting Salons**"). The following Table 1 lists historical total Unit Service sales for the 2021 Reporting Salons during the Measurement Period; the following Table 2 lists the total number of active Members of each 2021 Reporting Salon as of the last day of the Measurement Period; the following Table 3 lists new Membership sales for each 2021 Reporting Salon during the Measurement Period; and the following Table 4 lists revenues from Membership dues received by each 2021 Reporting Salon.

A "**Unit Service**" is the provision by a Salon of any one of the following services: signature manicure, signature pedicure, gel manicure, gel pedicure, signature dip manicure, gel addition, gel removal, nail tips, nail art, healthy paraffin hand wax, CBD extended massage, French nails, express manicure, express pedicure, CBD foot treatment, callus reducer, anti-aging masque, anti-aging foot treatment, anti-inflammatory foot soak, bath bomb, detoxifying leg masque, hand brightening masque, kids manicure, kids pedicure, illumination leg treatment. The price of an individual Unit Service ranges from $5 to $65. A sale of a single Unit Service is reported as "1" regardless of the price of such Unit Service. For example, if the number "8,000" is listed in column three of Table 1, below, it would represent any combination of 8,000 distinct Unit Services sold, such as 4,000 gel manicures, 2,000 express pedicures, and 2,000 CBD foot treatments.

Table 1 below separates total Unit Services by Member Services and Non-Member Services. "**Member Services**" are Unit Services purchased by customers who are part of our paid Membership program. "**Non-Member Services**" are Unit Services purchased by customers who are not part of our paid Membership program.

A "**Membership**" is any one of our four membership plans: Starter, Essential, Unlimited and Family Unlimited. Memberships are month to month, paid in advance. The fees for each Membership range from

$60 per month to $299 per month. A sale of a single Membership is reported as "1" regardless of the price of such Membership, and regardless of whether the member later cancels the Membership. For example, if the number "200" is listed in column two of Table 3 or Table 4, below, it would represent any combination of 200 distinct Memberships sold, such as 100 Starter Memberships, 50 Essential Memberships, and 25 Unlimited Memberships and 25 Family Unlimited Memberships. Active Members listed in Table 2 are any Members with a Membership that was not cancelled, frozen or suspended as of the end of the Measurement Period.

Tables 1 – 4 begin on the following page.

TABLE 1
2021 Reporting Salons
Unit Service Sales During Measurement Period

	Total Unit Services	***Member Services***	***Non-Member Services***
Phoenix	16,715	13,377	3,338
Units Open > 24 Months			
Unit 1	11,739	9,740	1,999
Unit 2	13,414	10,204	3,210
Unit 3	7,336	4,769	2,567
Unit 4	7,894	5,755	2,139
Unit 5	10,581	5,442	5,139
Unit 6	5,940	4,108	1,832
Unit 7	5,656	3,854	1,802
Unit 8	14,050	8,908	5,142
Unit 9	10,607	7,675	2,932
Average	9,691	6,717	2,974
Units Above Average	5	4	3
Units Below Average	4	5	6
Units open for 12 -24 Months			
Unit 1	7,735	4,395	3,340
Unit 2	4,161	2,693	1,468
Unit 3	9,891	7,111	2,780
Unit 4	5,480	3,582	1,898
Average	6,817	4,445	2,372
Units Above Average	2	1	2
Units Below Average	2	3	2

TABLE 2
2021 Reporting Salon
Active Member Base

	Total Active Members
Phoenix	687
Units Open > 24 Months	
Unit 1	438
Unit 2	384
Unit 3	251
Unit 4	269
Unit 5	327
Unit 6	188
Unit 7	110
Unit 8	400
Unit 9	252
Average	291
Units Above Average	4
Units Below Average	5
Units open for 12 -24 Months	
Unit 1	262
Unit 2	86
Unit 3	241
Unit 4	135
Average	181
Units Above Average	2
Units Below Average	2

TABLE 3
2021 Reporting Salons
New Member Sales

	Total Member Sales
Phoenix	508
Units Open > 24 Months	
Unit 1	289
Unit 2	273
Unit 3	222
Unit 4	238
Unit 5	309
Unit 6	207
Unit 7	109
Unit 8	300
Unit 9	278
Average	247
Units Above Average	5
Units Below Average	4
Units open for 12 -24 Months	
Unit 1	272
Unit 2	130
Unit 3	182
Unit 4	182
Average	192
Units Above Average	1
Units Below Average	3

TABLE 4
2021 Reporting Salons
Membership Dues Revenue

	Total Membership Dues Revenue
Phoenix	$ 563,603
Units Open > 24 Months	
Unit 1	$ 314,225
Unit 2	$ 357,846
Unit 3	$ 185,900
Unit 4	$ 211,862
Unit 5	$ 201,950
Unit 6	$ 132,257
Unit 7	$ 131,740
Unit 8	$ 323,543
Unit 9	$ 260,331
Average	$ 235,517
Units Above Average	4
Units Below Average	5
Units open for 12 -24 Months	
Unit 1	$ 186,317
Unit 2	$ 96,015
Unit 3	$ 243,529
Unit 4	$ 123,044
Average	$ 162,226
Units Above Average	2
Units Below Average	2

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Except for the information from our affiliate-owned Salon, which is audited, the information presented in this Item 19 is unaudited and is based on all financial information reported by franchisees. The information presented does not reflect or include the initial investment costs and expenses you will incur in operating your Franchise. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representations, 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 our CEO, Nate McFarland, at PROSE Franchising, LLC, 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251; (808) 372-6459; the Federal Trade Commission, and the appropriate state regulatory agencies.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System Wide Outlet Summary
For Years Ending December 31, 2019, 2020 and 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	1	9	+8
	2020	9	13	+4
	2021	13	23	+10
Company-Owned*	2019	1	1	0
	2020	1	1	0
	2021	1	1	0
Total Outlets	2019	2	10	+8
	2020	10	14	+4
	2021	14	24	+10

*Operated by our affiliate, PB.

Table No. 2

Transfers of outlets from Franchisees to New Owners
(other than the Franchisor)
For Years Ending December 31, 2019, 2020 and 2021

State	Year	Number of Transfers
Total	2019	0
	2020	0
	2021	2

Table No. 3
Status of Franchised Outlets for years ending
For Years Ending December 31, 2019, 2020 and 2021

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other reasons	Outlets at End of Year
Arizona	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1*	1
Colorado	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	0	2	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Georgia	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1

	2021	1	0	0	0	0	0	1
Illinois	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Minnesota	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	5	0	0	0	0	6
New Jersey	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Tennessee	2019	0	1	0	0	0	0	1
	2020	1	1	0	0	0	0	2
	2021	2	1	0	0	0	0	3
Texas	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Wisconsin	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Maryland	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Indiana	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
North Dakota	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Totals	2019	1	8	0	0	0	0	9
	2020	9	4	0	0	0	0	13
	2021	13	11	0	0	0	1	23

*This closure was an outlet owned by a multi-unit franchisee who operates 2 other outlets. Most of this outlet's members continued their PROSE® membership and patronize another nearby outlet owned by the same franchisee.

Table No. 4
Status of Company-Owned Outlets*
For Years Ending December 31, 2019, 2020 and 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2019	1	1	0	1	0	1
	2020	1	1	0	1	0	1
	2021	1	1	0	0	0	1
Totals	2019	1	1	0	1	0	1
	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	1

*Operated by our affiliate, PB.

Table No. 5
Projected Openings as of
December 31, 2021

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
Arizona	2	0	0
California	4	0	0
District of Columbia	1	0	0
Florida	1	0	0
Georgia	1	1	0
Hawaii	1	1	0
Indiana	1	1	0
Maryland	0	0	0
Minnesota	4	4	0
Missouri	1	2	0
New Jersey	0	0	0
North Carolina	1	0	0
North Dakota	1	1	0
Pennsylvania	1	1	0
South Carolina	2	0	0
Tennessee	1	1	0
Texas	1	0	0
Virginia	1	0	0
Michigan	0	1	0
Total	24	13	0

Exhibit E to this Disclosure Document list the names of all of our operating franchisees and the addresses and telephone numbers of their PROSE® Salons as of the issuance date of this disclosure document, and also lists the franchisees who have signed Franchise Agreements for PROSE® Salons which were not yet

operational as of the issuance date of this disclosure document. Exhibit F lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or voluntarily or involuntarily ceased to do business under a Franchise Agreement during the 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.

There are no franchisees who have signed a confidentiality agreement that restricts a current or former franchisee from discussing his or her experience as a franchisee in the PROSE® System during the last 3 years.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit H are the unaudited financial statements from January 1 through April 30, 2022; and audited financial statements (balance sheet, statement of operations, and members' equity and statement of cash flows) for the fiscal years ended December 31, 2019, December 31, 2020 and December 31, 2021. Our financial statements have always been in accordance with the full retrospective method of FASB Topic 606.

ITEM 22
CONTRACTS

Franchise Agreement - Exhibit B

Exhibits to Franchise Agreement:

Exhibit A	Franchise Site Selection Territory and Salon Location
Exhibit B	Principal Owners Guaranty
Exhibit C	Principal Owners Statement
Exhibit D	Confidentiality/Non-Compete Agreement
Exhibit E	Electronic Funds Transfer Authorization
Exhibit F	Security Agreement
Exhibit G	Lease Addendum
Exhibit H	Form of Franchise Compliance Certification

Deposit Receipt – Exhibit C
Sample General Release - Exhibit G
Non-Disclosure Agreement - Exhibit K

ITEM 23
RECEIPTS

Attached as the last 2 pages of this disclosure document are detachable documents acknowledging your receipt of this disclosure document.

EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

STATE	AGENCY	PROCESS, IF DIFFERENT
California	Department of Financial Protection and Innovation *Los Angeles* 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 *Sacramento* 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 *San Diego* 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 *San Francisco* One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 Toll Free (866) 275-2677	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division P.O. Box 40 Honolulu, HI 96810 (808) 586-2727 (808) 586-2740 (808) 586-2744	Commissioner of Securities of Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813
Illinois	Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62701 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	

Maryland	Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section G. Mennen Williams Building, 1st Floor 525 W. Ottawa St. Lansing, MI 48909 (517) 335-7567	
Minnesota	Minnesota Department of Commerce Securities Unit 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1500	Minnesota Department of Commerce Securities Unit Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 Phone: (212) 416-8236 Fax: (212) 416-8222	Attention: New York Secretary of State New York Department of State The Division of Corporations One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510
Oregon	Division of Consumer and Business Services Finance and Corporate Securities 350 Winter Street N.E. Labor and Industries Building, Rm 21 Salem, OR 97301 (503) 378-4100	
Rhode Island	Securities Division Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Bldg 69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Department of Labor and Regulation Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	

Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219-3630 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760 -or 150 Israel Road SW Tumwater, WA 98501	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 -or 345 West Washington Avenue Fourth Floor Madison, WI 53703 (608) 266-2801 (608) 266-2139	Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

PROSE®

PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT

Effective Date: _____

Name of Franchisee: _____

Address of Franchisee: _____
_____
_____

Salon Location: _____
(if different) _____
_____

TABLE OF CONTENTS

ARTICLE 1: GRANT OF FRANCHISE AND SUCCESSOR FRANCHISE....1
ARTICLE 2: INITIAL FRANCHISE FEE....4
ARTICLE 3: SITE SELECTION REQUIREMENTS....4
ARTICLE 4: LEASEHOLD IMPROVEMENTS, FIXTURES, EQUIPMENT AND SIGNS....6
ARTICLE 5: DUTIES OF FRANCHISOR....8
ARTICLE 6: DUTIES OF FRANCHISEE....10
ARTICLE 7: INSURANCE....18
ARTICLE 8: ADVERTISING....19
ARTICLE 9: PAYMENTS TO FRANCHISOR....22
ARTICLE 10: RECORDS, AUDITS AND REPORTING REQUIREMENTS....24
ARTICLE 11: CONFIDENTIAL INFORMATION....26
ARTICLE 12: COVENANTS NOT TO COMPETE....26
ARTICLE 13: ASSIGNMENT; RIGHT OF FIRST REFUSAL....28
ARTICLE 14: MARKS....33
ARTICLE 15: RELATIONSHIP OF THE PARTIES....36
ARTICLE 16: DEFAULT AND TERMINATION....37
ARTICLE 17: OBLIGATIONS AND RIGHTS ON TERMINATION OR EXPIRATION....40
ARTICLE 18: WAIVER AND DELAY....43
ARTICLE 19: FRANCHISOR'S CONSENT FRANCHISEE'S EXCLUSIVE REMEDY....43
ARTICLE 20: INTEGRATION OF AGREEMENT....43
ARTICLE 21: NOTICES....44
ARTICLE 22: MISCELLANEOUS....44
ARTICLE 23: COSTS OF ENFORCEMENT; ATTORNEYS' FEES; GOVERNING LAW; VENUE; MEDIATION....45
ARTICLE 24: SURVIVAL....46
ARTICLE 25: ACKNOWLEDGMENTS....46
ARTICLE 26: SUBMISSION OF AGREEMENT....48

Exhibits

Exhibit A Franchise Site Selection Territory and Salon Location
Exhibit B Principal Owners Guaranty
Exhibit C Principal Owners Statement
Exhibit D Confidentiality/Non-Compete Agreement
Exhibit E Electronic Funds Transfer Authorization
Exhibit F Security Agreement
Exhibit G Lease Addendum
Exhibit H Form of Franchise Compliance Certification

PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of_____, 20____ ("**Effective Date**"), between PROSE FRANCHISING, LLC, an Arizona limited liability company, with its principal office at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251 ("**PROSE**," or "**Franchisor**") and ___, whose principal address is _____("**Franchisee**").

RECITALS

WHEREAS, Franchisor is the sole and exclusive owner of the right to license a proprietary system for the establishment and operation of a **PROSE® Salon**, which is a healthy and enriching hand and foot care brand offering an unparalleled experience that delivers transformative hand and foot services through its cutting-edge salon design, world-class products and personalized approach under the trade name and trademark "PROSE®" (the "**PROSE® System**"). The PROSE® System includes, among other things, the following elements, all or some of which may be deleted, changed, improved or further developed by Franchisor from time to time:

Plans and specifications for distinctive standardized premises, featuring characteristic exterior style, colors and design, interior design and furnishing, equipment, layout, exterior signage, and marketing techniques and materials;

A uniform method of operating, which is described in the System Standards Manual;

Distinctive and characteristic trade names, trade dress, trademarks and service marks, including, but not limited to: "PROSE®" (the "**Trademarks**" or "**Marks**"), signs, designs, color schemes, standardized premises featuring characteristic exterior style, colors, and design, interior design and furnishings and equipment layout, and emblems as Franchisor designates in the System Standards Manual or otherwise in writing or as prescribed for use with the PROSE® System and as may from time to time be developed;

Systems and procedures necessary to operate a franchised business; and

Such exclusive confidential information and trade secrets as has been and may from time to time be developed, and which are disclosed by Franchisor to its franchisees in confidence in connection with the construction and operation of a PROSE® Salon.

WHEREAS, Franchisee wishes to obtain the right from Franchisor to operate a PROSE® business pursuant to the PROSE® System, and to be afforded the assistance provided by Franchisor in connection therewith, and understands and accepts the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain Franchisor's high and uniform standards of quality and service designed to protect the goodwill and enhance the public image of the Marks and the PROSE® System and recognizes the necessity of operating its PROSE® Salon in faithful compliance therewith, and with Franchisor's standards specifications.

NOW, THEREFORE, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows:

ARTICLE 1: GRANT OF FRANCHISE AND SUCCESSOR FRANCHISE

1.1 Grant of Franchise

Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right to operate one PROSE® Salon (the "**Salon**") and to use the names and Marks and the PROSE® System during the Term (as defined below) solely at the location identified in Exhibit A to this Agreement (the "**Location**"). Franchisee may not operate the Salon from any other location, and Franchisee may not relocate the Salon for any purpose without the express prior written approval and consent of

Franchisor. Franchisee also may not sell any products or services at any other location or through any other channel of distribution other than at, and through, the Location identified in Exhibit A.

1.2 Approved Location

A. If, at the time this Agreement is executed, a location for Franchisee's Salon is not identified or obtained by Franchisee and approved by Franchisor, Franchisee shall lease or acquire a location within one hundred eighty (180) days after the date of this Agreement. Franchisee's failure to Lease or acquire a location for the Salon within this period of time shall constitute a material default under this Agreement. The location of Franchisee's Salon shall be within the site selection territory (the "**Site Selection Territory**") identified on Exhibit A by a map or written description. Franchisee may operate its Salon from only one location situated within the Site Selection Territory. Franchisee acknowledges and understands that the Site Selection Territory is not an exclusive territory or protected territory and that Franchisor retains all rights reserved pursuant to Section 1.3 below within the Site Selection Territory (except as otherwise set forth in this Section 1.2 with respect to the Protected Territory, defined below).

B. Immediately following Franchisee's selection of a proposed site for the Salon Location, Franchisee shall deliver to Franchisor all the information Franchisor may request to evaluate the proposed location, as provided in its System Standards Manual or otherwise, including, but not limited to, a copy of the proposed Lease for the Location as provided in Section 3.2 below. Franchisor will use reasonable commercial efforts to accept or reject a proposed Location and Lease within fifteen (15) business days after Franchisor receives all of the requisite materials. Franchisee's proposed Location is deemed rejected if Franchisor fails to issue its written acceptance within such fifteen (15) day period. Franchisor may terminate this Agreement if an acceptable Location with an acceptable Lease has not been selected and approved within one hundred eighty (180) days of the Effective Date. Franchisee's deadlines to locate an acceptable Location and open its PROSE® Salon will apply even if Franchisor has not approved any Location for Franchisee's Salon.

C. Except as otherwise provided in this Agreement, if Franchisee is not in default under this Agreement and all other related agreements, Franchisor and its affiliates shall not operate a PROSE® Salon or grant a franchise for the operation of a PROSE® Salon physically located within the territory (the "**Protected Territory**") identified on Exhibit A by a map or written description. Franchisee acknowledges and understands that the Protected Territory will be different, and in most cases, smaller than, the Site Selection Territory.

D. Franchisee authorizes Franchisor to complete Exhibit A to define the Location, the Protected Territory and, in the event that a Location and the Protected Territory is not identified at the time this Agreement is executed, the Site Selection Area.

E. Franchisee acknowledges that this Agreement confers no marketing exclusivity in the Protected Territory on Franchisee.

1.3 Rights Reserved By Franchisor

Franchisor (on behalf of itself and its affiliates) retain all rights with respect to the PROSE® System, the Marks, and the sale of any products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate PROSE® Salons anywhere Franchisor considers appropriate, including within Franchisee's Site Selection Territory or in close proximity to Franchisee's PROSE® Salon, except for the Protected Territory; (b) offer and sell products and services anywhere Franchisor considers appropriate that are not part of the PROSE® System through any distribution method; (c) operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business anywhere Franchisor considers appropriate including within Franchisee's Site Selection Territory, Protected Territory or in close proximity to Franchisee's PROSE® Salon, and/or (d) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, products, including private-label products, components thereof or variations thereon, which now or in the future are a part of the PROSE® System, to any person or entity, anywhere Franchisor considers appropriate and from and/or to any location whatsoever or by means of any channel of distribution, including within

Franchisee's Site Selection Territory, Protected Territory or in close proximity to Franchisee's PROSE® Salon. Franchisor and its affiliates may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Franchisee further acknowledges and agrees that this Agreement confers no trade or marketing exclusivity in the Site Selection Territory or Protected Territory on Franchisee, and Franchisor, its affiliates, subsidiaries, franchisees, and licensees may solicit, service, advertise and offer their products and services to any individual or entity, regardless of his/her or its geographic location, including within the Site Selection Territory, Protected Territory or in close proximity to Franchisee's PROSE® Salon. Franchisee has no rights, including a right of compensation, with respect to any sales no matter when conducted.

1.4 Term

Unless otherwise terminated as provided for in this Agreement, the term of this Agreement shall commence on the Effective Date and expire on the tenth (10^{th}) anniversary of the date Franchisee's Salon opens for business ("**Opening Date**") (the "**Term**").

1.5 Successor Franchise Term

Upon expiration of this Agreement, subject to the conditions of this Section, Franchisee will have the right to acquire a successor franchise to operate its PROSE® Salon for one (1) additional ten (10) year period on the terms and conditions of the franchise agreement Franchisor is then using in granting franchises for the PROSE® Salon System ("**Successor Franchise Agreement**"), if:

1. Franchisee has substantially complied with all of the provisions of this Agreement during its term;
2. Franchisee maintains possession of the Location and before the expiration date of this Agreement, has brought the Salon into full compliance with the specifications and standards then applicable for new or renewing PROSE® Salons, and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Location for the duration of the term of the Successor Franchise Agreement; or, in the event Franchisee is unable to maintain possession of the Location or, in the judgment of Franchisor, the Salon should be relocated, Franchisee secures a substitute location approved by Franchisor and has furnished, stocked and equipped such premises to bring the Salon at its substituted location into full compliance with the then-current specifications and standards of the PROSE® Salon System before the expiration date of this Agreement;
3. Franchisee has given notice of its intent to obtain a successor franchise to Franchisor as provided hereinafter;
4. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates and has timely met these obligations throughout the term of this Agreement;
5. Franchisee has executed, upon the granting of the successor franchise by Franchisor, Franchisor's Successor Franchise Agreement, which such Successor Franchise Agreement shall supersede in all respect this Agreement. Franchisee acknowledges and understands that the terms of the Successor Franchise Agreement may differ materially from the terms of this Agreement including, without limitation, different percentages for Royalty Fees and Brand Fund Fees;
6. Franchisee has complied with Franchisor's then-current qualifications and training requirements;
7. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, its subsidiaries, affiliates and their respective officers, directors, agents, shareholders and employees;

8. Franchisee, at its expense, upgrades the Salon to conform to the then-current standards and specifications of the PROSE® Salon System, and completes this upgrading within the time reasonably specified by Franchisor; and

9. Franchisee shall pay to Franchisor two-thirds (2/3) of Franchisor's then-current Initial Fee as a Successor Franchise Fee.

If Franchisee desires to obtain a Successor Franchise Agreement, Franchisee shall give Franchisor written notice of its desire to do so at least nine (9) months, but not more than twelve (12) months, prior to the expiration of the Term of this Agreement. Within ninety (90) days after its receipt of such timely notice, Franchisor shall furnish Franchisee with written notice of: (1) reasons which could cause Franchisor not to grant Franchisee a successor franchise including, but not limited to, any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (2) Franchisor's then-current requirements relating to the images, appearance, decoration, furnishing, equipping and stocking of PROSE® Salons and a reschedule for effecting upgrading or modifications in order to bring the Salon in compliance therewith, as a condition of granting the successor franchise. If Franchisor fails to respond to Franchisee's request for a successor franchise, Franchisee's request shall be deemed rejected. The granting of a successor franchise shall be conditioned upon Franchisee's compliance with such requirements and continued compliance with all the terms and conditions of this Agreement up to the date of expiration of the Term or as set forth in writing by Franchisor.

Franchisor shall give Franchisee written notice of its election not to grant a successor franchise at least six (6) months prior to the expiration of the Term of this Agreement. Such notice shall specify the reasons for not granting the successor franchise.

ARTICLE 2: INITIAL FRANCHISE FEE

2.1 Initial Franchise Fee

If this Franchise Agreement is for Franchisee's first PROSE® Salon, Franchisee agrees to pay Franchisor an initial franchise fee of forty-five thousand and no/100 dollars ($45,000) ("**Initial Franchise Fee**"). If Franchisee currently owns and operates an existing PROSE® Salon, Franchisee agrees to pay Franchisor an Initial Franchise Fee of thirty-five thousand and no/100 dollars ($35,000). The Initial Franchise Fee is payable in immediately available funds upon Franchisee's execution of this Agreement and is deemed fully earned by Franchisor upon receipt. The Initial Franchise Fee is not refundable under any circumstances.

ARTICLE 3: SITE SELECTION REQUIREMENTS

3.1 Salon Location

Franchisee shall operate its franchised Salon only at and from the Location. Franchisee shall operate its Salon continuously and without interruption throughout the term of this Agreement. Franchisor may assist Franchisee in its efforts to select a suitable Location within the Site Selection Territory for its Salon, but Franchisee understands and agrees that it will remain the ultimate responsibility of Franchisee to select and choose the Location. **The parties acknowledge and agree that Franchisor's approval of the Salon Location is not an assurance that the Salon will achieve a certain sales volume or level of profitability; it means only that the proposed Location meets Franchisor's minimum criteria for the location of the site for a PROSE® Salon.**

3.2 Salon Location Lease

Not later than one hundred eighty (180) days following the Effective Date, Franchisee shall deliver to Franchisor a copy of any proposed Lease or purchase agreement, if applicable, for the Salon Location and any proposed related documents. Any Lease, sublease or other rental agreement for the Salon Location (each, as applicable, a "**Lease**") or, if applicable, purchase agreement, will be subject to Franchisor's prior written approval, which Franchisor will not unreasonably withhold or delay. If Franchisor does not communicate its approval or disapproval of the proposed purchase agreement, Lease or sublease to Franchisee within fifteen

(15) business days following Franchisor's receipt of same, the proposed Lease or sublease will be deemed rejected by Franchisor.

A. With regard to any Lease:

1. Franchisee may not create any obligations on behalf of Franchisor, grant any rights against Franchisor or agree to any other term, condition, or covenant which is inconsistent with any term of this Agreement;

2. Franchisee agrees to duly and timely perform all terms, conditions, covenants and obligations under the Lease; and

3. Except as otherwise provided in this Agreement, Franchisee may not assign, charge, encumber or transfer its Lease, or sublet all or any part of the Salon Location, without Franchisor's prior written approval. All Leases or other agreements entered into by Franchisee to secure the Salon Location must contain provisions acceptable to Franchisor and which provide that:

(i) Upon Franchisee's default and failure to cure under this Agreement or under the Lease for the Salon Location, or if this Agreement is terminated, canceled, or not renewed, Franchisor (or, at Franchisor's option, Franchisor's designee) shall have the right, consistent with the terms of the Lease Addendum required pursuant to Section 3.2(B) below, to unilaterally assume Franchisee's rights and obligations under the Lease for the Salon Location;

(ii) The Lease shall state that the Lease shall not expire until the term of the Franchise Agreement expires and that the Location shall be used only for a PROSE® Salon; and

(iii) Franchisor may also condition its approval of the proposed Lease on inclusion of the following provisions therein: (a) that Lessor agrees that, without its consent, the Lease and the right, title and interest of the Lessee thereunder, may be assigned by the Lessee to Franchisor or its designee, provided that Franchisor or its designee shall execute such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of the Lessee arising under the Lease from and after the time of such assignment; (b) that if Franchisor or its designee assumes the Lease, Franchisor (or its designee) shall not be responsible for any of Franchisee's debts or obligations to the Lessor that Franchisee incurred before the date of the assumption; (c) that if Franchisor (or its designee) assumes the Lease, the Lessor waives any administrative, assignment, or transfer fee that the Lease may otherwise require following an assignment or assumption; (d) that the Lessor provide Franchisor with copies of all notices of default given to Franchisee under the Lease; (e) that during the term of the Lease, the Lessor agrees to sign and deliver to Franchisee or Franchisor, within a reasonable number of days after a request from Franchisee or Franchisor (to be specified in the Lease), an estoppel certificate certifying that the Lease is in full force and effect, is unmodified, or if modified, describing the modification and that there are no defaults under the Lease, or if there are defaults claimed, describing the claimed defaults, the dates to which all rentals have been paid; and any other matters reasonably requested by Tenant or Franchisor; (f) that during the term of the Lease and extensions of that term, the Lessor grants Franchisee the exclusive right to operate a nail salon in the shopping center in which the Location is located; (g) that the Lessor consents to Franchisee's use of the required colors, dimensions, and design for the "PROSE®®" trade name and logo that Franchisee is required to use on the Leased premises' exterior and interior signs; (h) that Franchisee is prohibited from subletting or assigning (except to Franchisor) all or any part of Franchisee's occupancy rights under the Lease, extending the term of the Lease, or renewing the Lease without Franchisor's prior written consent; (i) that Franchisor or its appointed representatives have the right to enter

the Leased premises to make any modification necessary to protect Franchisor's trademarks or to cure any default under the Franchise Agreement or the Lease; and (j) that Lessor shall give written notice to Franchisor (concurrently with the giving of such notice to Lessee), of any default by Lessee under the Lease and Franchisor shall have, after expiration of the period during which Lessee may cure such default, an additional thirty (30) days to cure, at its sole option, any such default.

4. Franchisee shall furnish Franchisor and Franchisor's designated attorney with a copy of the executed Lease, including any ancillary documents related thereto, for its Salon Location within ten (10) days after execution of the same. Franchisee is required to provide Franchisor with any updates, renewals or newly executed Leases, including any ancillary documents related thereto, such that Franchisor has a current copy of the same on file at all times.

B. Franchisee and the lessor or sublessor for the Location must execute the Lease Addendum attached hereto as Exhibit G.

C. **The parties acknowledge and agree that Franchisor's approval of a Lease does not mean that the economic terms of the Lease are favorable; it means only that the Lease contains the Lease terms that Franchisor requires.**

3.3 Government Approvals, Consents and Licenses

It will be Franchisee's sole responsibility to promptly seek and obtain all government and quasi-governmental approvals, consents and licenses required to open and operate the Salon. Franchisee undertakes to use all possible efforts to obtain all required approvals, consents and licenses. Franchisor makes no representation or warranty of any kind that Franchisee will be able to obtain all required approvals, consents and licenses.

3.4 Relocation of the Franchised Salon

Franchisee may not relocate its Salon to another location without first obtaining Franchisor's written approval, which may be withheld for any reason, in Franchisor's sole discretion. Any relocation of the Salon will be at Franchisee's sole expense. All leases, subleases or other agreements that Franchisee enters into to relocate the Salon must conform to the provisions of this Agreement.

3.5 No Guaranty Of Success

Franchisee acknowledges that any advice or assistance by Franchisor regarding site selection, its proposal or suggestion of any location, and/or, its exercise of its rights of inspection or approval, are not meant to be relied on or construed in any way as a representation, express or implied warranty, or any other indicia of the prospective profitability, viability or merit of any location. Franchisor makes no representations about the location whatsoever.

ARTICLE 4: LEASEHOLD IMPROVEMENTS, FIXTURES, EQUIPMENT AND SIGNS

4.1 Buildout of Salon, Layout and Specifications

Franchisee agrees, at its expense, to make all leasehold improvements and install all fixtures, furniture and equipment at the Salon required to comply with Franchisor's current requirements and specifications. Franchisor may furnish Franchisee with a sample layout for the interior of a typical PROSE® Salon and a set of typical preliminary plans and specifications for furniture, fixtures, equipment and/or decor. Franchisee agrees, at its expense, to employ licensed architects, designers, engineers or others as necessary to complete, adapt, modify or substitute the layout, plans and specifications for the Salon. Within one hundred fifty (150) days of the Effective Date of this Agreement, Franchisee agrees to submit for Franchisor's approval:

A. A list of architects, contractors, designers and/or engineers Franchisee intends to employ;

B. A complete set of final plans and specifications and CAD files for the Salon site before commencing construction of the Salon. If CAD files are not available, then Franchisee must obtain a site survey; and

C. Certification from Franchisee's general contractor and architect stating that the as-built plans for the Salon comply with the ADA; the architectural guidelines under the ADA; all applicable state and local codes for accessible facilities; and, all other federal, state and local laws, rules or regulations applicable to the Salon.

Franchisor will review the list of architects, contractors, designers and /or engineers, the final plans and specifications and CAD files and the certification of ADA compliance promptly and either approve them in writing or provide comments to Franchisee. If Franchisor fails to approve such items in writing, they will be deemed disapproved. Franchisee may not begin construction of the Salon until Franchisor has approved all items listed in Section 4.1 A-C above in writing.

Franchisor will consult with Franchisee, to the extent Franchisor considers necessary, on the construction and equipping of the Salon, but it will be Franchisee's sole responsibility to diligently construct, equip, ready and open the Salon at Franchisee's sole cost and expense.

4.2 Construction, Inspection and Opening

Franchisee agrees to use a licensed general contractor to perform construction work at the Salon location. Franchisee shall immediately furnish the following to Franchisor before commencing construction, remodeling or refurnishing, and from time to time thereafter on request: the names and addresses of any sub-contractor and/or vendor to be involved in these activities; copies of all permits, licenses, contractors' liability insurance certificates or other items required for the construction, equipping and operation of the Salon; and copies of all construction contracts and documents, and originals of all lien waivers, as Franchisor may require.

Franchisor will not be responsible for delays in construction, equipping or decoration or for any loss resulting from the Salon design or construction, including but not limited to the actions or inactions of any approved, required or recommended general contractor and/or architecture firm. Franchisee shall obtain Franchisor's written approval for all changes to the Salon plans furnished by Franchisee before construction or implementing the changes. Franchisor will have access to the Salon Location while construction is in progress. Franchisor may require any reasonable alterations or modifications of the construction of the Salon it considers necessary. If Franchisee fails to promptly begin the design, construction, equipping and opening of the Salon with due diligence, this will be grounds for the termination of this Agreement.

Franchisor will have the right, but not the obligation, to conduct a final inspection of the completed Salon. Franchisor may require any corrections and modifications it considers necessary to bring the Salon into compliance with the plans and specifications approved by Franchisor. The Salon will not be allowed to open if it does not conform to the approved plans and specifications, including changes approved by Franchisor. If Franchisee does not promptly correct any unauthorized variance from the approved plans and specifications, this will be grounds for termination of this Agreement.

4.3 Furniture, Fixtures, and Equipment

Franchisee shall, at Franchisee's sole cost and expense, equip the Salon with all furniture, fixtures and equipment required by Franchisor's standards and specifications.

4.4 Indemnification of Franchisor

Franchisee will be solely responsible for the acts, errors or omissions of itself, its general contractor, its architects, designers, engineers and others regarding compliance with this Article. Franchisor will have no responsibility or liability for the acts, errors or omissions of Franchisee, its general contractors, architects, designers, or engineers. Franchisor will not be liable for any loss or damage arising from the construction, design or plan of the Salon, whether because of its approval of plans and specifications or for any other reason. Franchisee agrees to indemnify Franchisor for any loss, cost or expense, including attorneys' and experts' fees, which Franchisor sustains because of the acts, errors or omissions of Franchisee, its contractors,

architects, designers, or engineers arising out of or related to the design, construction or outfitting of the Salon, whether or not approved by Franchisor.

4.5 Signs

Franchisee will submit to Franchisor the signage vendor Franchisee intends to use for approval prior to any signs being produced. Franchisor will approve or disapprove such vendor promptly in writing. A failure of Franchisor to approve such vendor in writing shall be deemed a disapproval. All exterior and interior signs used in connection with the franchised Salon (including those related to pre-opening) must conform to Franchisor's sign criteria as to type, color, size, design and location then in effect. All signs must also be approved in writing by Franchisor before installation or display.

ARTICLE 5: DUTIES OF FRANCHISOR

5.1 Confidential Operating System Standards Manual

During the term of this Agreement, Franchisor shall loan Franchisee one (1) hard copy of its confidential operating manual (the "**System Standards Manual**"), which may be updated in any format, including through Franchisor's extranet website or such other technology which may then be in existence, e-mails, and other hand-outs. At Franchisor's option, the System Standards Manual may be provided electronically. The System Standards Manual contains Franchisor's mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor for PROSE® Salons. Franchisee agrees to operate its Salon in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed from time to time in the System Standards Manual. Franchisor shall have the right to add to and otherwise modify the System Standards Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for PROSE® Salons. Modifications in the System Standards Manual shall become effective upon delivery of written notice thereof to Franchisee unless a longer period is specified in such written notice, and Franchisee shall have fifteen (15) days to comply with or implement modifications in the Salon after Franchisor notifies Franchisee of the modifications. The System Standards Manual, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the System Standards Manual shall be deemed to mean the System Standards Manual kept current by amendments from time to time. Franchisee will incur, at its sole expense, all costs related to the modification to the System Standards Manual or the System.

The System Standards Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement. Franchisee agrees that it, its agents, independent contractors, and employees will treat the System Standards Manual and the information contained in it as confidential; maintain this information as secret and confidential; at no time copy, share, print, disclose, duplicate, record or otherwise reproduce the System Standards Manual or supplements to the System Standards Manual, in whole or in part; and, not otherwise make the System Standards Manual, supplements to the System Standards Manual or information in them available to any unauthorized person. Franchisee shall have its employees sign, at the time of employment, a Confidentiality/Non-Compete Agreement in a form substantially the same as the agreement attached to this Agreement as Exhibit D.

Franchisee agrees to ensure at all times that its copy of the System Standards Manual is current and up-to-date. Franchisee shall, if required by Franchisor, subscribe to receive alerts by electronic mail of any changes to the System Standards Manual. If there is any dispute as to Franchisee's compliance with the provisions of the System Standards Manual and any supplements to the System Standards Manual, the master copy of the System Standards Manual maintained by Franchisor (including its additions, deletions, or revisions) shall control.

5.2 Initial Training Program

Franchisor shall make an initial training program available to Franchisee and its General Manager (the "**Initial Training Program**"). The Initial Training Program shall be at least ten (10) days in duration, and may include

classroom and on-the-job training. Franchisee and its General Manager are required to attend and successfully complete the Initial Training Program at least three (3) weeks, but not more than six (6) weeks, prior to the Salon opening for business. The Initial Training Program shall be conducted at a site designated by Franchisor, which may include an existing PROSE® Salon. Franchisor will determine and notify Franchisee of the date of commencement of the Initial Training Program.

The actual cost for the Initial Training Program for Franchisee and its General Manager will be included in the Initial Franchise Fee. Franchisee agrees to pay all expenses incurred by its trainees and itself in connection with training, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses.

If Franchisor reasonably concludes that either Franchisee or its General Manager has failed to attend or successfully complete Franchisor's Initial Training Program, then that person may re-enroll in Franchisor's next scheduled Initial Training Program at Franchisor's then-current training fee as then stated in the system Standards Manual.

Franchisor reserves the right to determine the duration and subject matter of its training programs and the right to train any number of individuals from any number of franchised or non-franchised PROSE® Salons at the same time.

5.3 Additional Training

Franchisee shall also pay an additional charge, as then stated in the System Standards Manual, to Franchisor if Franchisee requests additional training or Franchisor, in its sole discretion, requires additional training. Franchisor may, in its discretion hold an annual conference. Franchisee and its General Manager must attend. Franchisee must pay our then-current registration fees for each attendee. Registration fees are due regardless of whether Franchisee and/or its General Manager attend the annual conference.

Franchisee shall also pay all expenses incurred in connection with additional training and the annual conference, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses.

5.4 Operating Assistance

Franchisor will furnish to Franchisee such assistance in connection with the operation of the Salon as is from time to time deemed appropriate by Franchisor in its sole discretion. This assistance may be provided by Franchisor in person, by telephone, or through any other means it deems appropriate. Franchisee understands and agrees that all advice and guidance provided by Franchisor is only supportive of the operation of the Salon and that the overall success of the Salon is primarily dependent upon Franchisee's business abilities and efforts. Unless otherwise required by contract, any operating advice provided by the Franchisor is optional and Franchisee shall determine, in its sole discretion, whether to implement any change.

5.5 Products and Supplies

Franchisee shall cause the Salon to conform to Franchisor's specifications and quality standards as specified in the System Standards Manual, and shall purchase only from distributors and suppliers approved by Franchisor (which may include Franchisor or its affiliates), all products, equipment, fixtures, furnishings, supplies, signs, inventory and other materials. Franchisee may also be required by Franchisor, in Franchisor's sole discretion, to use required vendors for services necessary to establish or operate the Salon, including, but not limited to, point-of-sale system, marketing, payroll, architectural, design, construction and/or engineering services, equipment installation services, and information technology setup and installation services, which Franchisor establishes from time to time as set forth in the System Standards Manual or otherwise. Franchisor has the right to change Franchisor's approved and required vendors, distributors and suppliers in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense. If Franchisor provides any services, Franchisor will charge Franchisee its then-current fees for such services as set forth in the System Standards Manual or otherwise.

Franchisee acknowledges and understands that Franchisor and/or its affiliates may be the only supplier of certain products, materials and/or services to Franchisee, and that the cost of the products, materials and/or services may be higher than the cost of the same or similar products that may be purchased elsewhere. Franchisor shall have the right during the Term of this Agreement to amend, alter, add to, delete, or revise the products, materials and/or services that Franchisee is required to purchase directly from Franchisor or its affiliates. Franchisee acknowledges that Franchisor and/or its affiliates will make a profit on the sale of products, materials and/or services to Franchisee. Franchisee further understands that Franchisor and/or its affiliates may from time to time receive consideration from manufacturers, suppliers, vendors and/or other third parties in respect to sales of products, materials and/or services to Franchisee or in consideration of services rendered or rights licensed to such persons. Franchisee agrees that Franchisor and/or Franchisor's affiliates shall be entitled to said profits and/or consideration.

Franchisor shall have no obligation to sell products, materials and/or services to Franchisee, if Franchisee is in default under this Agreement.

Franchisor agrees that it will use its reasonable efforts to fulfill or to cause its designees to fulfill Franchisee's orders for products, materials and/or services pursuant to this Agreement. However, Franchisor shall not be liable to Franchisee in the event that Franchisor is not able to fulfill an order for products, materials and/or services placed by Franchisee.

The cost of the products, materials and/or services purchased from Franchisor shall be based on the price then in effect, as set forth and identified from time to time on Franchisor's confidential published price lists, in its System Standards Manual, or through other written communications.

5.6 Minimum and Maximum Pricing

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

5.7 Sales, Barter and Exchange

Franchisee may not perform, render or offer any products, services or programs, or sell, dispense, give away or provide any products bearing the Marks, except by sales by and through the Salon, without Franchisor's prior written consent. Franchisee may not engage in any barter or exchange transactions or "grey marketing" (i.e. or buying or selling our products, materials and/or services outside of the channels of distribution we authorize).

ARTICLE 6: DUTIES OF FRANCHISEE

6.1 Commencement of Operations

A. Franchisee shall commence the operation of its Salon within twelve (12) months of the date of the Effective Date of this Agreement and no later than seven (7) days after the receipt of Franchisors written approval to open as provided below.

B. Before commencing operations, Franchisee agrees to fulfill all the pre-opening obligations called for by this Agreement including (but not limited to) its obligations to:

1. Have its General Manager(s) (and Franchisee himself or herself) attend and satisfactorily complete Franchisor's Initial Training Program no less than three (3) weeks, but not more than six (6) weeks prior to opening of the Salon;
2. Procure an acceptable Salon Location and Lease within one hundred eighty (180) days after the execution of the Agreement;
3. Complete construction, remodeling, refurbishing and/or decorating of Franchisee's Salon, including installing all furniture, fixtures, signs, equipment, furnishings, fax machines, and telephone and computer systems;

4. Obtain all required Salon, building, zoning and other permits and licenses;

5. Employ and train all Salon staff;

6. Purchase the opening inventory package of products, materials and/or services from Franchisor or its approved supplier, which may include affiliates of Franchisor;

7. Pay all amounts then due to Franchisor;

8. Provide Franchisor with the evidences of insurance coverage required under this Agreement;

9. Do all other acts necessary to make the Salon ready to begin operations;

10. Obtain Franchisor's written approval for the commencement of operations of the Salon; and

11. Comply with all pre-opening procedures required by Franchisor in its System Standards Manual or otherwise, including those related to marketing, advertising and promotional activities.

6.2 Manner of Operation

Franchisee agrees that it will operate the Salon all times in compliance with the PROSE® System, including all standards, procedures and policies Franchisor from time to time establishes in its System Standards Manual or otherwise, as though specifically set forth in this Agreement. Franchisee agrees to offer and sell all products, services and programs, and disseminate to the public all promotional and other materials, which are specified by Franchisor and made part of the PROSE® System.

6.3 Maintenance and Repair; Periodic Renovation

A. At all times during the term of this Agreement, Franchisee agrees that it shall maintain the interior and exterior of its Salon, and to keep and maintain all equipment, furniture, decorating, signs and appurtenances in or at the Salon in the highest degree of cleanliness, maintenance, condition and repair. Franchisee may make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Salon without the prior written consent of Franchisor.

B. Franchisee shall keep and maintain all products, premises and equipment at the Salon in the highest degree of cleanliness, maintenance, condition and repair.

Franchisor shall have the right to require Franchisee to periodically renovate, refurbish and update its Salon to ensure that it is in substantial conformity with Franchisor's then-current PROSE® Salon design. Franchisee agrees that it shall renovate, refurbish and update its Salon in accordance with those standards and specifications then prescribed by Franchisor.

6.4 Modifications to the PROSE® System

Franchisee understands and agrees that the PROSE® System must not remain static if it is to meet presently unforeseen changes in services, technology, competitive circumstances and customer needs and to best serve the interests of Franchisor, Franchisee, and the PROSE® System. Franchisee therefore agrees that Franchisor may from time to time change the components of the PROSE® System, including, but not limited to, altering the products, services, programs, methods, standards, forms, policies and procedures of the System; adding to, deleting from or modifying those products, services and programs which Franchisee's Salon is authorized to offer; and, changing, improving, modifying, adding to or deleting from the Marks. Modifications to the System shall be reflected in a revision to the System Standards Manual. As set forth herein, modifications to the System Standards Manual shall become effective upon delivery of written notice thereof to Franchisee, unless a longer period is specified in such written notice, and Franchisee shall have fifteen (15) days to comply with or implement modifications in the Salon after Franchisor notifies Franchisee of the modifications. The System Standards Manual, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the System Standards Manual shall be deemed to mean the System Standards Manual kept current by amendments from

time to time. Franchisee will incur, at its sole expense, all costs related to the modification to the System Standards Manual or the System.

6.5 Compliance with Laws, Rules and Regulations

Franchisee agrees to operate the Salon in strict compliance with all applicable laws, rules and regulations of all governmental authorities; comply with all applicable wage, hour and other laws and regulations of federal, state and local governments; prepare and file all necessary tax returns; and, pay all taxes imposed on Franchisee related to the Salon. Franchisee agrees that it will be responsible for compliance with all applicable laws, rules and regulations, including, without limitation, the Americans with Disabilities Act.

Franchisee shall obtain all required licenses, permits and other required forms of governmental approval for Franchisee to offer and sell the products and services which now or in the future are or become part of the PROSE® System, including (without limitation) health permits; shall maintain such licenses and permits in full force and effect and good standing throughout the term of this Agreement; and, shall post same on the premises of the franchised Salon as required by law. Franchisee shall forward copies of all health, sanitation or other regulatory agency reports to Franchisor immediately upon receipt thereof. Franchisee shall take prompt and effective action to correct any violation set forth in a notice issued by any governmental or municipal authority concerning such licenses and permits.

6.6 Franchisee Participation in Operation of Salon; General Manager

Franchisee agrees to personally and directly supervise the operation of the Salon, unless otherwise permitted in writing by Franchisor. Franchisee agrees to devote the amount of its time, attention and best efforts to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Salon.

If Franchisee is licensed to operate more than one PROSE® Salon, it agrees to devote the amount of its time and attention to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Salon.

Franchisee shall serve as General Manager or designate a General Manager that Franchisor approves ("**General Manager**"). The Salon shall at all times be under the direct, on-site supervision of Franchisee or its General Manager and an additional General Manager, (if Franchisee employs more than one General Manager), who has successfully completed either Franchisor's Initial Training Program or a training program conducted by Franchisee and approved by Franchisor.

Franchisee shall inform Franchisor in writing as to the identity of its General Manager and any successor General Managers of Franchisee's Salon. Each General Manager must complete to Franchisor's satisfaction, the PROSE® Initial Training Program, under the terms and conditions specified in this Agreement.

Upon the death, disability or termination of employment of Franchisee's General Manager, Franchisee agrees to immediately notify Franchisor. Franchisee agrees to designate a successor or acting General Manager no later than thirty (30) days following the death, disability or termination of the predecessor General Manager. Each successor General Manager must attend and successfully complete Franchisor's next available Initial Training Program, and complete any other reasonable training at the times Franchisor specifies.

Franchisee shall pay all expenses incurred in connection any required Initial Training Program, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses.

6.7 Staffing Requirements and Qualifications

Franchisee agrees to staff the Salon in accordance with all criteria, specifications and directions Franchisor sets forth in its System Standards Manual or otherwise. Franchisee must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of its Salon. Franchisee must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for its employees. These employees will be employees of Franchisee and not of Franchisor. Franchisee must ensure that a sufficient number of trained employees are available to meet the

operational standards and requirements of its Salon at all times. Franchisee must ensure that its employees perform their duties in compliance with the terms of the System Standards Manual and any other materials applicable to employees that Franchisor communicates to Franchisee. Franchisee may give its employees only the minimum amount of information and material from the System Standards Manual that is necessary to enable them to perform their assigned tasks. Franchisee must ensure that its employees do not make or retain any copies of the System Standards Manual or any portion of thereof. Franchisor does not control the day-to-day activities of Franchisee's employees or the manner in which they perform their assigned tasks. Franchisor also does not control the hiring or firing of Franchisee's employees.

6.8 Requirements Concerning Products and Services

Franchisee may be required to purchase certain products, supplies, equipment, materials and services required for the operation of the Salon only from Franchisor, its affiliates, or suppliers designated in writing by Franchisor; from suppliers selected by Franchisee and approved by Franchisor; and/or, in accordance with Franchisor's written specifications.

Franchisor may approve other suppliers of required products, materials and/or services that are not then designated by Franchisor as an approved supplier. Franchisee must notify Franchisor in writing of the product, material or supplies and of the proposed supplier and submit all information Franchisor may request, including specifications and samples, to enable Franchisor to determine whether the item complies with Franchisor's standards and whether the supplier meets Franchisor's approved supplier criteria. Approval of a supplier may be conditioned, among other things, on requirements for product quality, price, cost, frequency of delivery, standards of service, brand recognition and concentration of purchases and may be temporary, pending Franchisor's evaluation of the supplier. Franchisor will, within thirty (30) days, notify you of our decision in writing (if approval is not received within thirty (30) days, this constitutes a rejection by Franchisor). Franchisor periodically establishes procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Franchisor's criteria for suppliers of specific products are available upon Franchisee's written request. Franchisor may revoke its approval of a supplier at any time in its sole discretion.

6.9 Opening Inventory

Franchisor will designate, in its System Standards Manual or otherwise, the amount and nature of the opening inventory of products, supplies, equipment, materials and services required to be purchased by Franchisee for the operation of the Salon, including an opening inventory package of products, materials and/or services which Franchisee shall purchase from Franchisor (or its designee). Franchisee agrees to purchase the required opening inventory before the commencement of operations of the Salon.

6.10 Products and Services Sold by Franchisee

Franchisee agrees to offer and sell all products, services and programs which are part of the PROSE® System, and all other products, services and programs which Franchisor in the future incorporates into the PROSE® System. Franchisee is prohibited from offering or selling any item, product, service or program which is not a part of the PROSE® System or is hereafter deleted from that System. Franchisee may not use the PROSE® name or the Marks for the benefit of any business other than the franchised Salon business. Franchisee may not conduct (or permit the conducting of) any business other than the business contemplated by this Agreement at or from the Salon without Franchisor's prior written consent, which Franchisor may withhold for any reason or for no reason.

6.11 Computerized Point-of-Sale System and E-Mail Address

A. Prior to the commencement of operations of the Salon, Franchisee agrees to procure and install at the Salon, at Franchisee's expense, the computerized point-of-sale and booking systems and related software, any other required operational or management software, project management software for Salon development, computer or mobile applications and/or web-based programs, associated computer hardware, phone system and required dedicated telephone and power lines, modem(s), printer(s), fax machines, and other

related accessories or peripheral equipment which Franchisor specifies in its System Standards Manual or otherwise ("**Computer System**").

B. Franchisee agrees to provide any assistance required by Franchisor to bring its Computer System on line with Franchisor's system at Franchisor's headquarters at the earliest possible time. Franchisee expressly affirms and agrees that Franchisor will thereafter have the free and unfettered right to retrieve such data and information from Franchisee's Computer System as Franchisor, in its sole and exclusive judgment, deems necessary, desirable or appropriate, at such intervals as Franchisor determines in its sole and exclusive judgment. Franchisee agrees to accurately, consistently and completely record, structure, capture and provide through the Computer System all information concerning the operation of the Salon as Franchisor requires, in the form and at the intervals that Franchisor requires (in its System Standards Manual or otherwise), including (without limitation) the recordation, at the time of receipt, of all sales of all services and products sold by Franchisee from the Salon.

C. Franchisee agrees to bear the sole cost of the Computer System to be installed or purchased and activities to be accomplished by Franchisee, and the delivery, installation and maintenance costs of all hardware and software.

D. To ensure full operational efficiency and communication capability between Franchisor's computerized point-of-sale and booking systems and those of all PROSE® Salons, Franchisee agrees, at its expense, to keep its Computer System in good maintenance and repair. Franchisee further agrees to use, at its expense, only Franchisor's designated vendors that are specified in the System Standards Manual or otherwise to perform any such maintenance and repairs.

E. Franchisee understands that the Computer System is designed to accommodate a certain maximum amount of data, and that, as such limits are achieved, and/or as technology and/or software is developed in the future, Franchisor at its sole discretion may mandate that Franchisee add memory, ports, accessories, peripheral equipment and/or additional, new or substitute software to the original Computer System purchased by Franchisee. Franchisee further understands that it may become necessary for Franchisee to replace or upgrade the entire Computer System with a larger system(s) capable of assuming and discharging all the tasks and functions specified by Franchisor. Franchisee also understands and agrees that, as designs and functions change periodically, Franchisor may be required to make substantial modifications to its specifications, or to require installation of entirely different systems (during the term of this Agreement or upon successor franchise or extension). Franchisee agrees to install at its own expense such additions, changes, modifications, substitutions and/or replacements to its hardware, software, telephone lines and power lines and other related facilities as Franchisor directs, on those dates and within those times specified by Franchisor in its sole and exclusive discretion, in its System Standards Manual or otherwise. Franchisee shall pay the service, license or maintenance fees charged by Franchisor or its designated vendors in connection with the Computer System, any other required software, computer or mobile applications and/or web-based programs, as stated in the System Standards Manual or otherwise.

F. Franchisor may provide Franchisee with up to three (3) e-mail addresses with the myprose.com domain name for Franchisee's use solely in connection with the operation of the Salon only, and for no other purpose. Franchisee may purchase additional e-mail addresses for a fee. Franchisee acknowledges and agrees that it will not own these e-mail addresses or domain name and its rights to use such e-mail addresses will immediately cease upon the expiration or termination of this Agreement. Franchisor will charge Franchisee an annual fee, as set forth in the System Standards Manual or otherwise, for each additional e- mail address Franchisee requests. These e-mail addresses shall only be assigned to and used by Franchisee, its owners and the General Manager.

G. Franchisee further agrees to use, at its expense, such internet/wireless services, e-mail services, telephone systems and services as Franchisor may require in connection with the operation of the Salon and to use only those vendors designated by Franchisor, as set forth in the System Standards Manual or otherwise. Franchisee shall pay the service or maintenance fees charged by Franchisor or its designated vendor

for such internet/wireless services, e-mail services and/or telephone system services, as stated in the System Standards Manual or otherwise.

H. Franchisee expressly understands and agrees that Franchisor shall not be liable for any loss or damage whatsoever (direct, indirect, punitive, actual, consequential, incidental, special, or otherwise) resulting from any omission in the content or performance of, or any inability to access or use the Computer System and/or other services, regardless of the basis upon which liability is claimed, even if Franchisor has been advised of the possibility of such loss or damage. Franchisor makes no representation or warranty, express or implied, that the Computer System and/or other services will meet Franchisee's requirements or that they will be uninterrupted, timely, secure, or error free; nor does Franchisor make any warranty as to the results that may be obtained from the use of the Computer System and/or other services or as to the accuracy, completeness, timeliness, or reliability of any information obtained through or posted on such Computer System or services. Franchisor shall not be responsible for any problems or technical malfunctions of the Computer System and/or other services, including any problems or technical malfunctions of any telephone network or lines, computer on-line systems, servers, Internet access providers, computer equipment, software, or any combination thereof, including any injury or damage to the computer of Franchisee or any other person as a result of using the Computer System and/or other services. Franchisee acknowledges that the Computer System and other services are being provided to Franchisee "as-is".

I. In the event of any failure of the Computer System, or any part thereof, or any failure of the hardware installed by Franchisor or vendors to perform as a result of Franchisor's or vendors' installation of such hardware, the only liability of Franchisor or any vendors, and Franchisee's sole and exclusive remedy, shall be use by Franchisor of commercially reasonable efforts to correct the failure or cause vendors to correct the failure.

6.12 Rebates, Promotions and Gift Cards/Certificates

A. Franchisee agrees, at its sole cost and expense, to issue and offer such rebates, giveaways and other promotions in accordance with advertising programs established by Franchisor, and further agrees to honor the rebates, giveaways and other promotions issued by other PROSE® franchisees under any such program, so long as compliance with any of the foregoing does not contravene any applicable law, rule or regulation. Franchisee will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by Franchisor and which are accepted at all PROSE® Salons. Franchisee will not issue coupons or discounts of any type except as approved by Franchisor in writing.

B. In the event that the Salon closes or is otherwise abandoned, whether due to termination or expiration of this Agreement or for any other reason, it shall be the obligation of Franchisee to pay Franchisor the full amount of the Salon's outstanding gift card/certificate liability at the time of closing. Such amount shall be paid together with all other fees and amounts payable in connection with the Salon closure pursuant to this Agreement.

6.13 Hours of Operation

Franchisee agrees to continuously operate the Salon on the days and during the minimum hours that Franchisor may from time to time specify in its System Standards Manual or otherwise. Franchisee may establish hours of operation in addition to the required minimum hours.

6.14 Inspection and Operational Audit

Franchisee agrees that Franchisor or any of its authorized agents or representatives may at any time during normal business hours enter the Salon to conduct an operational audit to determine compliance with this Agreement and with Franchisor's policies, procedures, programs, standards, specifications and techniques as set forth in its System Standards Manual or elsewhere. Franchisor's representatives may examine and inspect the Salon, the products, programs and services provided from or at the Salon, the products and supplies contained in the Salon, and the condition of the Salon.

Following any inspection and operational audit, and subject to the other provisions of this Agreement, Franchisee agrees to incorporate into its Salon any corrections and modifications Franchisor requires to maintain the standards of quality and uniformity prescribed by Franchisor, as quickly as is reasonably possible.

6.15 Corporate and Partnership Franchisee Requirements; Records

A. Franchisee, if a corporation, limited liability company, partnership, limited partnership, proprietorship or any other type of legal entity formed in compliance with applicable law ("**Business Entity**"), and any Business Entity assignee shall comply with the following requirements:

1. Furnish Franchisor with its Articles of Incorporation; Bylaws; other governing documents, including shareholder agreements, operating agreements, partnership agreements; list of officers, directors and shareholders (including number and percentage of shares, membership interests, partnership interests, or other form of equity security held); and any other documents Franchisor may reasonably request, and any amendments to them.

2. Confine its activities to the operation of the Salon to a PROSE® Salon, and its governing documents provide that its activities are confined exclusively to the operation of the franchised PROSE® Salon.

3. Maintain stop transfer instructions against the transfer on its records of any equity securities, (i.e. stock, membership interests, partnership interests, etc…) and must not issue any securities on the face of which the following printed legend does not legibly and conspicuously appear:

> "The transfer of this [EQUITY SECURITY} is subject to the terms and conditions of a Franchise Agreement with PROSE FRANCHISING, LLC, dated _____. Reference is made to the provisions of this Franchise Agreement and to the Articles and Bylaws of this Corporation. This certificate is not transferable and is not subject to sale assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of PROSE FRANCHISING, LLC."

4. Maintain a current list of all owners of record and all beneficial owners of any class of voting equity securities of Franchisee, and must furnish this list to Franchisor on request.

B. Franchisee and any Business Entity assignee shall promptly notify Franchisor of any change in any of the information called for in this Section or in any document referred to in this Section.

C. If Franchisee is a Business Entity, then all owners of Franchisee shall execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which the owners of Franchisee agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future owner of Franchisee must agree in writing to personally guarantee the performance of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.

D. If Franchisee is a Business Entity, then Franchisee shall inform Franchisor in writing as to the identity of all of the persons who have an ownership interest in the Franchisee entity in the attached Ownership Addendum and ensure that the information contained therein is true, accurate and complete at all times. Franchisee shall not vary from the ownership interests and/or corporate structure without the prior written approval of Franchisor.

6.16 Continuing Training of Franchisee's Personnel

In order to impart to its employees the latest procedures, techniques, policies and standards of the PROSE® System, Franchisee agrees to conduct in-house meetings, training programs, or other programs that Franchisor specifies from time to time, using any materials provided by Franchisor for this purpose. Franchisee further agrees to participate in Franchisor's mandatory webinars on the dates and times specified by Franchisor.

6.17 No Statements by Franchisee

Franchisee agrees to make no statements or comments without Franchisor's prior written approval to any media representative or any other third party (except for persons considering purchasing a PROSE® franchise) relating to the contents of this Agreement, Franchisor or any Affiliate.

6.18 Trade Accounts

Franchisee agrees that it shall maintain its trade accounts in a current status and to seek to promptly resolve any disputes with trade suppliers.

6.19 Best Efforts; Cooperation with Franchisor

Franchisee agrees to use its best efforts to develop and expand the market for the products and services offered by its Salon and to cooperate fully with Franchisor in accomplishing the purposes of this Agreement, including, but not limited to, those procedures and standards set forth in the System Standards Manual or otherwise.

6.20 Bookkeeping and Accounting

Franchisee agrees to use all standard accounting forms that Franchisor may furnish as part of its System Standards Manual or otherwise. Franchisee agrees to submit all bookkeeping reports that Franchisor prescribes in its System Standards Manual. Franchisee will be solely responsible for performing all recordkeeping duties and bear the costs for performing all recordkeeping duties and services.

6.21 Submission of Non-Financial Reports

Franchisee agrees to complete and submit to Franchisor the weekly, monthly, quarterly, semi-annual or other periodic reports regarding the activity of the Salon that Franchisor prescribes in its System Standards Manual or otherwise.

6.22 Interference with Employment Relations.

Without Franchisor's prior written consent, during the Term of this Agreement (and for twenty-four (24) months following its termination or expiration), Franchisee shall not employ or seek to employ, or otherwise directly or indirectly induce to leave his or her employment, any person who is at the time or was at any time during the prior six (6) months employed by Franchisor or any of its affiliates, or by any person or Business Entity operating a business under a license or franchise from Franchisor in an executive, managerial or operational position. Request for Franchisor's consent shall be sent in writing to Franchisor.

6.23 Variance of Standards and Terms

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right, as it may consider in the best interests of all concerned, to vary standards for any franchisee based on any condition which Franchisor considers important to the successful operation of the Franchisee's Salon. Franchisee will have no right to require Franchisor to disclose any variation to Franchisee or to grant Franchisee the same or a similar variation under this Agreement. Franchisee shall have no recourse against Franchisor on account of any variation from standard specifications and practices granted to any franchisee and shall not be entitled to require Franchisor to grant Franchisee a like or similar variation hereunder.

6.24 Testimonials and Endorsements

Franchisee agrees to permit Franchisor or any of its authorized agents or representatives to communicate in any manner with customers of Franchisee's Salon to procure customer testimonials and endorsements of the products or services furnished by Franchisee, the PROSE® System and any related products or services. Franchisee agrees to cooperate with Franchisor in procuring testimonials and endorsements. Franchisee agrees that Franchisor will be free to make whatever use of testimonials and endorsements that Franchisor determines, and that Franchisor will owe Franchisee absolutely no direct or indirect compensation or other duty as a consequence.

6.25 Products, Services, Equipment and Programs Developed by Franchisee

Franchisee irrevocably and permanently licenses to Franchisor for incorporation in the PROSE® System and use by Franchisor, its affiliates and (if Franchisor determines) other PROSE® franchisees, all of the following if developed by or on behalf of Franchisee in conjunction with or related to the franchised Salon: products, equipment and programs; related products and services (including, without limitation, any computer software or Computer System); sales, marketing and promotional programs and campaigns; and any techniques and procedures relating to or regarding the operation of a PROSE® Salon. Franchisee agrees that Franchisor, its affiliates and franchisees will not be liable to Franchisee in any manner, whether for compensation or otherwise, as a consequence of this license.

ARTICLE 7: INSURANCE

7.1 Required Insurance Coverage

A. For Franchisee's and Franchisor's protection, Franchisee agree to maintain in full force and effect during the Term, at Franchisee's expense, the insurance specified by Franchisor for your PROSE® Salon. With thirty (30) days' notice, Franchisor may periodically increase the amount and change the types of insurance specified through changes in the System Standards Manual during the Term. As of the Effective Date, the following insurance policies with a carrier that is A or better rated in accordance with A.M. Best Standards (in addition to any insurance that may be required by applicable law, any lender, or any lessor) are required: (a) comprehensive commercial general liability insurance against claims for bodily or personal injury, death and property damage caused by or occurring in connection with the operation of Franchisee's Salon; (b) property/casualty insurance for Franchisee's Salon and its contents, written on a replacement cost basis; (c) worker's compensation insurance and employer's liability insurance as required by law; (d) professional liability and malpractice insurance; (e) products/completed operations insurance; (f) personal and advertising injury insurance; (g) business income coverage insurance for actual losses sustained or full amount of annual Gross Revenues; (h) cyber insurance, including data breach; (h) automobile liability insurance; and (i) any other insurance that Franchisor specifies in the System Standards Manual or otherwise require from time to time. Franchisee agrees to provide Franchisor with proof of coverage on demand. All insurance policies must: (1) (except for worker's compensation insurance) name Franchisor (and its members, officers, directors, and employees) as additional insureds; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as Franchisor prescribes from time to time; (3) contain a waiver by the insurance carrier of all subrogation rights against Franchisor; (4) provide that Franchisor receives 10 days prior written notice of the termination, expiration, cancellation or modification of the policy; and (5) include such other provisions as Franchisor may require from time to time. If any of Franchisee's policies fail to meet these criteria, then Franchisor may disapprove the policy and Franchisee must immediately find additional coverage with an alternative carrier satisfactory to Franchisor. Upon 30 days' notice to you, Franchisor may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If Franchisee fails to maintain any required insurance coverage, Franchisor has the right to obtain the coverage on Franchisee's behalf (which right shall be at Franchisor's option and in addition to Franchisor's other rights and remedies in this Agreement), and Franchisee must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to Franchisor, within ten (10) days after invoicing, all costs and premiums that Franchisor incurs.

B. Franchisor imposes and prescribes minimum standards and limits for certain types of required insurance coverage in its System Standards Manual or by other written notice to Franchisee. Franchisee agrees that Franchisor may modify the required minimum limits of insurance coverage from time to time by written notice to Franchisee. Upon delivery or attempted delivery of this written notice, Franchisee agrees to immediately purchase insurance conforming to the newly established standards and limits prescribed by Franchisor.

C. The insurance coverage acquired and maintained by Franchisee at its own expense and in accordance with this Section shall name Franchisor as an Additional Insured and provide that the coverage afforded applies separately to each insured against whom claim is brought as though a separate policy had been issued to each insured.

D. Franchisee agrees not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend these insurance policies without Franchisor's written consent.

7.2 No Undertaking or Representation

Nothing contained in this Agreement may be considered an undertaking or representation by Franchisor that the insurance that Franchisee is required to obtain will insure Franchisee against any or all insurable risks of loss which may arise out of or in connection with the operation of the Salon.

7.3 Certificates of Insurance

Franchisee agrees to promptly provide Franchisor with Certificates of Insurance evidencing the required coverage no later than ten (10) days before the date that the Salon will commence operations. Franchisee agrees to deliver a complete copy of Franchisee's policies of insurance to Franchisor within thirty (30) days following delivery of the Certificates of Insurance. Franchisee agrees to renew all insurance policies and documents, and on renewal, to furnish a renewal Certificate of Insurance to Franchisor before the expiration date of the policy in question. Franchisor may at any time require Franchisee to forward to Franchisor full copies of all insurance policies.

7.4 Notice of Claims and Demands

Franchisee agrees to notify Franchisor of all claims or demands against Franchisee, the Salon, or Franchisor within three (3) days of Franchisee's receiving notice of any claim or demand. Franchisee further agrees to respond to all claims within the time required by law, rule or regulation. In addition, Franchisee agrees to cooperate with Franchisor (or its designee) in every way possible to defend Franchisor and Franchisee against all claims made by employees, customers or third parties. Franchisee agrees, when necessary, to make appearances at administrative or other hearings to present or reinforce these defenses.

ARTICLE 8: ADVERTISING

8.1 Advertising Standards

A. Franchisee may only use advertising, marketing, identification and promotional materials and programs which Franchisor has either furnished or approved in writing in advance. Provided, however, if Franchisor makes advertising, marketing, identification and promotional materials and programs available to Franchisee, Franchisee must use only those materials furnished by Franchisor for all of Franchisee's advertising, marketing, identification and promotion of the Salon, at Franchisee's cost. In the event that Franchisor does not furnish Franchisee with advertising, identification and promotional materials and programs for the Salon, Franchisee must obtain Franchisor's prior written approval of all proposed advertising, marketing, identification and promotional materials or programs before any such materials are used or disseminated, following the required procedures set forth by Franchisor in its System Standards Manual or otherwise. Franchisor will communicate its approval or disapproval of any proposed advertising, marketing, identification and promotional materials and programs submitted by Franchisee within fifteen (15) business days following Franchisor's receipt of same, unless Franchisor notifies Franchisee in writing that additional time is needed to review the proposed materials. If Franchisor does not approve Franchisee's proposed advertising, marketing, identification and promotional materials within such fifteen (15) day period, such materials will be deemed disapproved. Franchisor's approval of any materials may be withheld for any or no reason. Neither the fact that Franchisor furnishes the material, approves of the material, nor the material itself, will directly or indirectly require Franchisor to pay for any advertising, identification or promotion.

B. Franchisee agrees to conduct all advertising which uses the Marks, or refers in any way to the Salon, in a dignified manner. Franchisee agrees to use only advertising that is in strict accordance with the

standards, specifications and requirements specified in writing by Franchisor, in its System Standards Manual, or otherwise.

C. Franchisor may, in its discretion, establish regional advertising cooperative ("Cooperative"). Franchisor shall have the right, in its discretion, to designate any geographical area for purposes of establishing a Cooperative, and Franchisee agrees to take appropriate steps to establish and participate in such Cooperative if required to do so by Franchisor. If a Cooperative for the geographic area in which the Salon is located is established during the term of this Agreement, Franchisee, upon opening of the Salon, shall immediately become a member of such Cooperative, and take all steps necessary to become such member. The following provisions shall apply to each such Cooperative:

1. Each Cooperative shall be organized and governed in a form and manner established by or approved by Franchisor in writing, and shall commence operations on a date specified by Franchisor. Any disputes arising among or between Franchisee, other franchisees in the Cooperative, and/or the Cooperative, shall be resolved by Franchisor, whose decision shall be final and binding on all parties;

2. Each Cooperative shall be organized for the purpose of administering regional advertising programs, including website or e-commerce development, subject to Franchisor's approval and standardized promotional materials for use by the members in local advertising and promotion. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor;

3. Franchisee shall remit its required contribution to the Franchisor, which shall not exceed two percent (2%) of Gross Revenues ("Cooperative Contribution"), plus up to one thousand and no/100 dollars ($1,000.00) per month in fees the Franchisor may charge for administering, managing and governing the Cooperative, at such times as determined by the Cooperative, but no later than the 10th of every month, together with such other statements or reports as may be required by Franchisor, or by the Cooperative with Franchisor's prior written approval;

4. If Franchisee fails to pay the required Cooperative Contribution, Franchisee shall reimburse Franchisor for amounts that it spends on Franchisee's behalf to satisfy Franchisee's Cooperative Contribution, plus Franchisor's related expenses.

5. The Cooperative Contribution will be credited against the amount Franchisee is required to spend on Local Marketing Expenditures.

6. Franchisor shall, for each of the Salons operated by Franchisor under the System which are located in a geographic area for which a Cooperative has been established, make contributions to the applicable Cooperative on the same basis as assessments required of comparable franchisees who are members of such Cooperative.

D. If Franchisor becomes aware of any breach by Franchisee of this Section 8.1, Franchisor will notify Franchisee in writing of the facts which Franchisor believes have given rise to the breach. Franchisee acknowledges and agrees that if Franchisee does not cure the breach within three (3) calendar days after Franchisee's receipt of this notice, then Franchisor may terminate or remove any unauthorized advertising or promotion at Franchisee's expense, may direct third parties to cease displaying, publishing, disseminating and/or printing such unauthorized advertisements or promotions, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to Franchisee.

8.2 Computer Network Advertising

Franchisee may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Salon on the Internet or any other public computer network or social media site except as required, sponsored, placed or approved in writing by Franchisor.

8.3 Pre-Sales Program; Local Marketing, Advertising and Promotion

A. Prior to opening your Salon, beginning when you sign your Lease (the "**Pre-Sales Period**"), you must begin marketing and selling membership for your Salon. You must sell at least 250 memberships during the Pre-Sales Period before you will be permitted to open your Salon. You must advertise these pre-sales through various advertising and promotional material, media, special events and other public relations activities that we require or approve, in our System Standards Manual or otherwise. You are required to spend at least $5,000 on pre-sales marketing activities. This amount is in addition to your Brand Fund Fees and Local Marketing Expenditure requirements. If you fail to make the required minimum expenditures for pre-sales marketing, we may, at our option, require you to: (i) contribute the deficient amount to the Brand Fund; or (ii) reimburse us for amounts that we spend on your behalf to satisfy your required pre-sale advertising requirement, plus our related expenses.

B. Thereafter, Franchisee agrees to expend two percent (2%) up to no more than three percent (3%) of the previous month's Gross Revenues on Local Marketing Expenditures. "**Local Marketing, Expenditures**" means the local or regional marketing, advertising and promotional activities that Franchisor specifies in its System Standards Manual or otherwise, or approves in writing in advance. When requested by Franchisor, Franchisee shall submit to Franchisor, in the manner designated by Franchisor, a report detailing Franchisee's Local Marketing Expenditures Franchisee made during the period of time specified by Franchisor. Franchisee shall also provide invoices or other documentation to support its Local Marketing Expenditures reported, if requested by Franchisor. Franchisee may spend more than the minimum required, at its discretion. If Franchisee fails to make the required minimum expenditures for local advertising and promotion, Franchisor may, at its option, require Franchisee to: (i) contribute the deficient amount to the Brand Fund; or (ii) reimburse Franchisor for amounts that it spends on Franchisee's behalf to satisfy Franchisee's local advertising obligation, plus Franchisor's related expenses.

8.4 Local Listing Internet Search Engine

Franchisee agrees to install the number and type of telephone lines and the type of answering or voicemail system (if any) required by Franchisor in its System Standards Manual or otherwise. Franchisee further agrees to list its PROSE® Salon on local internet search engines and/or in the manner designated, prescribed or required by Franchisor in its System Standards Manual or otherwise.

8.5 Administration of the PROSE® Brand Fund

Franchisor or its designee will administer the PROSE® Brand Fund (the "**Brand Fund**") as follows:

A. Franchisor will direct all advertising programs with sole control over the strategic direction, creative concepts, materials and media used in the programs, and the geographic, market and media placement and allocation of advertising. Franchisee acknowledges that the Brand Fund is intended to further general public recognition and acceptance of the Marks for the benefit of the PROSE® System. Franchisee further acknowledges that Franchisor and its designees undertake no obligation in administering the Brand Fund to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contributions, or to ensure that Franchisee benefits directly or proportionately from the placement of advertising or any other marketing or advertising activities, or to ensure that such advertising or marketing impacts or penetrates Franchisee's market area. If Franchisor receives any promotional allowances with respect to Franchisee's purchases of goods or services from vendors other than Franchisor or its affiliates, then Franchisor will be under no obligation to contribute the promotional allowances to the Brand Fund. The Brand Fund is not a trust and Franchisor is not a fiduciary with respect to the PROSE® Brand Fund.

B. The Brand Fund may, but is not required to, be used to meet all costs of administering, directing, preparing, placing and paying for sales, advertising and marketing initiatives or programs on a national, regional, or local basis. We may use Brand Fund contributions in our sole discretion for the cost of developing, preparing, placing, distributing and conducting television, radio, magazine, newspaper or other advertising campaigns, public relations activities, engaging in telemarketing/Internet activities, Search Engine Optimization on the Internet, establishing, maintaining, updating and upgrading one or more Web sites, obtaining sponsorships and endorsements, and attracting qualified Artists and Curators. Advertising and promotional materials developed with Brand Fund contributions may be either created in-house by our marketing department, or we may retain the services of a national or regional advertising agency. The Brand Fund will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead we may incur in activities related to the administration of the Brand Fund and its programs, including preparing advertising and marketing materials and collecting and accounting for contributions to the Brand Fund; the cost of employing advertising agencies and/or in-house marketing support; paying interest on monies borrowed by the Brand Fund from third parties unaffiliated with us; providing customer service comment cards to you and other PROSE® franchisees; and, sponsoring sporting, charitable or other special promotional events, if we choose to do so at our sole discretion.

C. Franchisor expects to expend most contributions to the Brand Fund for marketing, advertising and promotional purposes during the fiscal year when the contributions are made. If Franchisor expends less than the total sum available in the Brand Fund during any fiscal year, then Franchisor may expend the unused sum during the following fiscal year. If Franchisor expends an amount greater than the amount available in the Brand Fund in any fiscal year (not including any sum required to be expended because Franchisor did not expend all the sums in the Brand Fund during the preceding year), Franchisor will be entitled to reimburse itself from the Brand Fund during the next fiscal year for all excess expenditures made during the preceding fiscal year. Franchisor, in Franchisor's sole discretion, will determine if it is necessary to audit the Brand Fund. No money will be spent by the Brand Fund to primarily solicit new franchisees. Some media placement may advertise that franchises are available to be purchased, but it will be done in conjunction with the program of the PROSE® brand. A statement of monies collected and costs incurred by the Brand Fund will be prepared annually by Franchisor and will be furnished to Franchisee upon written request.

D. Although the Brand Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Brand Fund at any time. Franchisor will not terminate the Brand Fund, however, until it has expended all money in the Brand Fund for marketing, advertising and promotional purposes.

ARTICLE 9: PAYMENTS TO FRANCHISOR

9.1 Gross Revenues

"**Gross Revenues**" means all revenues and income from whatever source derived or received by Franchisee from, through, by or on account of the operation of the franchised Salon, whether received in cash, in services, in kind, on credit (whether or not payment is received), bartering, or otherwise. There will be deducted from Gross Revenues, to the extent they have been included: (i) all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if Franchisee separately states the taxes when the customer is charged and if Franchisee pays the taxes to the appropriate taxing authority; (ii) any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee (such deductions will not include any credit card user fees, returned checks or reserves for bad credit or doubtful accounts); and (iii) gratuities.

Franchisee agrees that the use of any coupons or other discounts, waivers, or any bartering or exchange transactions, or the sale of any products or services bearing the Marks outside the Salon without prior written approval by Franchisor is prohibited and the amount of the discount, unapproved exchange or unauthorized sale offered by Franchisee in such case shall also be included in the definition of Gross Revenues.

9.2 Royalty Fees

In consideration of Franchisor's grant to Franchisee of a license to use Franchisor's Marks and System, Franchisee agrees to pay to Franchisor a weekly Royalty Fee equal to six percent (6%) of Franchisee's prior week's Gross Revenues, as defined above ("**Royalty Fee**"). Unless otherwise indicated by Franchisor in writing, Royalty Fees will be collected by electronic funds transfer on the day of the week specified in the System Standards Manual. Franchisee acknowledges that collection of the Royalty Fee by Franchisor may commence prior to the date Franchisee opens for business if Franchisee collects income from customers prior to opening.

9.3 Brand Fund Fee

Franchisee agrees to pay to Franchisor a weekly Brand Fund Fee in an amount equal to two percent (2%) of Franchisee's prior week's Gross Revenues ("**Brand Fund Fee**"). Franchisor reserves the right to increase the Brand Fund Fee at any time by up to 3% of Gross Revenues in its sole discretion upon sixty (60) days prior written notice to Franchisee. Unless otherwise indicated by Franchisor in writing, Brand Fund Fees will be collected by electronic funds transfer on the day of the week specified in the System Standards Manual. Franchisee acknowledges that collection of the Brand Fund Fee by Franchisor may commence prior to the date Franchisee opens for business if Franchisee collects income from customers prior to opening.

9.4 Technology Access Fee

Franchisee shall pay to Franchisor a monthly Technology Access Fee in an amount set forth in the System Standards Manual ("**Technology Access Fee**"). Unless otherwise indicated by Franchisor in writing, Technology Access Fees will be collected by electronic funds transfer on the 10th of every month. Although the monthly Technology Access Fee is currently set at $750 per month per store up to $1,000 per month per store, Franchisor has the right to increase this amount at any time in its sole and absolute discretion upon sixty (60) days prior written notice to Franchisee. Due to the unpredictability of technology expenses, there is no cap on the amount we can increase this fee by, provided any increase will be commercially reasonable.

9.5 Initial Stocking Fee

Prior to opening your Salon, you must pay a one-time $500 stocking fee when you order your initial inventory of PROSE® products.

9.6 Electronic Fund Transfer

Franchisee shall participate in Franchisor's then-current electronic funds transfer program authorizing Franchisor to use a pre-authorized bank draft system. Franchisee shall, (a) comply with Franchisor's procedures, as specified in the System Standards manual or otherwise in writing, (b) sign and deliver to Franchisor all documents and do all other things necessary to accomplish payment by electronic funds transfer, (c) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to Franchisee's bank account for payment of all amounts due to Franchisor or its affiliates, and (d) make sufficient funds available in Franchisee's bank account for withdrawal by electronic funds transfer no later than the due date for each payment thereof. Franchisee's failure to have sufficient funds in its bank account is a material breach of this Agreement.

9.7 Commencement of Payments

Except as expressly provided in this Agreement, the Royalty Fee, Brand Fund Fee, Technology Access Fee and all other payments and fees due under this Agreement, will accrue on the date on which Franchisee actually commences operation of the Salon, and shall be paid by Franchisee on a day prescribed in the System Standards Manual or elsewhere. All royalties and fees, including the Royalty Fee and Brand Fund Fees, will continue to be due during the entire term of this Agreement.

9.8 Payments to Franchisor

In addition to all other payments under this Agreement, Franchisee agrees to pay to Franchisor (or its affiliates) immediately upon demand by Franchisor:

A. The amount of all sales taxes, corporate taxes, trademark license taxes and any similar taxes imposed on, required to be collected, or paid by Franchisor on account of services or goods Franchisor has furnished to Franchisee through sale, lease or otherwise, or on account of collection by Franchisor of the Initial Franchise Fee, Royalty Fees, Brand Fund Fees, Technology Access Fees or other payments called for by this Agreement.

B. All amounts advanced by Franchisor, or which Franchisor has paid, or for which Franchisor has become obligated to pay, on behalf of Franchisee for any reason.

C. All amounts due to Franchisor (or its affiliates), for products or services purchased by Franchisee from Franchisor, its affiliates or designees.

9.9 Late Charge and Related Fees

Franchisee agrees to pay to Franchisor (or its affiliates) the lesser of (i) 18% interest per annum, or (ii) the maximum rate of interest allowed by law on any amounts due to Franchisor (or its affiliates) under this Agreement. Franchisee shall also pay Franchisor a fee of $100 if bank payment is refused for any check or pre-authorized draft received by Franchisor or its affiliates from Franchisee.

9.10 Application of Funds

If Franchisee is delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor or any of its affiliates, then Franchisor or the Affiliate may apply any payment from Franchisee to the oldest obligation due, whether under this Agreement or otherwise, whether or not there is any contrary designation by Franchisee.

9.11 Franchisee May Not Withhold

Franchisee agrees not to withhold payment of any Royalty Fee, Brand Fund Fee or any other amounts due to Franchisor or its affiliates on grounds of the alleged non-performance of any of Franchisor's obligations under this Agreement.

9.12 Security Agreement

In order to secure the prompt performance by Franchisee of the obligations of this Agreement, Franchisee grants Franchisor a security interest in the franchise granted by this Agreement and the furniture, equipment, fixtures, improvements and Gross Revenues of the Salon. Franchisee shall execute Franchisor's standard Security Agreement attached hereto as Exhibit F. In order to perfect this security interest, Franchisee shall also execute a standard UCC-1 Financing Statement at the election of Franchisor. Franchisee authorizes Franchisor:

A. To file a copy of the Security Agreement, the UCC-1 Financing Statement and any other documents that may be necessary to perfect the security interest granted herein; and

B. To sign on behalf of Franchisee and to file in any jurisdiction, with or without signature of Franchisee, financing statements with respect to this security interest and Security Agreement.

ARTICLE 10: RECORDS, AUDITS AND REPORTING REQUIREMENTS

10.1 Financial Statements

A. No later than thirty (30) days following the end of each calendar quarter during the term of this Agreement, Franchisee agrees to furnish to Franchisor, in a form approved by Franchisor, a statement of the Salon's profit and loss for the quarter and a balance sheet as of the end of the quarter. Franchisee shall certify these statements to be true and correct.

B. No later than ninety (90) days following the end of each calendar year of Franchisee during the term of this Agreement, Franchisee agrees to furnish to Franchisor, in a form approved by Franchisor, a statement of the Salon's profit and loss for the calendar year and a balance sheet as of the end of the calendar year, prepared on a compilation basis and certified to be true and correct by Franchisee. Franchisor reserves

the right to require these annual financial statements to be audited by an independent certified public accountant and if it does so the opinion of said certified public accountant may be qualified only to the extent reasonably acceptable to the Franchisor.

C. The financial statements required above must be prepared in accordance with generally accepted accounting principles, including all disclosures required under those principles.

D. No later than thirty (30) days following Franchisee's filing of the tax returns of the Salon, Franchisee agrees to furnish to Franchisor exact copies of the tax returns, including federal, state and any local income tax returns, together with a certificate from an independent certified public accountant that all Social Security payments, taxes and fees required to be paid by Franchisee to any governmental agency or entity have been paid, and that if Franchisee is a corporation, there is no reason to believe that Franchisee's corporate status has been impaired.

10.2 Financial Records and Audit or Financial Review

A. Franchisee agrees to record all revenues received by it or the Salon. Franchisee further agrees to keep and maintain adequate records of these revenues, and to maintain and preserve accurate books, records and tax returns in the English language, including related supporting material (such as cash receipts, and credit and charge records) for the Salon for at least three years. Franchisor may specify, in its System Standards Manual or otherwise, the forms that Franchisee will be required to use in recording the revenues of the Salon. Franchisee agrees to keep and preserve for three years the types and classes of records that Franchisor requires in its System Standards Manual or otherwise, and all business, personnel, financial and operating records relating to Franchisee's Salon.

B. Franchisor will have the right, at any time, with or without written notice, during regular hours, to enter Franchisee's premises to inspect, audit and make copies of all records including, but not limited to, the following: books of accounts; bank statements; cash or other receipts; checkbooks; documents; records; sales and income tax returns (federal, state and, if applicable, city); and, files of Franchisee relating to programs, products and services sold and transacted. These files shall include (without limitation) Franchisee's operating records; bookkeeping and accounting records; customer lists; customer orders; operating records; operating reports; correspondence; general Salon records; Franchisee's copy of the System Standards Manual (as amended); invoices; payroll records; journals; ledgers and Franchisee's files; memoranda and other correspondence; contracts and all sources and supporting records used to prepare reports and forms which Franchisee is required to submit to Franchisor under this Agreement, including the books or records of any corporation, partnership or proprietorship which owns the Salon. Franchisee agrees to make any of these materials available for examination at Franchisee's premises.

C. If Franchisor causes an audit or a financial review by a Certified Public Accountant or other professional to be made for any period and the audit or review reveals that Franchisee understated the Gross Revenues in Franchisee's quarterly reports to Franchisor by any amount, then Franchisee agrees to immediately pay Franchisor the additional amount payable as shown by the audit or financial review, plus interest at the highest rate permitted by law.

If an audit or financial review of the Salon by a Certified Public Accountant or other professional reveals that Franchisee understated the Gross Revenues on Franchisee's quarterly reports to Franchisor by two percent (2%) or more for any quarter within the period of examination, or for the entire period of examination, when compared to Franchisee's actual Gross Revenues, then in addition to paying the additional amounts due and interest as calculated above, Franchisee agrees to immediately pay Franchisor the full cost of the audit or the financial review for the entire period of examination.

If an audit or financial review reveals an understatement by Franchisee of five percent (5%) or more for any calendar year, then in addition to paying the additional amounts due, interest as calculated above and the full cost of the audit or financial review for the entire period of examination, Franchisee's understatement will constitute a material and incurable breach of this Agreement which will entitle Franchisor to terminate this Agreement immediately upon notice to Franchisee, with no opportunity to cure.

ARTICLE 11: CONFIDENTIAL INFORMATION

11.1 Restriction on Use of Confidential Information

Franchisee agrees that it will never, during the Term of this Agreement or at any time after this Agreement expires or terminates, divulge or use any Confidential Information (as defined below) for the benefit of any other persons, partnership, proprietorship, association, corporation or entity. "**Confidential Information**" means knowledge, trade secrets or know-how concerning the systems of operation, programs, products, services, customers or practices of Franchisee, Franchisor or the PROSE® System. Confidential Information includes (without limitation) all information, knowledge and expertise regarding the PROSE® System (also referred to as "**know-how**"), techniques and information which Franchisor, its affiliates, or their officers, designate as confidential. Confidential Information will not, however, include information which Franchisee can demonstrate came to its attention before Franchisor disclosed it to it or which, at or after the time of disclosure, has become public through publication or communication by others, but not through any act of Franchisee.

Except as authorized in this Agreement, Franchisee agrees never to copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing the Confidential Information in whole or in part; store it in a computer, data base or other electronic format; or, otherwise make it available to any third party. Upon the expiration or termination of this Agreement, Franchisee agrees to return to Franchisor all Confidential Information, including all materials, books, records, software and manuals considered confidential under this Agreement in Franchisee's possession.

Franchisee and its General Manager may divulge only Confidential Information necessary to operate the Salon, and only to those of Franchisee's employees, agents or independent contractors who need access to it for this purpose. Franchisee agrees to take all necessary precautions to ensure that its employees retain the Confidential Information in confidence, including, but not limited to, requiring its employees to sign, at the time of employment, a Confidentiality/Non-Compete Agreement in a form substantially the same as the agreement attached to this Agreement as Exhibit D. Franchisee shall provide to Franchisor an executed copy of the Confidentiality/Non-Compete Agreement for all of Franchisee's employees who need access to Confidential Information in connection with the operation of the Salon and shall provide the executed agreement at the time each such employee is hired.

11.2 Customer Lists and the Salon's Customers

Franchisee shall maintain a current customer list (the "**Customer List**") containing as to each customer of the Salon such customer's name, address, telephone number, zip code and e-mail address, and such other information Franchisor may require as set forth in the System Standards Manual. Franchisee shall also maintain the Customer List in the form and manner that Franchisor requires as set forth in the System Standards Manual. During the term of this Agreement, Franchisee may use the Customer List, and any of the information contained therein or derivable therefrom, provided such use is consistent with this Agreement and solely for the purpose of promoting the Salon. Notwithstanding that it may have been created and maintained by Franchisee, the Customer List is, and remains, Franchisor's exclusive property, as is all information pertaining to the Salon's customers and potential customers that Franchisee may collect, compile or maintain. After the expiration or termination of this Agreement, for any reason, Franchisee may not use or disclose the Customer List or any other information pertaining to the Salon's customers and potential customers, or any of the information contained therein or derivable therefrom without Franchisor's written prior authorization.

ARTICLE 12: COVENANTS NOT TO COMPETE

12.1 In-Term Covenant Not to Compete

Franchisee agrees that during the Term of this Agreement, it will not directly or indirectly engage in any other business which is similar to the business of the Salon franchised hereunder or, which offers or sells any product, service or component which now or in the future is part of the PROSE® System, or any similar product or service (a "**Competitive Business**").

Franchisee is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant. In addition, Franchisee agrees not to divert any business that should be handled by the Salon to any other entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent Franchisee from owning for investment purposes up to an aggregate of five percent (5%) of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, and so long as Franchisee does not control the company in question.

If Franchisee is a Business Entity, Franchisee agrees to cause its shareholders, members, partners or proprietors, and its directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

12.2 Post-Term Covenant Not to Compete

Franchisee agrees that for a period of two (2) years immediately following the expiration or termination of this Agreement for any reason, Franchisee will not directly or indirectly engage in any Competitive Business.

Franchisee is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant, if the other business is located within fifty (50) miles of Franchisee's Salon Location, or within fifty (50) miles of any PROSE® Salon (whether Franchisor-owned, franchised or otherwise established and operated).

If Franchisee owns the Salon Location, furthermore, then for a period of two (2) years immediately following the expiration or termination of this Agreement for any reason, said Location may not be used for the operation of a Competitive Business.

It is the intention of the provisions of this Section to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, leasing the existing Location to a Competitive Business, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent Franchisee from owning for investment purposes up to an aggregate of 5% of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, and so long as Franchisee does not control the company in question.

If Franchisee is a Business Entity, Franchisee agrees to cause its shareholders, members, partners or proprietors, and its directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

12.3 Lesser Included Covenants Enforceable At Law

If all or any portion of the covenants not to compete set forth in this Article are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and shall not by necessity invalidate the entire covenants. Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement. Franchisor reserves the right to reduce the scope of the covenants not to compete set forth in this Article without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee.

12.4 Enforcement of Covenants Not To Compete

Franchisee acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee consents to the entry of an injunction prohibiting any conduct by Franchisee in

violation of the terms of the covenants not to compete set forth in this Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Franchisee's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Franchisee expressly agrees that any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Franchisee agrees to pay all costs and expenses, including reasonable attorneys' and experts' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

12.5 Independent Covenants

Franchisor and Franchisee agree that each of the forgoing covenants shall be construed as independent of any other covenant or provision of this Agreement.

12.6 Covenants Reasonable

Franchisee and its owners acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; (b) Franchisor's use and enforcement of covenants similar to those described above with respect to other PROSE® franchisees benefits Franchisee and its owners in that it prevents others from unfairly competing with Franchisee's Salon; and (c) Franchisee and its owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. FRANCHISEE AND ITS OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

ARTICLE 13: ASSIGNMENT; RIGHT OF FIRST REFUSAL

13.1 Assignment By Franchisor

Franchisor shall have the unlimited right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity.

13.2 Assignment By Franchisee - General

With respect to Franchisee's obligations under this Agreement, this Agreement is personal, since Franchisor has entered into this Agreement in reliance on and in consideration of Franchisee's singular personal skill and qualifications, and the trust and confidentiality that Franchisor reposes in Franchisee. Therefore, except as provided below, neither Franchisee's interest in this Agreement, its rights or privileges under this Agreement, the franchised business, the Salon, nor any interest in the Salon or business, may be assigned, sold, transferred, shared, redeemed, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without first obtaining Franchisor's written consent in accordance with this Article, or without first complying with Franchisor's right of first refusal as provided for herein.

This Agreement is a personal obligation of Franchisee. None of Franchisee's rights to use the PROSE® System, Marks, Confidential Information and know-how are transferable except in strict compliance with the terms of this Agreement. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, in violation of the terms of this Article will be null, void and of no effect, and will constitute a material and incurable breach of this Agreement.

"**Assignment**" for the purposes of this Agreement includes (without limitation):

A. The transfer or redemption in the aggregate of more than 25% of the capital stock or voting power of any corporate franchisee, as originally constituted on the date of execution of this Agreement, to any person or entity who is not (i) already a shareholder of Franchisee (a "**Shareholder**"), (ii) the spouse of any Shareholder, (iii) a trust controlled by a Shareholder whose trustee is a Shareholder or (iv) a corporation, partnership or proprietorship controlled and composed solely of Shareholders;

B. The transfer or redemption in the aggregate of more than 25% of a partnership, limited liability company or proprietorship interest, as originally constituted on the date of execution of this Agreement, in a franchisee that operates the Salon as a partnership, limited liability company or proprietorship, to any person or entity who is not (i) already a partner, member or proprietor of Franchisee (a "**Partner, Member or Proprietor**"), (ii) the spouse of any Partner, Member or Proprietor, (iii) a trust controlled by a Partner, Member or Proprietor whose trustee is Partner, Member or Proprietor; or, (iv) a corporation or partnership controlled and composed solely of Partners, Members or Proprietors.

Franchisee agrees to immediately report to Franchisor all transfers of ownership in a corporate, partnership or proprietorship franchisee, even if less than 25%, in accordance with the procedures set forth in Franchisor's System Standards Manual or otherwise.

13.3 Assignment By Franchisee - To An Entity Formed By Franchisee

If Franchisee desires to transfer its interest in this Agreement to an entity formed by Franchisee solely for the convenience of ownership, Franchisee shall obtain Franchisor's prior written consent. Franchisor will not unreasonably withhold consent if all the following conditions are met:

1. The entity is newly organized and duly incorporated, and its activities are confined to acting exclusively as a PROSE® franchisee.
2. Franchisee is the sole owner of all the ownership interests of the entity and is its principal officer (or Franchisee is the sole owner of 75% or more of all ownership interests, with the remaining owners being Franchisee's spouse and/or adult children).
3. If Franchisee is more than one individual, each individual must have the right to the same proportionate ownership interest in the entity as it or she had in the Salon before the transfer.
4. Franchisee and the entity execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which Franchisee and the entity agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future shareholder of the corporation must agree in writing to personally guarantee the performance by the entity of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.
5. The name of the entity formed by Franchisee may not include the Mark "PROSE®" any variant of "PROSE®" or any words confusingly similar to "PROSE®".
6. The organizational documents of the corporation must state that the issuance and transfer of any interest in the entity are restricted by the terms of the Franchise Agreement.
7. That the assignor (and all owners of an assignor) executes a general release, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Any transfer pursuant to this Section will not be subject to Franchisor's rights of first refusal provided for below, and will not require payment of a transfer fee.

13.4 Assignment By Franchisee - Sale To Third Party

A. Franchisee may not sell or otherwise assign or transfer the franchise conveyed by this Agreement, the franchised Salon, the Salon, or any interest in any of these, without Franchisor's prior written consent. If Franchisor does not elect to exercise its right of first refusal, then Franchisor will not unreasonably

withhold consent to the assignment and sale. Franchisee agrees that it will not be unreasonable for Franchisor to impose, among other requirements, the following conditions to consenting to the assignment and sale:

1. That Franchisee complies with the right of first refusal provisions as provided for in this Agreement.

2. That the proposed assignee applies to Franchisor for acceptance as a franchisee, and furnishes to Franchisor the information and references that Franchisor requests to determine assignee's skills, qualifications and economic resources.

3. That the proposed assignee presents itself for a personal interview at Franchisor's corporate office, or any other location designated by Franchisor, at the date and time reasonably requested by Franchisor, without expense to Franchisor.

4. That the assignee (or the principal officers, shareholders or directors of a corporate assignee) demonstrates that it has the skills, qualifications, ethics, moral values and economic resources necessary, in Franchisor's reasonable judgment, to conduct the Salon business contemplated by this Agreement, and to fulfill its obligations to the assignor.

5. That the proposed assignee and its proposed General Manager have attended and successfully completed Franchisor's Initial Training Program before the assignment, and any other training that Franchisor reasonably requires; there shall be no cost for the Initial Training Program, however, all expenses including transportation to any training, lodging, food, salaries of proposed assignee's employees and other living expenses shall be borne by the proposed assignee.

6. That the lessor or sublessor of the Salon Location consents in writing to the assignment of Franchisee's Lease to the proposed assignee.

7. That as of the date of the assignment, the assignor has fully complied with all of its monetary and other obligations to Franchisor and its affiliates under this Agreement and any other agreement or arrangement with Franchisor or its affiliates.

8. That if the Franchise Agreement is being assigned, or the franchised Salon is being sold, the assignee executes a separate Franchise Agreement in the form and on the terms and conditions Franchisor then offers to prospective franchisees who are similarly situated (except that the assignee will not be obligated to pay another Initial Franchise Fee, but will be required to pay a transfer fee as set forth herein below. The term of the new Franchise Agreement will expire on the date of expiration of this Agreement. The execution of the new Franchise Agreement will terminate this Agreement, except for the guarantees of Franchisee and the post-termination and post-expiration provisions under this Agreement.

9. That the total sales price is not so excessive, in Franchisor's sole determination, that it jeopardizes the continued economic viability and future operations of the franchise.

10. If the proposed assignee is purchasing part, but not all, of an interest in a corporate or partnership franchisee to this Agreement, then the proposed assignee must execute a Guarantee in the form acceptable to Franchisor guarantying all of the obligations under this Agreement.

11. That the assignor (and all shareholders of a corporate assignor, and all partners of a partnership assignor, and all proprietors of a proprietorship assignor) executes a general release, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

12. That the assignee pays Franchisor a transfer fee of twenty-five thousand and no/100 dollars ($25,000.00) plus Franchisor's reasonable out-of-pocket expenses (including, without limitation, attorneys' fees), incurred in connection with the assignment. If the assignee is an immediate family member of the assignor, the transfer fee will be waived.

13. That the assignor furnishes to Franchisor a copy of the executed contract of assignment.

14. That the assignee, at its expense, upgrade the Salon to conform to the then-current standards and specifications of the PROSE® System, and completes this upgrading within the time reasonably specified by Franchisor.

15. That Franchisee remains liable for all the obligations to Franchisor arising out of or related to this Agreement before the effective date of the transfer or assignment, and executes all instruments reasonably requested by Franchisor to evidence this liability.

16. That the assignor complies with the terms of the post-term covenant not to compete set forth in this Agreement, commencing on the effective date of the assignment.

B. If Franchisor consents to the assignment of this franchise, it will also consent to the assignment of Franchisee's Lease agreement with its Salon lessor and all other agreements between Franchisor and Franchisee. Franchisee, if the franchise is assigned, also agrees to assign its Lease agreement with the Salon lessor and all other agreements between Franchisor and Franchisee to the same assignee. After the assignment, Franchisee will remain liable under all the assigned agreements to the extent they require.

C. Franchisee agrees to defend at its own cost and to indemnify and hold harmless Franchisor, its parent (if any), and the subsidiaries, affiliates, designees, shareholders, directors, officers, employees and agents of either entity, from and against any and all losses, costs, expenses (including attorneys' and experts' fees), court costs, claims, demands, damages, liabilities, however caused (whether or not the losses, costs, expenses, court costs, claims, demands, damages or liabilities are reduced to judgment), resulting directly or indirectly from or pertaining to any statements, representations or warranties that may be given by Franchisee to any proposed assignee of the franchise, or any claim that Franchisee or the assignor engaged in fraud, deceit, violation of franchise laws of other illegality in connection with the negotiations leading to the consummation of the assignment.

13.5 Assignment By Franchisee - Transfer Upon Death or Disability

Upon the death or disability of the last surviving principal, partner or shareholder of Franchisee (as the case may be), Franchisee's rights will pass to Franchisee's estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "**Estate**"). The Estate may continue the operation of the Salon if: (i) the Estate provides a competent and qualified individual acceptable to Franchisor to serve as General Manager and operate the Salon on a full-time basis; (ii) this individual attends and successfully completes Franchisor's next offered Initial Training Program at the Estate's expense; and, (iii) this individual assumes full-time operation of the franchise as General Manager within one month of the date Franchisee dies or becomes disabled. In the alternative, the Estate may sell Franchisee's franchise within one month in accordance with the provisions of this Agreement, including honoring our right of first refusal as hereinafter provided.

From the date of death or disability until a fully trained and qualified General Manager assumes full-time operational control of the franchised Salon, Franchisor may assume full control of and operate the franchised Salon, but will have no obligation to do so. If Franchisor does so, then during this period, Franchisor will deduct its expenses for travel, lodging, meals, and all other expenses and fees from the Salon's Gross Revenues and pay itself a management fee equal to the greater of (i) two times the salary paid to the individual(s) assigned by Franchisor to operate the Salon, or (ii) 10% of the Salon's monthly Gross Revenues. This management fee will be in addition to the Royalty Fees and Brand Fund Fees due Franchisor. Any remaining funds will then be remitted to Franchisee's Estate. Any deficiency in sums due to Franchisor under this Agreement must be paid by Franchisee's Estate to Franchisor within ten (10) days of Franchisor's notifying the Estate of the deficiency. Franchisor will not be obligated to operate Franchisee's franchise. If it does so,

Franchisor will not be responsible for any operational losses of the franchise, nor will it be obligated to continue operation of the Salon.

13.6 Right of First Refusal - Third Party Offer

The right of Franchisee to assign, transfer, redeem or sell its interest in this Agreement or the franchised Salon, voluntarily or by operation of law (as provided above), will be subject to Franchisor's right of first refusal. Franchisor shall exercise its right of first refusal in the following manner:

1. Franchisee shall deliver to Franchisor a true and complete copy of the offer (the "**notice**") and furnish to Franchisor any additional information concerning the proposed transaction that Franchisor reasonably requests.
2. Within twenty one (21) days after Franchisor's receipt of the notice (or, if Franchisor requests additional information, within twenty one days after receipt of the additional information), Franchisor may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at its option, accept the assignment to itself or to its nominee, on the terms and conditions specified in the notice. However, Franchisor will be entitled to all of the customary representations and warranties given by the seller of assets of a Salon, including (without limitation), representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and Franchisee's contingent and other liabilities affecting the assets.
3. If a partial transfer is proposed through the assignment or redemption of more than 25% of the capital stock of a Business Entity to other than the original shareholders, members or partners or proprietors of Franchisee (measured against the ownership of the Franchisee entity as originally constituted on the date of execution of this Agreement), then Franchisor will have the option to purchase not only the interests being transferred but also the remaining interests, so that Franchisor's resulting ownership will be 100% of the franchise. The price of these remaining interests will be proportionate to the price of the interests initially being offered.
4. Franchisor's credit will be deemed equal to the credit of any proposed purchaser. Franchisor may substitute cash for any other form of payment proposed in the offer.
5. If Franchisor exercises its right of first refusal, Franchisor will be given at least sixty (60) days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing. Franchisee agrees to take all action necessary to assign its Lease agreement with the lessor of the Salon Location to Franchisor.
6. If Franchisor elects not to exercise its right of first refusal and consents to the proposed assignment or redemption, then Franchisee will, subject to the provisions of this Article, be free to assign this Agreement or the franchised Salon to its proposed assignee on the terms and conditions specified in the notice. If, however, the terms are changed, the changed terms will be deemed a new proposal, and Franchisor will have a right of first refusal with respect to this new proposal.
7. Franchisor's election not to exercise its right of first refusal with regard to any offer will not affect its right of first refusal with regard to any later offer. If Franchisor does not exercise its right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. Franchisee and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the franchised Salon specified in this Article.

13.7 No Encumbrance

Franchisee will have no right to pledge, encumber, hypothecate or otherwise give a security interest in this Agreement, the franchise, the Salon or the franchised business in any manner to any third party person or entity without Franchisor's prior written permission, which Franchisor may withhold for any reason.

ARTICLE 14: MARKS

14.1 Franchisee's Non-Ownership of Marks

Nothing in this Agreement will give Franchisee any right, title or interest in or to any of the Marks of Franchisor (or its affiliates) except as a mere privilege and non-exclusive license, during the term of this Agreement, to display and use the Marks according to the limitations set forth in this Agreement. Franchisee understands and agrees that the limited license to use the Marks granted by this Agreement applies only to those Marks which Franchisor designates (and has not designated as withdrawn from use), and those Marks which Franchisor may in the future designate in writing. Franchisee agrees not to represent in any manner that it has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted under this Agreement or Franchisee's use of the Marks. All uses of the Marks by Franchisee, whether as a trademark, service mark, trade name or trade style, will inure to Franchisor's benefit. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with Franchisee's use of the Marks or operation of the franchised Salon.

14.2 Acts in Derogation of the Marks

Franchisee agrees that the Marks are the exclusive property of Franchisor (or its affiliates). Franchisee asserts and will in the future assert no claim to any goodwill, reputation or ownership of the Marks by virtue of Franchisee's licensed use of the Marks, or for any other reason. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its affiliates in connection with the Marks, either during or after the term of this Agreement. Franchisee agrees not to apply for or obtain any trademark or service mark registration of any of the licensed Marks or any confusingly similar marks in its own name. Franchisee agrees to use the Marks only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. Franchisee agrees that it will not, during or after the term of this Agreement, in any way dispute or impugn the validity of the Marks, the rights of Franchisor (or its affiliates) to the Marks, or the rights of Franchisor, its affiliates or other franchisees of Franchisor to use the Marks.

14.3 Use and Display of Marks

A. Franchisee agrees to use the Marks in full compliance with rules prescribed from time to time by Franchisor in its System Standards Manual or otherwise. Franchisee is prohibited (except as expressly provided in this Agreement) from using any Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by Franchisor to Franchisee). Franchisee may not use any Mark in connection with the sale of any unauthorized product, service or program or in any other manner not explicitly authorized in writing by Franchisor. Franchisee may use the Marks only for the operation of the franchised Salon or in advertising for the franchised Salon in a manner consistent with Franchisor's corporate brand guidelines, as they presently exist or as they may exist in the future. Franchisee's right to use the Marks is limited to the uses authorized under this Agreement.

B. Franchisee may not use the Marks in any way which will incur any obligation or indebtedness on behalf of Franchisor. Franchisee agrees to comply with Franchisor's instructions in filing and maintaining all requisite trade name or fictitious name registrations, and to execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

C. Franchisee agrees to affix Franchisor's Marks on the Salon and the uniforms, equipment, fixtures, signs, stationery, advertising, sales/promotional materials and other objects, in the size, color, lettering style and fashion and at the places which Franchisor designates in its System Standards Manual or otherwise. Franchisee also agrees to display the Marks and relevant trademark and copyright notices pursuant

to the requirements set forth in the System Standards Manual. Except as expressly provided in the System Standards Manual or otherwise, Franchisee may not erect or display in or on its PROSE® Salon, stationery, advertising, sales or promotional materials or any other objects bearing any other trademarks, logotypes, symbols or service marks. Franchisee may not use any names, marks or logotypes other than the Marks in connection with the franchised Salon without Franchisor's prior written approval.

D. Franchisee shall, at the request of Franchisor and at Franchisor's cost, affix and display in a conspicuous location in its Salon, such signs, stationary and sales/promotional materials advertising the sale of PROSE® franchises. Franchisee shall affix and display a sign in a conspicuous location in its Salon, the fact that Franchisee is an independent contractor and not affiliated with Franchisor.

14.4 Non-Use of Trade Name

If Franchisee is a Business Entity, it may not use Franchisor's Marks or any confusingly similar words or symbols, in Franchisee's corporate, partnership or limited liability company name. In particular, Franchisee may not use the words "PROSE®," "PROSE® Salon" or any variant as part of its corporate, partnership, proprietorship, or limited liability company name.

14.5 Required Means of PROSE® Identification

Franchisee shall conduct its Salon business under the assumed business name "PROSE®." Franchisee agrees, at its expense, to perform all filings and procure all required or necessary governmental approvals or registrations required to do business under that assumed business name. Franchisee agrees to identify itself as a franchisee, but not an agent, of Franchisor.

14.6 Defense of Marks and Copyrights By Franchisor

If Franchisee receives notice, is informed or learns of any claim, suit or demand against it on account of any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or any of Franchisor's copyrights (each, a "**claim**"), Franchisee agrees to promptly notify Franchisor. Franchisor will then promptly take any action it may consider necessary to protect and defend Franchisee against the claim and indemnify Franchisee against any actual damages and reasonable costs or expenses incurred in connection with the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or copyrights. Franchisee may not settle or compromise the claim by a third party without Franchisor's prior written consent. Franchisor will have the right to defend, compromise and settle the claim at its sole cost and expense, using its own counsel. Franchisee agrees to cooperate fully with Franchisor in connection with the defense of the claim. Franchisee grants irrevocable authority to Franchisor, and appoints Franchisor as Franchisee's attorney in fact, to defend and/or settle all claims of this type. Franchisee may participate at its own expense in the defense or settlement, but Franchisor's decisions with regard to the settlement will be final. Franchisor will have no obligation to defend or indemnify Franchisee pursuant to this Section if the claim arises out of or relates to Franchisee's use of any of the Marks and/or Franchisor's copyrights in violation of the terms of this Agreement.

14.7 Prosecution of Infringers

If Franchisee receives notice, is informed or learns that any third party which it believes is not authorized to use the Marks is using the Marks or any variant of the Marks, Franchisee agrees to promptly notify Franchisor. Franchisor will then determine whether or not it wishes to take any action against the third party on account of the alleged infringement of Franchisor's Marks. Franchisee will have no right to make any demand or to prosecute any claim against any alleged infringer of Franchisor's Marks for or on account of an alleged infringement.

14.8 Discontinuance or Substitution of Marks

Franchisee agrees to comply with any instruction by Franchisor to modify or discontinue use of any Mark, or to use any additional or substituted Marks. Franchisee waives all claims arising from or relating to any Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Mark addition, modification, substitution or

discontinuation. If Franchisor requires Franchisee to add, modify, substitute or discontinue any Mark, Franchisee agrees to bear the costs and expenses associated with any such changes. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

14.9 Internet

A. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, web page, domain name, bulletin board, newsgroup or other Internet related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time.

B. Franchisee acknowledges and agrees that Franchisor is the owner of, and will retain all right, title and interest in and to (i) the domain name "myprose.com"; (ii) the URL: "www.myprose.com"; all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; (iii) all social media identifiers, handles, profiles, streams, and pages of any kind, now known and those not yet contemplated, that use the Marks in any manner; (iv) all computer programs and computer code (e.g., HTML, XML DHTML, Java) used for or on the Franchisor's web site(s), excluding any software owned by third parties; (v) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's web site(s); and (vi) all intellectual property rights in or to any of the foregoing.

C. Franchisee Acknowledges that:

1. Franchisor has established the Website. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iv) substitute, modify, or rearrange the Website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (a) comply with Applicable Law, (b) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (v) limit or restrict end-user access (in whole or in part) to the Website; and (vi) disable or terminate the Website, or suspend listings of Franchisee locations or Franchisee's access to the Website in the event of a default by Franchisee, without Franchisor having any liability to Franchisee.

2. The Website may include one or more interior pages that identify Salons operated under the Marks, including the Salon developed and operated hereunder, by among other things, geographic region, address, telephone number(s), and menu items. The Website may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.

3. Franchisor may, from time to time, establish the Franchisee Page. Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's execution of Franchisor's then-current participation agreement, and Franchisee's compliance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Such participation agreement may require the Franchisee to pay a reasonable fee for the establishment and maintenance of the Franchisee Page, and may include, without limitation, specifications and limitations for the data or information to be posted to the Franchisee Page, customization specifications, the basic template for design of the Franchisee Page, parameters and deadlines specified by Franchisor, disclaimers, and such other standards and specifications and rights and obligations of the

parties as Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the artwork, graphics, design, functionality, software, code or the like made by Franchisee for any purpose will be deemed to be a "**work made for hire**" under the copyright laws, and therefore, Franchisor shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee hereby assigns those modifications to Franchisor for no additional consideration and with no further action required and shall execute such further assignments(s) as Franchisor may request.

4. Without limiting Franchisor's general unrestricted right to permit, deny and regulate Franchisee's participation on the Website in Franchisor's discretion, if Franchisee shall breach this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate the Franchisee page and remove all references to the Salon developed and operated hereunder on the Website until said breach is cured.

5. Franchisee shall not, and shall not permit any others to, sell (which includes order-taking), advertise, or merchandise, any Competitive Business products by any computer medium or electronic medium (including, any Internet home page, e-mail address, website, web page (including the Franchisee Page), domain name, bulletin board, newsgroup or other Internet related medium or activity) without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time. Without limiting Franchisor's rights in this Agreement, all of said rights are reserved to Franchisor.

D. Franchisor also shall have the sole right (but no obligation) to develop an Intranet network through which Franchisor and its franchisees can communicate by e-mail or similar electronic means. Franchisee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that Franchisor includes in the System Standards Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

ARTICLE 15: RELATIONSHIP OF THE PARTIES

15.1 Independent Contractor

It is expressly agreed that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee is an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co venturer of Franchisor. All employees hired by or working for Franchisee shall be hired and discharged at Franchisee's sole discretion, and shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control, direct or indirect, actual or reserved. Each of the parties shall file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is not a fiduciary relationship. Franchisee shall not, under any circumstances, act or hold itself out as an agent or representative of Franchisor. Franchisee shall clearly identify itself, on all documentation and signage to the public that it is an independently owned and operated business.

15.2 Indemnification

Franchisee agrees to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following Claims: (a) any Claim asserted against Franchisee and/or any of the Indemnified Parties arising from the marketing, use or operation of Franchisee's Salon or Franchisee's performance and/or breach of any of Franchisee's obligations under this Agreement; (b) any other Claim arising from alleged violations of Franchisee's relationship with and responsibility to Franchisor; (c) any Claim resulting from Franchisee's breach of any representations, warranties, or covenants; (d) any Claim arising as a result of Franchisee's misuse of Franchisor's Intellectual Property; (e) any Claim relating to a breach of Franchisee's Lease; (f) any Claim relating to taxes or penalties assessed by any governmental entity against Franchisor that are directly related to Franchisee's failure to pay or perform functions required of Franchisee under this Agreement; or (g) Franchisee's negligent acts or omissions or willful misconduct in connection with the ownership or operation of Franchisee's Salon. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. Franchisee may participate in such defense at Franchisee's own expense. Franchisee agrees to give Franchisee's full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within ten (10) days of the date of each invoice delivered by such Indemnified Party to Franchisee enumerating such costs, expenses and attorneys' fees. "**Indemnified Party**" or "**Indemnified Parties**" means Franchisor and each of its past, present and future owners, members, officers, directors, employees and agents, as well as its parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents. "**Claim**" or "**Claims**" means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries. "**Losses and Expenses**" means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; accountants' fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

ARTICLE 16: DEFAULT AND TERMINATION

16.1 Termination By Franchisor - Automatic Termination Without Notice

Franchisee will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to Franchisor without notice to Franchisee, if: Franchisee, the franchised Salon or the Business Entity to which the franchise relates is adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against Franchisee or the franchised business and is not immediately contested and/or dismissed within sixty (60) days from filing; a bill in equity or other proceeding for the appointment of a receiver or other custodian of Franchisee, the franchised business or assets of either is filed and consented to by Franchisee; a receiver or other custodian (permanent or temporary) of all or part of Franchisee's assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee or the franchised business; Franchisee is dissolved; execution is levied against Franchisee, the franchised business or its property; or, the real or personal property of the franchised business is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

16.2 Termination By Franchisor Upon Notice - No Opportunity To Cure

Franchisee will have materially breached this Agreement and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure

the breach, effective immediately upon Franchisee's receipt of notice (which, whether sent by certified mail, registered mail, fax, overnight courier or personal physical delivery, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee) upon the occurrence of any of the following events:

A. Franchisee does not commence operation of the franchised Salon within the time period specified in this Agreement;

B. Franchisee omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement.

C. Franchisor and Franchisee agree in writing to terminate the Franchise Agreement.

D. Franchisee does not provide a copy of the proposed Lease, or does not otherwise secure a Salon Location within the time limits and following the procedures specified in this Agreement.

E. Franchisee fails to timely cure a default under the Lease for the Salon Location which could result in the loss of Franchisee's right to possession of the Salon Location; or Franchisee loses the right to possession of the Salon Location, provided, however, that if the loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the premises are damaged or destroyed, then Franchisee will have thirty (30) days after this event to apply for Franchisor's approval to relocate and reconstruct the premises in accordance with the applicable provisions of this Agreement. This approval may not be unreasonably withheld, but it will be reasonable for Franchisor to withhold approval if the Salon will not re-open within three hundred sixty-five (365) days of the closing of the previous Salon Location.

F. Franchisee (or, if Franchisee is a Business Entity, any principal of Franchisee) engages in an act that could be deemed a felony, fraud, crime involving moral turpitude, or any other crime or offense which Franchisor reasonably believes is related to Franchisee's operation of the franchised Salon, or is likely to have an adverse effect on the PROSE® System, the Marks, the goodwill associated with the Marks or Franchisor's interest in the System or Marks.

G. A threat or danger to public health or safety results from Franchisee's continued operation of the franchised Salon.

H. Franchisee reuses and/or recycles any Proprietary Product, or sells such products to third parties without the prior approval and written consent of Franchisor.

I. Franchisee fails to correct any local, state or municipal health or sanitation law or code violation within seventy-two hours after being cited for such violation.

J. Franchisee (or any principal of a Business Entity) purports to transfer any rights or obligations under this Agreement, any interest in Franchisee or the franchised Salon to any third party in violation of the terms of this Agreement.

K. Franchisee conceals revenues; knowingly maintains false books or records; falsifies information or otherwise defrauds or makes false representations to Franchisor; or, knowingly submits any substantially false report to Franchisor.

L. Franchisee engages in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice.

M. Franchisor causes an audit to be made for any period and the Gross Revenues as shown by Franchisee's quarterly statements submitted to Franchisor is found to be understated by 5% or more for any calendar year.

N. Franchisee interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, customers, employees, advertising agencies or any third parties.

O. Franchisee interferes or attempts to interfere with Franchisor's ability or right to franchise or license others to use and employ Franchisor's Marks and System or Franchisee makes any use of the Marks not authorized under this Agreement.

P. Franchisee receives three (3) notices of default within any eighteen (18) month period.

Q. Franchisee offers or sells any unapproved products and/or conducts (or permits the conducting of) any business other than the business contemplated by this Agreement at or from the Salon without Franchisor's prior written consent.

R. If Franchisee shall abandon the Salon. For purposes of this Agreement, "**abandon**" shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Premises or Salon open and operating for, and conducting, retail business for a period of five (5) consecutive days, except as provided in the System Standards Manuals, (ii) Franchisee's failure to keep the Premises or Salon open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Salon, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Franchisee's control, and/or (iii) Franchisee's failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Salon solely with the "PROSE®" name.

S. Franchisee is in default under a Multi-Site Development Agreement with Franchisor or any other agreement between Franchisee or its affiliates and Franchisor or its affiliates.

16.3 Termination by Franchisor - Thirty Days to Cure

Except as provided in Section 16.1, 16.2, 16.4 and in Section 8.1, Franchisee will have thirty (30) calendar days after its receipt from Franchisor of a written Notice of Termination to remedy any default under this Agreement, not specified in the preceding section and to provide evidence that it has done so to Franchisor. If Franchisee has not cured any default within that time (or, if appropriate, Franchisee has not initiated action to cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the thirty day period, or any longer period required by applicable law. All Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee's Salon.

16.4 Franchisee's Failure to Pay

Franchisee shall have ten (10) days to cure any default in the timely payment of sums due to Franchisor or its affiliates, after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

16.5 Cross Default

Any default or breach by Franchisee of any other agreement between Franchisor or its affiliates and Franchisee will be deemed a default under this Agreement, and any default or breach of this Agreement by Franchisee will be deemed a default or breach under any and all other agreements between Franchisor and Franchisee. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Franchisee in the same manner provided for in this Agreement for termination of this Agreement. Franchisee will be given the same opportunity to cure defaults under any other agreement between Franchisor or its affiliates and Franchisee as Franchisee has under this Agreement.

16.6 Notice Required By Law

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

ARTICLE 17: FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES ON TERMINATION OR EXPIRATION

17.1 Post-Termination Obligations

A. If this Agreement expires or terminates for any reason, Franchisee will cease to be an authorized PROSE® franchisee and Franchisee will lose all rights to the use of Franchisor's Marks, the PROSE® System, all Confidential Information and know-how owned by Franchisor and any goodwill engendered by the use of Franchisor's Marks.

Upon termination or expiration of this Agreement for whatever reason, Franchisee agrees to:

1. Immediately pay all sums due and owing to Franchisor or its affiliates, all sums due and owing to any lessor, employees, taxing authorities, advertising agencies and all other third parties, and shall immediately pay to Franchisor the full amount of the Salon's outstanding gift card/certificates.

2. Discontinue the use of the Marks, and not operate or do business under any name or in any manner which might tend to give the general public the impression that it is operating a PROSE® Salon, or any similar business. Franchisee may not use, in any manner or for any purpose, directly or indirectly, any of Franchisor's Confidential Information, trade secrets, procedures, forms, techniques, know-how or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including (without limitation): PROSE® products, services and programs; specifications or descriptions of Franchisor's products and services; lists of customers, employees and independent contractors; Franchisor's System Standards Manual and any Supplements to it; forms, advertising matter, marks, devices, signs, insignia, slogans and designs used in connection with the franchised Salon; telephone number listed in any telephone directory under the name "PROSE®," or any similar designation or directory listing relating to the franchised Salon; and, the systems, procedures, techniques, criteria, concepts, designs, advertising and promotion techniques, specifications, and all other components, specifications and standards, which comprise (or in the future may comprise) a part of the PROSE® System.

3. Take all necessary action to cancel any assumed name or equivalent registration which contains the Mark "PROSE®," or any other Mark of Franchisor, or any variant, within fifteen days following termination or expiration of this Agreement. If Franchisee fails or refuses to do so, Franchisor may, in Franchisee's name, on Franchisee's behalf and at Franchisee's expense, execute all documents necessary to cause discontinuance of Franchisee's use of the name "PROSE®," or any related name used under this Agreement. Franchisee irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do so.

4. Upon any termination of this Agreement by Franchisor, Franchisor will have the right immediately to enter and take possession of Franchisee's Salon to maintain continuous operation of the previously-franchised Salon, provide for orderly change of management and disposition of personal property, and otherwise protect Franchisor's interests. If Franchisee disputes the validity of Franchisor's termination of the franchise, Franchisor will nevertheless have the option (which Franchisee irrevocably grants) to operate the Salon business pending the final, unappealed determination of the dispute by a court of competent jurisdiction. If a

court of competent jurisdiction makes a final, unappealed determination that the termination was not valid, Franchisor agrees to make a full and complete accounting for the period during which it operated the previously-franchised Salon.

5. In the event of termination for any default by Franchisee or of termination by Franchisee through failure to make payment following notice to cure, pay to Franchisor all expenses it incurs as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees.

6. At Franchisor's option, which is exercisable in writing within thirty (30) days from the date of expiration or termination of this Agreement, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, assign to Franchisor any interest which Franchisee has in any Lease, right or entry or easement for the Salon Location, and vacate the Salon promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession. Except as provided for in Section 17.1.A.4 or as otherwise instructed by Franchisor, Franchisee shall immediately close the franchised Salon for business, and, during the thirty (30) day period following expiration or termination, Franchisee shall not take any action to remove, conceal, assign, transfer or sell, any items containing the Marks, signs, equipment, furniture, fixtures, equipment or other tangible assets used in, or necessary for, the effective operation of the Salon.

7. If Franchisee owns the Salon Location, execute and deliver to Franchisor a Lease for the Salon Location on commercially reasonable terms. If the parties cannot agree on such terms within a reasonable time, Franchisor will designate an independent appraiser. The appraiser's determination will be binding, and Franchisee shall execute and deliver to Franchisor a Lease for the Salon Location on the terms determined by the appraiser to be commercially reasonable. Franchisor and Franchisee will each pay 50% of the fee charged by the independent appraiser. Upon its execution of the Lease for the Salon Location, Franchisee agrees to vacate the Salon promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession.

8. Immediately deliver to Franchisor all training or other manuals furnished to Franchisee (including the System Standards Manual and Supplements to the System Standards Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear Franchisor's Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of Franchisor, and any copies of them in Franchisee's possession which relate to the operation of the franchised Salon. Franchisee may retain no copy or record of any of these items, except for Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law. Franchisee agrees that the foregoing items, materials, lists, files, software and other similar items will be deemed to be the property of Franchisor for all purposes.

9. Within fifteen (15) days from the date of termination or expiration of this Agreement, or if termination is contested by Franchisee, within fifteen (15) days after a court decides the propriety of the termination, arrange with Franchisor for an inventory to be made by Franchisor, at Franchisor's cost, of all the personal property, fixtures, equipment, signs, inventory, supplies and any other tangible assets of Franchisee and the franchised Salon, including, without limitation, all items bearing the Marks. Franchisor will have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, to purchase from Franchisee any or all of these items at a purchase price equal to fair market value. To determine fair market value, Franchisor and

Franchisee shall each select a qualified appraiser. The two appraisers shall give their opinion of the fair market value of the Property within 20 days after their retention. In the event the opinions of the two appraisers differ and, after good faith efforts over the succeeding 20-day period, they cannot mutually agree, the appraisers shall immediately and jointly appoint a third qualified appraiser. The third appraiser shall immediately (within (5) five days) choose the determination of either appraiser and such choice of this third appraiser shall be final and binding on Franchisor and Franchisee. Franchisor and Franchisee shall each pay their own costs for the respective appraisers chosen and shall share equally the costs of any third appraiser. Franchisor may set off all amounts due from Franchisee under this Agreement against this purchase price. Franchisee shall not, for a period of thirty (30) days after termination or expiration of this Agreement, transfer, convey, assign or sell to any person or entity other than Franchisor, any of the fixtures, equipment, inventory, supplies and other tangible assets of Franchisee and the franchised Salon. Any conveyance, sale or transfer of any of the fixtures, equipment, inventory and supplies of Franchisee and the franchised Salon during this time shall be null and void.

10. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.

11. Cease using the telephone numbers listed in any telephone directories, local listings or local internet search engines under the name "PROSE®" or any other confusingly similar name or directory listing relating to the franchised Salon. Franchisee agrees that Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers and all classified and other directory listings for the Salon. Franchisee further agrees, upon Franchisor's written demand, to direct the telephone company and all listing agencies to transfer to Franchisor, or to any other person and location that Franchisor directs, all telephone numbers and directory listings of the Salon. Franchisee acknowledges and agrees that Franchisor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks, and Franchisee hereby authorizes Franchisor to direct the telephone company and all listing agencies to transfer Franchisee's telephone numbers and directory listings to Franchisor or to any other person and location that Franchisor directs, if this Agreement expires or is terminated. The telephone company and all listing agencies may accept this Agreement as evidence of the exclusive rights of Franchisor to such telephone numbers and directory listings and this Agreement will constitute the authority from Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to Franchisor. This Agreement will constitute a release of the telephone company and listing agencies by Franchisee from any and all claims, actions and damages that Franchisee may at any time have the right to allege against them in connection with this Section. Franchisee agrees to execute such other documents as Franchisor may require to complete the transfer of the telephone numbers as contemplated herein.

12. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in this Agreement.

13. Continue to abide by those restrictions pertaining to the use of Franchisor's Confidential Information, trade secrets and know-how set forth in this Agreement.

14. Immediately refrain from engaging in any contacts with customers or potential customers. Upon termination or expiration of this Agreement, Franchisee acknowledges and agrees that all customers shall thereafter belong to Franchisor or its assign.

15. Immediately surrender to Franchisor all computer software, data storage disks or tapes used in the operation of the franchised Salon, printouts, and other information pertaining to computer operations, codes, procedures and programming. Franchisee agrees not to destroy,

damage, hide or take any steps to prevent Franchisor from obtaining any information which Franchisee had stored in the computer system of the franchised Salon. Franchisee agrees not to retain any printouts, disks or tapes containing any of the programs or data stored in the computer system.

16. If Franchisor elects not to assume possession of the Salon, then promptly upon termination or expiration, Franchisee agrees to perform all reasonable redecoration and remodeling of the Salon as Franchisor considers necessary in its reasonable judgment to distinguish the Salon from a PROSE® Salon.

B. The expiration or termination of this Agreement will be without prejudice to Franchisor's rights against Franchisee, and will not relieve Franchisee of any of its obligations to Franchisor at the time of expiration or termination, or terminate Franchisee's obligations which by their nature survive the expiration or termination of this Agreement.

17.2 Liquidated Damages

If Franchisor terminates this Agreement as a result of Franchisee's default, or Franchisee terminates this Agreement without cause prior to its expiration date, then Franchisee shall pay to Franchisor liquidated damages on or before thirty (30) days following the termination. The amount of liquidated damages will be equal to the Royalty Fees and Brand Fund Fees that Franchisor would have received for three (3) years based on Franchisee's most recent annual Gross Revenues. If Franchisee's PROSE® Salon has not been open for one (1) year immediately preceding termination, the liquidated damages will be calculated by taking the number that is the monthly average of Royalty Fees and Brand Fund Fees payable to Franchisor from the date Franchisee's PROSE® Salon was opened through the date of termination and multiplying it by thirty-six (36). If the time remaining in the Franchise Agreement is less than thirty-six (36) months, the monthly average as calculated above will be multiplied by the number of months remaining in the Term of this Agreement.

ARTICLE 18: WAIVER AND DELAY

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment specified to be paid by Franchisee under this Agreement will not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

ARTICLE 19: FRANCHISOR'S WITHHOLDING OF CONSENT FRANCHISEE'S EXCLUSIVE REMEDY

In no event may Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Franchise Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

ARTICLE 20: INTEGRATION OF AGREEMENT

This Agreement and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Franchisee acknowledges that it is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of its own independent investigation of the franchised Salon and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, independent contractors or other PROSE® franchisees which are contrary to the terms set forth in this Agreement or of any

offering circular, prospectus, disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to the terms in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

ARTICLE 21: NOTICES

Any notice required or permitted to be given under this Agreement shall be in writing; shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by overnight mail, by e-mail (where allowed by law), or by facsimile transmission; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor shall be addressed to Franchisor at:

PROSE FRANCHISING, LLC
Attn: Nate McFarland
4250 North Drinkwater Blvd., #300
Scottsdale, AZ 85251

Notice to Franchisee shall be addressed to Franchisee at:

_____

_____

_____

_____

Either party to this Agreement may, in writing, on ten (10) days' notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

ARTICLE 22: MISCELLANEOUS

22.1 Construction and Interpretation; Further Acts

The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement.

The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Franchisee.

It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

Since the words "Franchisor" and "Franchisee" in this Agreement may be applicable to one or more parties, the singular will include the plural, and the masculine will include the feminine and neuter. If more than one party or person is referred to as "Franchisee" under this Agreement, then their obligations and liabilities under this Agreement will be joint and several.

The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

22.2 Severability

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) unreasonable, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

ARTICLE 23: COSTS OF ENFORCEMENT; ATTORNEYS' FEES; GOVERNING LAW; VENUE; MEDIATION

23.1 Costs of Enforcement

Franchisor will be entitled to recover from Franchisee reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation in any action instituted against Franchisee to secure or protect Franchisor's rights under this Agreement, or to enforce the terms of this Agreement.

23.2 Attorneys' Fees

If Franchisor becomes a party to any action or proceeding concerning this Agreement, the franchised Salon, or the Salon due to any act or omission of Franchisee or its authorized representatives and not to any act or omission of Franchisor or its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding with respect to Franchisee or the franchised Salon, then Franchisee will be liable to Franchisor for the reasonable attorneys' fees, experts' fees and court costs incurred by Franchisor in the action or proceeding, regardless of whether the action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Franchisee.

23.3 Governing Law

This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Arizona without recourse to Arizona choice of law or conflicts of law principles. Nothing in this Section is intended to invoke the application of any franchise or similar law, rule or regulation of the State of Arizona or any other state, which would not otherwise apply.

23.4 Venue

Any litigation arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in Maricopa County, Arizona.

23.5 Waiver of Jury Trial/Class Action

All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for any claims arising out of this Agreement, whether now existing or arising in the future.

The parties agree that any litigation arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees, multi-unit developers, or area developers. Franchisee agrees not to join or attempt to join other franchisees, area developers, or other third parties in any arbitration

or litigation proceeding and to refrain from participating in any "class action" litigation or arbitration proposed or asserted by one or more other franchisees.

23.6 Punitive Damages

In no event will Franchisor be liable to Franchisee for punitive, special, or exemplary damages in any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement. In any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement, Franchisee shall be limited to recovering its actual damages only.

23.7 Mediation

In the event of any dispute, other than disputes that are the subject of Franchisee's default pursuant to Section 16.1 or Section 16.2, either party has the option of initiating a mediation proceeding by submitting a written request for mediation to American Arbitration Association according to its procedures, or any other mediation service mutually agreed to by the parties according to such mediator's procedures. The mediation process shall begin promptly and shall be concluded within ten (10) business days after the day the request for mediation is made, unless the parties mutually otherwise agree. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation. All mediation proceedings shall take place in the county and state where Franchisor has its principal place of business. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them. The commencement of any dispute resolution procedure shall not act to prevent Franchisor from instituting or proceeding with any action which may be the subject of the dispute.

ARTICLE 24: SURVIVAL

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

ARTICLE 25: ACKNOWLEDGMENTS

FRANCHISEE ACKNOWLEDGES, WARRANTS AND REPRESENTS TO FRANCHISOR THAT: NO REPRESENTATION HAS BEEN MADE BY FRANCHISOR (OR ANY EMPLOYEE, AGENT OR SALESPERSON OF FRANCHISOR) AND RELIED ON BY FRANCHISEE AS TO THE FUTURE OR PAST INCOME, EXPENSES, SALES VOLUME OR POTENTIAL PROFITABILITY, EARNINGS OR INCOME OF THE SALON, OR ANY OTHER PROSE® SALON.

Initials: _____

NO REPRESENTATION OR STATEMENT HAS BEEN MADE BY FRANCHISOR (OR ANY EMPLOYEE, AGENT OR SALESPERSON OF FRANCHISOR) AND RELIED ON BY FRANCHISEE REGARDING THE ANTICIPATED INCOME, EARNINGS AND GROWTH OF FRANCHISOR OR THE PROSE® SYSTEM, OR THE VIABILITY OF THE BUSINESS OPPORTUNITY BEING OFFERED UNDER THIS AGREEMENT.

Initials: _____

BEFORE EXECUTING THIS AGREEMENT, FRANCHISEE HAS HAD THE OPPORTUNITY TO CONTACT ALL EXISTING FRANCHISEES OF FRANCHISOR.

Initials: _____

FRANCHISEE HAS HAD THE OPPORTUNITY TO INDEPENDENTLY INVESTIGATE, ANALYZE AND CONSTRUE BOTH THE BUSINESS OPPORTUNITY BEING OFFERED UNDER THIS AGREEMENT, AND THE TERMS AND PROVISIONS OF THIS AGREEMENT, USING THE SERVICES OF LEGAL COUNSEL, ACCOUNTANTS OR OTHER ADVISERS (IF FRANCHISEE SO ELECTS) OF ITS OWN CHOOSING. FRANCHISEE HAS BEEN ADVISED TO CONSULT WITH ITS OWN ADVISERS WITH RESPECT TO THE LEGAL, FINANCIAL AND OTHER ASPECTS OF THIS AGREEMENT, THE SALON, AND THE PROSPECTS FOR THAT SALON. FRANCHISEE HAS EITHER CONSULTED WITH THESE ADVISORS OR HAS DELIBERATELY DECLINED TO DO SO.

Initials: _____

FRANCHISEE HAS RECEIVED FROM FRANCHISOR A COPY OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE, AT LEAST FOURTEEN CALENDAR DAYS BEFORE THE EXECUTION OF THIS AGREEMENT OR AT LEAST FOURTEEN CALENDAR DAYS BEFORE THE PAYMENT BY FRANCHISEE TO FRANCHISOR OF ANY CONSIDERATION IN CONNECTION WITH THE SALE OR PROPOSED SALE OF THE FRANCHISE GRANTED BY THIS AGREEMENT.

Initials: _____

NO REPRESENTATION OR STATEMENT HAS BEEN MADE BY FRANCHISOR (OR ANY EMPLOYEE, AGENT OR SALESPERSON OF FRANCHISOR) AND RELIED ON BY FRANCHISEE REGARDING FRANCHISEE'S ABILITY TO PROCURE ANY REQUIRED LICENSE OR PERMIT THAT MAY BE NECESSARY TO THE OFFERING OF ONE OR MORE OF THE SERVICES CONTEMPLATED TO BE OFFERED BY THE FRANCHISED SALON.

Initials _____

THE COVENANTS NOT TO COMPETE SET FORTH IN THIS AGREEMENT ARE FAIR AND REASONABLE, AND WILL NOT IMPOSE ANY UNDUE HARDSHIP ON FRANCHISEE, SINCE FRANCHISEE HAS OTHER CONSIDERABLE SKILLS, EXPERIENCE AND EDUCATION WHICH AFFORD FRANCHISEE THE OPPORTUNITY TO DERIVE INCOME FROM OTHER ENDEAVORS.

Initials _____

FRANCHISEE AFFIRMS THAT ALL INFORMATION SET FORTH IN ALL APPLICATIONS, FINANCIAL STATEMENTS AND SUBMISSIONS TO FRANCHISOR IS TRUE, COMPLETE AND ACCURATE IN ALL RESPECTS, AND FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT FRANCHISOR IS RELYING ON THE TRUTHFULNESS, COMPLETENESS AND ACCURACY OF THIS INFORMATION.

Initials: _____

*Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

ARTICLE 26: SUBMISSION OF AGREEMENT

The submission of this Agreement does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by Franchisor and Franchisee. The date of execution by Franchisor will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR.

FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO IT OTHER THAN THOSE SET FORTH IN FRANCHISOR'S DISCLOSURE DOCUMENT, AND THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO FRANCHISEE, FRANCHISEE IS NOT RELYING ON THEM.

FRANCHISEE HAS READ ALL OF THE FOREGOING AGREEMENT AND ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

INTENDING TO BE LEGALLY BOUND, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR: PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____
By: _____ Printed Name: Nate McFarland Title: CEO	By: _____ Printed Name: _____ Title: _____
Date: _____	Date: _____

OWNERSHIP ADDENDUM TO FRANCHISE AGREEMENT

1. If Franchisee is a corporation, limited liability company or partnership, set forth below are the names and addresses of each shareholder, member or partner in Franchisee:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENT INTEREST

2. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth above.

3. Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

4. Franchisee shall cause all of its current and future shareholders, members and partners to execute Franchisor's standard form of Guaranty.

This Addendum is effective as of this_____day of_____, 20____.

FRANCHISEE:

_____

By: _____
Printed Name: _____
Title: _____

Date: _____

EXHIBIT A TO FRANCHISE AGREEMENT
FRANCHISED TERRITORY; SALON LOCATION

Site Selection Territory:

The Site Selection Territory as defined in Section 1.2 of the Franchise Agreement is:

_____

_____

Location:

The Location as defined in Section 1.1 of the Franchise Agreement is:

_____

_____

Protected Territory

The Protected Territory as defined in Section 1.2 of the Franchise Agreement is:

_____

_____

INTENDING TO BE LEGALLY BOUND, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR: PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____
By: _____ Printed Name: Nate McFarland Title: CEO	By: _____ Printed Name: _____ Title: _____
Date: _____	Date: _____

EXHIBIT B

PRINCIPAL OWNERS GUARANTY

In consideration of the execution by PROSE FRANCHISING, LLC ("**Franchisor**") of the PROSE® Franchise Agreement (the "**Franchise Agreement**"), dated the _____ day of _____, 20_____ between Franchisor and _____ (**Franchisee**") and for other good and valuable consideration, including Franchisor's execution of or consent to the transfer of the Franchise Agreement, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one (1) person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder:

(a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (c) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be

assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

Should any one (1) or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

EXHIBIT C

OWNER'S STATEMENT

This form must be completed by the Franchisee ("I," "me," or "my") if I have multiple owners or if I, or my franchised business, is owned by a business organization (like a corporation, partnership or limited liability company). Franchisor is relying on the truth and accuracy of this form in awarding the Franchise Agreement to me.

1. Form of Owner. I am a (check one):

(a) General Partnership
(b) Corporation
(c) Limited Partnership
(d) Limited Liability Company
(e) Other:

Specify: _____

2. Business Entity. I was incorporated or formed on _____ under the laws of the State of _____. I have not conducted business under any name other than my corporate, limited liability company or partnership name and:

_____.

3. Management. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

Name of Person	Position(s) Held

4. Owners. The following list includes the full name and mailing address of each person who is one my owners and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

Owner's Name and Address	Description of Interest	% of Ownership

5. Operating Principal. My Operating Principal is: _____ (must be one of the individuals listed in paragraph 3 above). I understand that I may not change the Operating Principal without Franchisor's prior written approval.

6. Governing Documents. Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.).

This Owner's Statement is current and complete as of_____, 20_____.

OWNERS:

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

ENTITY:

_____

By: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT D TO FRANCHISE AGREEMENT

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This Non-Disclosure and Non-Competition Agreement ("**Agreement**") is entered into by the undersigned (the "**Disclosee**") as of the date written below.

The Company is a Franchisee of PROSE Franchising, LLC ("**Franchisor**"), pursuant to which it is has been granted a non-exclusive license to use Franchisor's trademarks and service marks, the business systems identified by such Marks (the "**System**"), and certain confidential information.

In consideration of the Disclosee's employment by the Company, and as a material inducement for the Company to disclose certain confidential and/or proprietary information to the Disclosee in connection with the business of being a franchisee of Franchisor, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Disclosee agrees to be bound by the following representations, warranties and covenants, to be effective, during and at all times after the Disclosee's employment by or affiliation with the Company:

1. The Disclosee may have received or been given access to, or will receive or be given access to, certain confidential information and trade secrets of Franchisor and/or the Company, all relating to or useful in the Company's business and all labeled, treated as, or otherwise considered by Franchisor and/or the Company as confidential or proprietary information (collectively, the "**Confidential Information**"). The Confidential Information includes, without limitation, the Franchisor confidential manuals, memoranda, agreements, correspondence, records, plans and reports used or created by the Company or supplied to the Company by Franchisor; know-how; identities of current and prospective customers and suppliers; advertising and marketing techniques; procedures and techniques, and operational and quality assurance procedures.

2. The Disclosee represents, warrants and agrees that the Disclosee will keep any and all of the Confidential Information from being made known or disclosed to any person or entity, except for the exclusive use and benefit of the Company or Franchisor. The Disclosee shall not reproduce, or permit the reproduction, directly or indirectly, of any of the Confidential Information except as required by the Company, or permit the removal of, nor shall the Disclosee remove, any of the Confidential Information from the premises of the Company.

3. The Confidential Information is the exclusive property of Franchisor and/or the Company. Upon request by the Company, and in any event upon termination of the Disclosee's employment or affiliation for whatever reason, the Disclosee shall return to the Company all documents and other material in the Disclosee's possession or under the Disclosee's control which may contain or be derived from Confidential Information, together with all documents, notes, or other work product which is connected with or derived from the Disclosee's employment by, or ownership of, the Company. The Disclosee shall, from time to time as may be requested by the Company, do all things which may be necessary to establish or document the Company's rights of any such work product.

4. The Disclosee shall promptly provide notice to the Company if the Disclosee knows of or suspects the disclosure of any Confidential Information by any person or entity, which disclosure would not be permitted if such person or entity were bound by the terms of this Agreement. Such notice is signed by the Disclosee and shall reasonably describe such unpermitted disclosure.

5. The Disclosee acknowledges and agrees that Franchisor has a legitimate business interest and would be unable to protect its System, trademarks, service marks and its Confidential Information against unauthorized use or disclosure and Franchisor would be irreparably harmed and unable to encourage a free exchange of ideas and information among the franchisees within the Franchisor's franchise system if the Disclosee were permitted to engage in the acts described below. The Disclosee covenants that during the Disclosee's relationship with the Company (as an employee or independent contractor) and for a 24-month period thereafter, the Disclosee will not:

(a) directly or indirectly, solicit or otherwise attempt to induce, by combining or conspiring with, or attempting to do so, or in any other manner influence any employee, officer, director, agent, consultant, representative, supplier, contractor or distributor of the Company to terminate or modify his or her position with, or to compete against, the Company or Franchisor;

(b) directly or indirectly, solicit or perform any services of the kind offered by Company or the Franchisor on any present or former customer of Franchisor or the Company;

(c) in addition to, and not in limitation of other provisions hereof, the Disclosee shall not in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Company or Franchisor;

(d) solicit any customer of Company or Franchisor;

(e) engage in or become interested in the same or substantially similar business as Company within a twenty (20) mile radius of the Company's Salon or any other PROSE® Salons, including but not limited to the operation of a business offering nail services, whether an as individual, partner, shareholder, director, officer, principal or agent. This paragraph shall not be interpreted so as to prevent the Disclosee from working as an employee at a business that engages in nail services provided that all other provisions of this Agreement are complied with.

6. Disclosee acknowledges and agrees that Company's existing customers belong to the Company and not the Disclosee, and that Disclosee is not entitled to maintain a list of Company's customers. Disclosee further acknowledges and agrees that Company's customer list is a unique and valuable asset of the Company and Company shall be irreparably harmed if Disclosee were permitted to use Company's customer list for any purpose other than to benefit Company.

7. The existence of any claim or cause of action by the Disclosee against the Company predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company and/or Franchisor of this Agreement. Any failure to object to any conduct in violation of this Agreement shall not be deemed a waiver by the Company or Franchisor. In the event that any court shall finally hold that any other provision stated in this Agreement constitutes an unreasonable restriction upon the Disclosee, the Disclosee hereby expressly agrees that the provisions of this Agreement shall not be rendered void, but shall apply to such other extent as such court may judicially determine or indicate constitutes a reasonable restriction under the circumstances involved. The Disclosee agrees that it shall forthwith comply with any covenant as so modified, which is fully enforceable to the extent permitted by applicable law. The obligations of the Disclosee to Franchisor are in addition to, and not in lieu of, any additional or more restrictive obligations the Disclosee may have to Franchisor in any other agreement.

8. The Disclosee acknowledges and confirms that the restrictions contained herein are fair and reasonable and not the result of overreaching, duress or coercion of any kind. The Disclosee further acknowledges and confirms that his or her full, uninhibited and faithful observance of each of the covenants contained in this Agreement will not cause any undue hardship, financial or otherwise, and that the enforcement of each of the covenants contained in this Agreement will not impair his or her ability to obtain employment commensurate with his or her abilities and on terms fully acceptable to the Disclosee or otherwise to obtain income required for his or her comfortable support and of his or her family, and the satisfaction of the needs of his or her creditors. The Disclosee acknowledges and confirms that his or her special knowledge of the Franchisor/Company's business (and anyone acquiring such knowledge through the Disclosee) is such as would cause the Company and Franchisor serious injury and loss if the Disclosee (or anyone acquiring such knowledge through the Disclosee) were to use such ability and knowledge to the detriment of the Company or Franchisor.

9. In the event the Company should bring any legal action or other proceeding for the enforcement of this Agreement, the time for calculating the term of the restrictions therein shall not include the period of time commencing with the filing of legal action or other proceeding to enforce the terms of this Agreement hereof through the date of final judgment or final resolution, including all appeals, if any, of such legal action or other proceeding.

10. The parties recognize the necessity of the Disclosee's compliance with the terms of this Agreement to Franchisor as the franchisor of the business operated by the Company. Accordingly, the Disclosee agrees and acknowledges that Franchisor is a third party beneficiary of the Disclosee's obligations hereunder and Franchisor is entitled to all rights and remedies conferred upon the Company or Franchisor hereunder, which Franchisor may enforce directly against the Disclosee with or without the consent or joinder of the Company.

11. No modification or waiver of any of the terms of this Agreement are effective unless made in writing and signed by the Disclosee, the Company and Franchisor. All of the terms of this Agreement is binding upon, inure to the benefit of, and be enforceable by the Disclosee, the Company, and Franchisor and their respective legal representatives, heirs, successors and assigns.

12. The Confidential Information is a unique and valuable asset of the Company and Franchisor, and the Company and Franchisor shall be irreparably damaged (and damages at law would be an inadequate remedy) if this Agreement is not specifically enforced. Therefore, in the event of a breach or threatened breach by the Disclosee of this Agreement, the Company and Franchisor shall be entitled to injunctions restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for specific performance of this Agreement. The Disclosee irrevocably and unconditionally: (a) agrees that any legal proceeding relating to this Agreement shall be brought in the state courts in Maricopa County, Arizona or the District Court of the United States,

Phoenix, Arizona; (b) consents to the jurisdiction of each such court; and (c) waives any objection which the Disclosee may have to the laying of venue of any proceeding in any of such courts.

13. The Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Arizona.

14. The Company and/or Franchisor shall be entitled to recover from Disclosee all reasonable attorneys' fees, costs, and expenses incurred by or on behalf of the Company and/or Franchisor in matters arising out of or related to the interpretation or enforcement of any provision of this Agreement or any of the Company's or Franchisor's rights hereunder.

15. This Agreement has been carefully reviewed, negotiated, understood and agreed to by all parties hereto. In the event of any ambiguities in this Agreement, any statute or rule of construction that ambiguities are to be resolved against the drafter of the agreement shall not be employed in the interpretation of this Agreement.

16. This Agreement neither creates nor is intended to imply the existence of an employment contract and does not represent a promise or representation of employment or continued employment. Nothing in this Agreement shall change the "at-will" nature of Disclosee's employment relationship with the Company.

Dated:_____

DISCLOSEE:

_____

(Signature)

_____

(Printed Name)

EXHIBIT E TO FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
PROSE FRANCHISING, LLC ("**PAYEE**")

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "**debits**") drawn on such account which are payable to the above-named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever.

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

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose for payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee under the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository: _____

Name of Depositor: _____

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

Salon Location: _____

Address: _____

Phone #: _____

Fax #: _____

Name of Franchisee/Depositor: _____

By: _____
Signature and Title of Authorized Representative

Date: _____

EXHIBIT F TO FRANCHISE AGREEMENT

SECURITY AGREEMENT

In consideration of the execution by Franchisor of the PROSE® Franchise Agreement (the "**Franchise Agreement**"), dated the ___ day of _____, between PROSE FRANCHISING, LLC ("**Secured Party**") and _____ ("**Debtor**"), and for other good and valuable consideration, the Parties hereby agree as follows:

1. Background.

Secured Party, as Franchisor, and Debtor, as Franchisee, are parties to the Franchise Agreement pursuant to which, among other things, Debtor is obligated to pay, from time to time, certain sums to Secured Party. In order to induce Secured Party to enter into the Franchise Agreement, Debtor, among other things, is entering into this Security Agreement pursuant to which Debtor's payment and performance of all obligations under the Franchise Agreement are secured on the terms and conditions hereinafter provided for. Capitalized terms, which are defined in the Franchise Agreement, shall have the same meaning herein.

2. Security Interest.

To secure the payment and performance by Debtor of all obligations and liabilities under the Franchise Agreement (such payment and performance of such obligations and liabilities being hereinafter collectively referred to as the "**Obligations**"), Debtor shall and hereby does grant, convey, assign and transfer to Secured Party, a security interest in and to the Franchise Agreement and all signs and other appurtenances and other property, real and personal, bearing any of the Marks used at, located on or affixed to the PROSE® Salon (the "**Salon**"), and all equipment, fixtures, furnishings and improvements located at the Salon, or owned or hereafter acquired by Debtor, and the Gross Revenues (as defined in the Franchise Agreement, of the Salon (the "**Collateral**").

3. Default.

3.1 Definitions. The term "**Event of Default**," as used herein, shall mean the occurrence and continuation of any one or more of the following events:

(a) Any failure of Debtor to promptly and faithfully pay, observe and perform, when due, any of the Obligations;

(b) If Debtor becomes insolvent, commits an act of bankruptcy, files a voluntary petition in bankruptcy, or an involuntary petition in bankruptcy is filed, or a permanent or temporary receiver or trustee for the Salon, or all or substantially all of the Debtor's property is appointed by any court and such appointment is not actively opposed through legal action, or Debtor makes an assignment or arrangement for the benefit of creditors, or calls a meeting of creditors, or Debtor makes a written statement to the effect that he, she or it is unable to pay his, her or its debts as they become due, or a levy of execution is made upon Debtor, or an attachment or lien outstanding with respect to the Salon for thirty (30) days, unless the attachment or lien is being duly contested in good faith by Debtor, and Secured Party is so advised in writing;

(c) If Debtor loses possession or the right of possession of all or a significant part of the Salon through condemnation or casualty and the Salon is not relocated or reopened as required by the Franchise Agreement; or

(d) If Debtor is a corporation, partnership, joint venture, or other legal entity, and any action is taken which purports to merge, consolidate, dissolve, or liquidate Debtor without the prior written consent of Secured Party.

3.2 Remedies. Upon the occurrence of an Event of Default, all amounts payable to Secured Party shall become immediately due and payable and Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the state or states in which the Collateral

may be located, including the right to enter upon the Salon peaceably and remove all Collateral. Secured Party shall give Debtor reasonable notice of the time and place of any public or private sale or other intended disposition of all of any particular Collateral, as the case may be. Debtor agrees that the requirement of reasonable notice shall be met if notice is mailed to Debtor at its address listed in Section 21 of the Franchise Agreement not less than five (5) business days prior to the sale or other disposition. Expenses of retaking, holding, preparing for sale, selling or the like, shall include, without limitation, Secured Party's reasonable attorneys' fees and other legal expenses. Secured Party's rights and remedies, whether pursuant hereto or pursuant to the Uniform Commercial Code or any other statute or rule of law conferring rights similar to those conferred by the Uniform Commercial Code, shall be cumulative and not alternative.

4. Notices.

Any notice, request or other communication to either party by the other as provided for herein shall be given in writing and shall be deemed given on the date the same is: (i) actually received; or (ii) mailed by overnight mail or certified or registered mail, return receipt requested, postage prepaid and addressed to the addresses set forth in Section 21 of the Franchise Agreement. The person and the place to which notices or copies of notices are to be mailed to either party may be changed from time to time by such party by written notice to the other party.

5. Applicable Law.

This Security Agreement shall be governed by and interpreted under the laws of the State of Arizona, without regard to the principles of conflict of laws thereof.

6. Miscellaneous.

6.1 This Security Agreement shall inure to the benefit of, and shall be binding upon the respective successors, assigns and legal representatives of the parties hereto.

6.2 The captions used herein are inserted for reference purposes only and shall not affect the interpretation or meaning of this Security Agreement.

6.3 Debtor hereby authorizes Secured Party, from time to time, to file financing statements in such form as may be necessary to perfect the security interest in the Collateral in any or all pertinent jurisdictions and in this regard, to execute said financing statements for itself (as secured party) and for Debtor (as debtor), as Debtor's agent. Upon Secured Party's request, Debtor shall execute any such financing statement as debtor.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Security Agreement as of the day and year first above written.

SECURED PARTY:
PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Printed Name: Nate McFarland
Title: CEO

Date: _____

DEBTOR:

_____

By: _____
Printed Name: _____
Title: _____

Date: _____

EXHIBIT G TO THE FRANCHISE AGREEMENT

Addendum to Lease

THIS ADDENDUM TO LEASE (hereinafter referred to as the "Addendum") is made and entered into as of the _____ day of _____, 20___, by and between _____ ("Lessee"), _____ ("Lessor"), and PROSE Franchising, LLC, an Arizona limited liability company ("Franchisor").

RECITALS

WHEREAS, Lessee and Lessor have entered into a Lease dated _____ with respect to the Premises commonly known as _____ (the "Premises");

WHEREAS, Lessee is a franchisee of Franchisor. The Franchise Agreement between Lessee and Franchisor requires Lessee to enter into a lease for the Premises and for such lease to contain certain provisions protecting Franchisor in the event of Lessee's default under either the lease or the Franchise Agreement; and

WHEREAS, the parties have entered into this Addendum in order to clarify certain rights and obligations of the parties in connection with the Premises.

NOW, THEREFORE, in consideration of the covenants between the parties and for other valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. The Lease shall not expire until the term of the Franchise Agreement expires. During the term of the Lease, the Premises shall be used only for a PROSE® Salon.
2. Lessor agrees that, without its consent, the Lease and the right, title and interest of the Lessee thereunder, may be assigned by the Lessee to Franchisor or its designee, provided that Franchisor or its designee shall execute such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of the Lessee arising under the Lease from and after the time of such assignment.
3. If Franchisor or its designee assumes the Lease, Franchisor (or its designee) shall not be responsible for any of Franchisee's debts or obligations to the Lessor that Franchisee incurred before the date of the assumption.
4. If Franchisor assumes the Lease, the Lessor waives any administrative, assignment, or transfer fee that the Lease may otherwise require following an assignment or assumption.
5. The Lessor shall provide Franchisor with copies of all notices of default given to Franchisee under the Lease.
6. During the term of the Lease, the Lessor agrees to sign and deliver to Franchisee or Franchisor, within a reasonable number of days after a request from Franchisee or Franchisor (to be specified in the Lease), an estoppel certificate certifying that the Lease is in full force and effect, is unmodified, or if modified, describing the modification and that there are no defaults under the Lease, or if there are defaults claimed, describing the claimed defaults, the dates to which all rentals have been paid; and any other matters reasonably requested by Lessee or Franchisor.
7. During the term of the Lease and extensions of that term, the Lessor grants Franchisee the exclusive right to operate a nail salon in the shopping center in which the Premises is located.
8. Lessor shall provide to Lessee a small, indoor space that is available for Lessee for the purpose of conducting membership pre-sales and gift card sales prior to opening, for a mutually agreed upon time period not to exceed 6 months prior to opening. This space must be a in a mutually agreeable location in or near the Premises, which location must be easily visible by and accessible to customers coming and going from the Salon and must be in a high pedestrian traffic location of the Premises. In addition, Lessee may set up a Kiosk for use in connection with promotions throughout the term of the Lease. The location of the Kiosk shall be agreed upon prior to execution of the Lease.

   In addition, also for the purpose of conducting membership pre-sales and gift card sales prior to opening, for a mutually-agreed upon time period not to exceed 6 months prior to opening, Lessee shall be permitted to place a moveable table and chairs and a four-spoke tent bearing the PROSE® Marks or such other

similar impermanent structure (a "Kiosk") in a mutually agreeable location on the Premises, which location must be easily visible by and accessible to customers coming and going from the Salon and must be in a high pedestrian traffic location of the Premises. Lessee may set up a Kiosk for use in connection with promotions throughout the term of the Lease. The location of the Kiosk shall be agreed upon prior to execution of the Lease.

9. The Lessor consents to Franchisee's use of the required colors, dimensions, and design for the "PROSE®" trade name and logo that Franchisee is required to use on the Leased premises' exterior and interior signs.

10. Franchisee is prohibited from subletting or assigning (except to Franchisor) all or any part of Franchisee's occupancy rights under the Lease, extending the term of the Lease, or renewing the Lease without Franchisor's prior written consent.

11. Franchisor or its appointed representatives have the right to enter the Leased premises to make any modification necessary to protect Franchisor's trademarks or to cure any default under the Franchise Agreement or the Lease.

12. The Lessor shall give written notice to Franchisor (concurrently with the giving of such notice to Lessee), of any default by Lessee under the Lease and Franchisor shall have, after expiration of the period during which Lessee may cure such default, an additional thirty (30) days to cure, at its sole option, any such default.

13. All notices to be given under the Lease shall be in writing and delivered personally or deposited in the United States Mail, certified or registered mail with return receipt requested, postage prepaid, addressed as follows:

Lessor: _____
_____
_____
_____

Lessee: _____
_____
_____
_____

Franchisor: PROSE Franchising, LLC
Attention: Nate McFarland
4250 North Drinkwater Blvd., #300
Scottsdale, AZ 85251

or to such other person or such other address designated by notice sent by Lessor, Lessee, or Franchisor. Notice delivered personally shall be effective upon delivery and notice by mail shall be deemed to be effective on the second day following the date on which the notice was deposited in the United States Mail as provided in this Paragraph.

14. In the event of any conflict between this Addendum and the Lease, the terms and conditions of this Addendum shall supersede and control.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first above written.

LESSOR:

_____

By: _____

Printed Name: _____

Title: _____

Date: _____

LESSEE:

_____

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISOR:
PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Name: Nate McFarland
Title: CEO

Date: _____

EXHIBIT H TO THE FRANCHISE AGREEMENT
FORM OF FRANCHISE COMPLIANCE CERTIFICATION

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. **Do not sign or date this Certification the same day as the Receipt for the Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement**. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. You had your first face-to-face meeting with our representative on: _____, 20___.

2. Have you received and personally reviewed our Franchise Agreement and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

   Yes _____ No____

3. Did you receive the Franchise Agreement and each related agreement, containing all material terms, at least 7 days before signing any binding agreement with us or an affiliate?*

   Yes _____ No____

   * This does not include changes to any agreement arising out of negotiations you initiated with us.

4. Do you understand all of the information contained in the Franchise Agreement and each Addendum (if any) and related agreement provided to you?

   Yes _____ No____

   If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

_____

_____

5. Have you received and personally reviewed our Disclosure Document ("**FDD**") that was provided to you?

   Yes _____ No____

6. Did you receive the FDD at least 14 days before signing the Franchise, this document or any related agreement, or before paying any funds to us or an affiliate?

   Yes _____ No____

7. Did you sign a receipt for the FDD indicating the date you received it?

   Yes _____ No____

8. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

   Yes _____ No____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

_____

_____

9. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?

Yes _____ No____

10. Have you discussed the benefits and risks of purchasing a PROSE® Salon franchise with an attorney, accountant or other professional advisor?

Yes _____ No____

If No, do you wish to have more time to do so?

Yes _____ No____

11 Do you understand that the success or failure of your PROSE® Salon franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes _____ No____

12 Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a PROSE® Salon franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes _____ No____

13 Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a PROSE® Salon franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes _____ No____

14. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a PROSE® Salon franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes _____ No____

15. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No____

16. If you have answered "Yes" to any one of questions 12-15, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

_____

_____

17. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the PROSE® Salon franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?*

Yes _____ No____

* Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

18. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes _____ No____

19. You signed the Franchise Agreement and Addendum (if any) and related agreements on _____, 20___, and acknowledge that no agreement or addendum is effective until signed and dated by us.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below for the "**Franchisee Applicant**" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

_____
Signature_____
Printed Name_____
Date:_____

_____
Signature_____
Printed Name_____
Date:_____

EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT
DEPOSIT RECEIPT

DEPOSIT RECEIPT LETTER

By this Receipt, PROSE Franchising LLC acknowledges that it has received a fully refundable deposit of $9,500.00 (U.S.D.) from:

Name: _____

Address: _____

_____

together with an application for a PROSE Franchise license.

We've reviewed your application within our offices and would be pleased to move forward, including assisting you to locate and lease a suitable site for your new PROSE Franchise.

The deposit you paid will, at the time of signing your Franchise Agreement, be credited to the remainder of the franchise fee. In the event that you or we decide not to accept the Franchise Agreement for any reason, your deposit will be fully refunded within 30 days of such determination.

Thank you for your sincere interest in purchasing a PROSE Franchise. We believe we have assembled the best support team and system in our industry. We look forward to proving this to you and welcoming you into the PROSE franchise family.

Sincerely,

PROSE Franchising LLC

PROSE CANDIDATE:

By: _____

_____ _____

Signature

_____

Date

EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT

MULTI-SITE DEVELOPMENT AGREEMENT AND EXHIBITS

MULTI-SITE DEVELOPMENT AGREEMENT

Between

PROSE FRANCHISING, LLC

And

_____

Table of Contents

ARTICLE 1: GRANT OF DEVELOPMENT RIGHTS....2
ARTICLE 2: DEVELOPER'S DEVELOPMENT OBLIGATIONS....3
ARTICLE 3: SITE SELECTION TERRITORY....4
ARTICLE 4: TERM OF MULTI-SITE DEVELOPMENT AGREEMENT....4
ARTICLE 5: PAYMENTS BY DEVELOPER....4
ARTICLE 6: EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS....5
ARTICLE 7: DEVELOPER OWNERSHIP....6
ARTICLE 8: ASSIGNMENT; RIGHT OF FIRST REFUSAL....7
ARTICLE 9: CONFIDENTIALITY AND NON-COMPETITION....7
ARTICLE 10: TERMINATION....9
ARTICLE 11: DISPUTE RESOLUTION....11
ARTICLE 12: GENERAL CONDITIONS AND PROVISIONS....13
ARTICLE 13: ACKNOWLEDGMENTS....16
ARTICLE 14: SUBMISSION OF AGREEMENT....17

EXHIBITS

A. Site Selection Territory
B. Minimum Development Obligations
C. Ownership Interest
D. Guaranty
E. Development Amendment to Franchise Agreement

MULTI-SITE DEVELOPMENT AGREEMENT

THIS MULTI-SITE DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into this _____ day of _____, 20____ (the "**Effective Date**"), between PROSE FRANCHISING, LLC, an Arizona limited liability company, with its principal office at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251 ("**Franchisor**") and _____, whose principal address is_____("**Developer**").

RECITALS

WHEREAS, Franchisor is the sole and exclusive owner of the right to license a proprietary system for the establishment and operation of a **PROSE® Salon**, which is a healthy and enriching hand and foot care brand offering an unparalleled experience that delivers transformative hand and foot services through its cutting-edge salon design, world-class products and personalized approach under the trade name and trademark PROSE® (the "**PROSE® System**"). The PROSE® System includes, among other things, the following elements, all or some of which may be deleted, changed, improved or further developed by Franchisor from time to time:

Plans and specifications for distinctive standardized premises, featuring characteristic exterior style, colors and design, interior design and furnishing, equipment, layout, exterior signage, and marketing techniques and materials;

A uniform method of operating, which is described in the System Standards Manual;

Distinctive and characteristic trade names, trade dress, trademarks and service marks, including, but not limited to: "PROSE®" (the "**Trademarks**" or "**Marks**"), signs, designs, color schemes, standardized premises featuring characteristic exterior style, colors, and design, interior design and furnishings and equipment layout, and emblems as Franchisor designates in the System Standards Manual or otherwise in writing or as prescribed for use with the PROSE® System and as may from time to time be developed;

Systems and procedures necessary to operate a franchised business; and

Such exclusive confidential information and trade secrets as has been and may from time to time be developed, and which are disclosed by Franchisor to its franchisees in confidence in connection with the construction and operation of a PROSE® Salon.

WHEREAS, Franchisor desires to expand and develop its franchise business, and seeks sophisticated and efficient multi-unit developers willing to develop numerous PROSE® Salons within designated areas.

WHEREAS, Developer desires to be granted the opportunity, subject to the terms and conditions of this Agreement, to develop franchised PROSE® Salons in a limited geographic area for each Salon, each more particularly described in Exhibit A hereto ("**Site Selection Territories**").

WHEREAS, Franchisor is willing to grant Developer the opportunity to develop PROSE® Salons in a Site Selection Territory for each Salon, subject to the terms and conditions of this Agreement. The operation of each PROSE® Salon will be governed by a separate Franchise Agreement.

WHEREAS, Developer understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations, and service and the necessity of developing PROSE® Salons in strict conformity with this Agreement, the Franchise Agreements for each PROSE® Salon location and Franchisor's system standards and specifications.

NOW, THEREFORE, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows:

ARTICLE 1: GRANT OF DEVELOPMENT RIGHTS

1.1 Grant of Development Rights

A. Subject to the provisions of this Agreement, Franchisor hereby grants to Developer, and Developer hereby accepts, the right and obligation to develop within the Site Selection Territories designated in Exhibit A to this Agreement the cumulative number of PROSE® Salons ("**Salon**" or "**Salons**") identified in Exhibit B to this Agreement during the term of this Agreement ("Development Term").

B. Upon the timely completion of the PROSE® Salons identified in Exhibit B to this Agreement (the "**Specified Salons**"), Franchisor may, in its sole discretion, grant Developer the right to develop and open such additional number of Salon(s) within Site Selection Territories ("**Additional Salon(s)**") as Developer may elect and as approved by Franchisor. Franchisor's decision to grant Developer the right to develop and open Additional Salon(s) shall be subject to the following conditions:

(i) Developer shall have timely opened all Specified Salons in accordance with the Development Schedule set forth in Exhibit B, without extension;

(ii) Developer shall not then be in default under this Agreement, the Franchise Agreement for each Salon, any other agreement involving the operation of a Salon, including any Lease, or any other agreement with Franchisor or its affiliates;

(iii) Developer demonstrates that it has the financial and managerial ability necessary, among other things, in Franchisor's reasonable judgment, to develop and operate Additional Salon(s);

(iv) The location(s) for such Additional Salon(s) is approved by Franchisor;

(v) Developer and Franchisor shall have agreed on the number of Additional Salon(s), the Site Selection Territory assigned to each Salon, and the time frame for opening such Additional Salon(s); and

(vi) Developer shall sign the then-current Franchise Agreement and additional agreements for such Additional Salon(s) as Franchisor shall then require.

1.2 Development Right Only

This Agreement is not a license or a franchise agreement. It does not give Developer the right to operate Salons or to use any part of the PROSE® System, or the Marks. In addition, this Agreement does not give Developer the right to license others to operate Salons or use any part of the PROSE® System or the Marks. This Agreement gives Developer the right to enter into Franchise Agreements for the operation of Salons at locations solely within the Site Selection Territory assigned to each Salon and approved by Franchisor. Each Salon developed pursuant to this Agreement shall be established and operated only in strict accordance with a separate Franchise Agreement. Developer's right to use any part of the PROSE® System or the Marks shall only be derived under a Franchise Agreement with Franchisor. Developer hereby acknowledges and agrees that the PROSE® System and the Marks are solely owned by and are the valuable property right of Franchisor and/or its affiliates. Any unauthorized use of the PROSE® System and the Marks shall constitute a material breach of this Agreement and an infringement of Franchisor's (and/or its affiliate's) rights in and to the PROSE® System and the Marks.

1.3 No Subfranchising by Developer

Developer shall not offer, sell, or negotiate the sale of "PROSE®" franchises to any third party, either in Developer's own name or in the name and on behalf of Franchisor, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Developer the right to do so.

1.4 Forms of Agreement

Developer acknowledges that, over time, Franchisor will enter into agreements with other developers and with franchisees that may contain provisions, conditions, and obligations that differ materially from those contained in this Agreement. The existence of different forms of agreements and the fact that Franchisor and other developers and franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

1.5 Reservation of Rights

Franchisor (on behalf of itself and its affiliates) retain all rights with respect to the PROSE® System, the Marks, and the sale of any products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate PROSE® Salons anywhere Franchisor considers appropriate, including within Developer's Site Selection Territories or in close proximity to Developer's PROSE® Salons; (b) offer and sell products and services anywhere Franchisor considers appropriate that are not part of the PROSE® System through any distribution method; (c) to operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or Competitive Business anywhere Franchisor considers appropriate including within Developer's Site Selection Territories or in close proximity to Developer's PROSE® Salons, and/or (d) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, products, including private-label products, components thereof or variations thereon, which now or in the future are a part of the PROSE® System, to any person or entity, anywhere Franchisor considers appropriate and from and/or to any location whatsoever or by means of any channel of distribution, including within Developer's Site Selection Territories or in close proximity to Developer's PROSE® Salons. Franchisor and its affiliates may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Developer further acknowledges and agrees that this Agreement confers no trade or marketing exclusivity in the Site Selection Territories on Developer, and Franchisor, its affiliates, subsidiaries, franchisees, and licensees may solicit, service, advertise and offer their products and services to any individual or entity, regardless of his/her or its geographic location, including within the Site Selection Territories or in close proximity to Franchisee's PROSE® Salons. Developer acknowledges and understands that Developer has no rights, including a right of compensation, with respect to any sales no matter when conducted.

ARTICLE 2: DEVELOPER'S DEVELOPMENT OBLIGATIONS

2.1 Minimum Development Obligation

During the Development Term, Developer shall timely develop, open and continuously operate within the each Site Selection Territories not less than the cumulative number of Salons set forth in Exhibit B (the "**Development Schedule**"). For each Salon to be developed during the Development Term, Developer shall have obtained Franchisor's prior written approval of the site at which Developer's Salons will be located, by the site approval date listed in the Development Schedule in the attached Exhibit B. Strict compliance with the Development Schedule is essential to this Agreement. Any failure by Developer in fulfilling its obligations to develop, open and continuously operate any Salon when required by the Development Schedule or to obtain site approval by the date specified in the Development Schedule (collectively, the "**Minimum Development Obligations**") shall constitute a material, non-curable breach of this Agreement permitting Franchisor to immediately terminate this Agreement by giving written notice of termination to Developer. Developer acknowledges that this Agreement may require Developer to pursue and develop multiple projects at the same time, and that time is of the essence with respect to Developer's development and opening of the Salons.

2.2 Force Majeure

Should Developer be unable to meet the Minimum Development Obligation solely as the result of Force Majeure, including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, without limitation, any legal disability of Franchisor to deliver a Franchise Disclosure Document pursuant to Section 6.2 of this Agreement), which result in the inability of Developer to construct or operate Salon(s) in the Site Selection Territories, and which Developer could not by the exercise of due diligence have avoided, the time periods in the Development Schedule shall be extended by the amount of time during which such Force Majeure shall exist and only as to those time periods affected by the Force Majeure. Developer's inability to obtain financing (regardless of the reason) shall not constitute Force Majeure under this Agreement.

Should Franchisor be unable to meet any of its obligations under this Agreement solely as the result of Force Majeure, including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, without limitation, any legal disability of Franchisor to deliver a Franchise Disclosure Document pursuant to Section 6.2 of this Agreement), the time for performance of such obligation shall be extended by the amount of time during which such Force Majeure shall exist.

The party whose performance is affected by an event of Force Majeure shall immediately give written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration.

ARTICLE 3: SITE SELECTION TERRITORY

3.1 Description of Site Selection Territory

The Site Selection Territories shall be the geographic areas described in Exhibit A to this Agreement. Developer may not change its Site Selection Territories without obtaining Franchisor's prior written approval, which may be withheld for any or no reason and in Franchisor's sole discretion.

ARTICLE 4: TERM OF MULTI-SITE DEVELOPMENT AGREEMENT

4.1 Development Term

This Agreement commences on the Effective Date and, unless otherwise extended by Franchisor in Franchisor's sole and absolute discretion, expires on the earlier of: (i) five (5) years from the Effective Date; or (ii) the opening of the last PROSE® Salon specified in the Development Schedule (the "**Term**"). This Agreement may be terminated before it expires in accordance with its terms. Upon expiration or termination of this Agreement, you will not have any further rights to acquire franchises to operate PROSE® Salons, but you may continue to develop, own and operate all existing PROSE® Salons subject to each applicable Franchise Agreement.

4.2 Renewal

Developer shall have no right to renew this Agreement.

ARTICLE 5: PAYMENTS BY DEVELOPER

5.1 Initial Franchise Fees for Specified Salons

Developer shall pay to Franchisor an Initial Franchise Fee of forty-five thousand and no/100 dollars ($45,000.00) for the first Specified Salon and thirty-five thousand and no/100 dollars ($35,000) for each additional Specified Salon. The Initial Franchise Fees for all Salons Developer agrees to develop is payable in full on the date this Agreement is signed. All Initial Franchise Fees are not refundable once paid.

ARTICLE 6: EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6.1 Site and Location Approval

Developer shall obtain Franchisor's approval of a proposed site and location ("**Location**") within the Site Selection Territories for each of its Salons in accordance with Franchisor's procedures ("**Site Approval**"). Upon identifying a proposed Location for construction of a Salon, Developer shall submit to Franchisor such information regarding the proposed Location as Franchisor shall require, as provided in its System Standards Manual or otherwise, together with the terms of any proposed Lease relating to the Location in accordance with Developer's obligations under each separate Franchise Agreement. Franchisor may seek such additional information as it deems necessary and Developer shall respond promptly to such request for additional information, including without limitation, Franchisor's request for a business plan demonstrating Developer's financial capability as provided in Section 6.3 below. If Franchisor does not approve the Location in writing within fifteen (15) business days, or within fifteen (15) business days after receipt of such additional information, whichever is later, the Location shall be deemed rejected. The Location must be within the Site Selection Territory assigned to the Salon being developed.

Developer is solely responsible for selecting a Location and Franchisor has the right to accept or reject a Location in its reasonable business judgment. Franchisor's Site Approval is not a representation, warranty or a promise by Franchisor of any kind that a Salon at an approved Location will achieve any certain level of sales volume or profitability. Similarly, Franchisor's approval of one or more locations and its refusal to approve other locations is not a representation or a promise that an approved location will have a higher sales volume or be more profitable than a location which Franchisor did not approve.

In addition, Franchisor assumes no liability or responsibility for: (1) evaluation of an approved Location site's soil for hazardous substances; (2) inspection of any structure on the approved Location site for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act ("**ADA**"); or (4) compliance with any other applicable law. It is the Developer's sole and exclusive responsibility to obtain satisfactory evidence and/or assurances that the approved Location (and any structures thereon) is free from environmental contamination and in compliance with the requirements of the ADA. Developer further acknowledges and agrees that neither this Agreement nor any Franchise Agreement for development and operation of a Salon within a Site Selection Territory or at any Location is based on Developer's own independent investigation of the suitability of Site Selection Territory or the Location, and that Franchisor cannot and does not guarantee the success or suitability of any Salon.

6.2 Execution of Franchise Agreements

Contemporaneous with the execution of this Agreement, Developer shall execute and deliver to Franchisor two copies of a Franchise Agreement and the Amendment to Franchise Agreement attached to this Agreement as Exhibit E for each Salon Developer has agreed to develop. Developer shall also remit to Franchisor the Initial Franchise Fees required pursuant to each Franchise Agreement or this Agreement, which Developer acknowledges are fully earned by Franchisor and non-refundable. Franchisor shall execute and return to Developer one copy of the Franchise Agreements after receipt of the Initial Franchise Fees. Developer shall procure the Location by purchase or Lease pursuant to the terms of each Franchise Agreement for the Specified Locations, and return one copy of the executed Lease or, if purchased, the deed evidencing Developer's right to occupy the approved Location. Developer shall then promptly commence construction and operation of the Specified Salon pursuant to the terms of the applicable Franchise Agreement.

6.3 Developer's Financial Responsibility and Business Plan

Developer assumes all cost, liability and expense for locating, obtaining and developing sites for Specified Salons and constructing and equipping Specified Salons in accordance with Franchisor's standards at approved locations. Developer shall not make any binding commitments to purchase or Lease a location until the location has been approved in writing by Franchisor.

Upon Franchisor's request, Developer shall submit to Franchisor a business plan outlining the actions that Developer will take to ensure the development and management of a proposed Specified Salon in accordance with Franchisor' standards and the applicable Franchise Agreement. In addition to a business plan, Developer shall submit to Franchisor, upon Franchisor's request, financial statements and other financial information sufficient to demonstrate to Franchisor in Franchisor's sole and absolute judgment, that Developer has adequate financial capabilities to properly develop and operate the proposed Specified Salon and fulfill its obligations under the applicable Franchise Agreement. Developer agrees to revise the business plan, and submit current financial statements as requested by Franchisor. Developer further agrees to implement any changes to Developer's business plan as approved or required by Franchisor. Notwithstanding anything herein to the contrary, Developer acknowledges and agrees that Franchisor may refuse to grant to Developer a franchise for a proposed Specified Salon if Developer does not meet Franchisor's then-current standards and qualifications for the grant of a new franchise, including without limitation, Developer's failure to demonstrate to Franchisor, in its sole and absolute judgment, that Developer is sufficiently capitalized and has sufficient financial resources to open and operate a Specified Salon in accordance with the applicable Franchise Agreement. Developer's approval or non-approval of Developer's business plan to develop and open a Specified Salon shall not constitute an express or implied assurance, representation or warranty as to the sales volume, profitability, cost and expenses of development of a Specified Salon, the success or profitability of Developer's business plan, or the sufficiency of Developer's financial resources. Developer agrees and acknowledges that there are many factors which may impact the implementation of Developer's business plan, and which may require Developer to change or adapt its business plan from time to time and Franchisor's approval or disapproval of Developer's business plan or financial capabilities indicates only Franchisor's minimum criteria for the development of a Specified Salon. Further Franchisor's approval or non-approval of a business plan is not predictive of the success, sufficiency or profitability of a business plan.

6.4 Condition Precedent to Franchisor's Obligations

It shall be a condition precedent to Franchisor's obligations pursuant to Sections 6.1 and 6.2, that Developer shall have performed all of its obligations under and pursuant to this Agreement, its Franchise Agreements for each Specified Salon and all other agreements between Developer and Franchisor or its affiliates.

ARTICLE 7: DEVELOPER OWNERSHIP

7.1 Representations

If Developer is a corporation, a limited liability company, a partnership or any other type of organization (collectively, "**business entity**"), Developer makes the following representations and warranties: (1) it is duly organized and validly existing under the laws of the state of its formation; (2) it is qualified to do business in the state in which the Site Selection Territories are located; (3) execution of this Agreement, the Franchise Agreements and the development and operation of Salons are permitted by its governing documents; and (4) Developer's Articles of Incorporation, Articles of Organization, written partnership agreement or other organizational or governing documents shall at all times provide that the activities of Developer are limited exclusively to the development and operation of franchised PROSE® Salons.

7.2 Governing Documents, Records and Requirements

Developer shall comply with the corporate and partnership franchisee requirements set forth in the applicable Franchise Agreement(s).

7.3 Ownership Interests

If Developer is a business entity, all interests in Developer shall be owned as set forth in attached Exhibit C. Developer represents and warrants that its ownership interests and/or share structure and initial capitalization are as set forth on Exhibit C and Developer further covenants that it will not vary from the ownership interests and/or corporate structure without the prior written approval of Franchisor. If Developer is a corporation, Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation (and the number of shares owned by each). If

Developer is a limited liability company, Developer shall maintain a current list of all members (and the percentage membership interest in the partnership (and the percentage ownership of each owner). Developer shall comply with Article 8 of this Agreement prior to any change in ownership interest and shall execute addenda to Exhibit C as changes occur to ensure the information contained in Exhibit C is true, accurate and complete at all times.

7.4 Guaranty

If Developer is a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law, then all owners of Developer shall execute an agreement in substantially the same form as attached hereto as Exhibit D with Franchisor under which the owners of Developer agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future owner of Developer must agree in writing to personally guarantee the performance of Developer's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Agreement and any other agreements between Developer and Franchisor.

ARTICLE 8: ASSIGNMENT; RIGHT OF FIRST REFUSAL

8.1 Assignment by Franchisor

Franchisor shall have the unlimited right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity at any time.

8.2 Assignment by Developer

Developer acknowledges that this Agreement is personal to Developer and non-assignable. Any assignment by Developer of this Agreement shall be null and void and of no force or effect.

ARTICLE 9: CONFIDENTIALITY AND NON-COMPETITION

9.1 Confidential Information

Developer agrees that it will never, during the Term of this Agreement or at any time after this Agreement expires or terminates, divulge or use any Confidential Information (as defined below) for the benefit of any other persons, partnership, proprietorship, association, corporation or entity. "**Confidential Information**" means knowledge, trade secrets or know-how concerning the systems of operation, programs, products, services, customers or practices of Franchisor or the PROSE® System. Confidential Information includes (without limitation) all information, knowledge and expertise regarding the PROSE® System (also referred to as "**know-how**"), techniques and information which Franchisor, its affiliates, or their officers, designate as confidential. Confidential Information will not, however, include information which Developer can demonstrate came to its attention before Franchisor disclosed it to it or which, at or after the time of disclosure, has become public through publication or communication by others, but not through any act of Developer.

Except as authorized in this Agreement, Developer agrees never to copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing the Confidential Information in whole or in part; store it in a computer, data base or other electronic format; or, otherwise make it available to any third party. Upon the expiration or termination of this Agreement, unless subject to the provisions of a Franchise Agreement, Developer agrees to return to Franchisor all Confidential Information, including all materials, books, records, software and manuals considered confidential under this Agreement in Developer's possession.

9.2 In-Term Covenant Not to Compete

Developer agrees that during the Term of this Agreement, it will not directly or indirectly engage in any other business which is similar to the business of the Specified Salons being developed hereunder or, which

offers or sells any product, service or component which now or in the future is part of the PROSE® System, or any similar product or service (a "**Competitive Business**").

Developer is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant ("**Restricted Parties**"). In addition, Developer agrees not to divert any business that should be handled by the Specified Salons to any other entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent Developer from owning for investment purposes up to an aggregate of five percent (5%) of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, and so long as Developer does not control the company in question.

Further, during the Term of this Agreement, and for two (2) years after the termination or expiration of this Agreement for any reason, Developer agrees not to solicit or hire former or present personnel of Franchisor, its affiliates or of any other PROSE® franchisee or developer. If Developer is a Business Entity, Developer agrees to cause its shareholders, members, partners or proprietors, and its directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

9.3 Post-Term Covenant Not to Compete

During the two (2) year period after the expiration or sooner termination of this Agreement, neither Developer nor any of the other Restricted Parties may directly or indirectly:

1. Solicit or otherwise attempt to induce (by combining or conspiring with, or attempting to do so), or influence in any other manner any of Franchisor's franchisees or developers to terminate or modify his, her or its business relationship with Franchisor or to compete with Franchisor;

2. As owner, officer, director, employee, agent, lender, lessor, broker, consultant, franchisor, franchisee, or in any other similar capacity whatsoever be connected in any manner with the ownership, management, operation, control, or conduct of a Competitive Business within a fifty (50) mile radius of the Site Selection Territories; and

3. In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the PROSE® System, Franchisor's business or the business of Franchisor's affiliates, developers, or franchisees.

9.4 Developer's Acknowledgments Concerning Covenants

Developer agrees and acknowledges that this Article 9 limits Developer's right to compete only to the extent necessary to protect Franchisor from unfair competition. Developer and each of the other Restricted Parties acknowledge and confirm that the scope of activities prohibited in this Article 9, as well as the length of the term and geographical restrictions contained therein, are necessary to protect Franchisor's legitimate business interests and are fair and reasonable and not the result of overreaching, duress, or coercion of any kind. Developer and the other Restricted Parties each agree that the restrictions set forth in Article 9 will not impair Developer or any of the Restricted Parties' ability to obtain employment commensurate with its abilities and on terms fully acceptable to it or otherwise to obtain income required for the comfortable support of itself and its family, and the satisfaction of the needs of its creditors.

9.5 Lesser Included Covenants Enforceable At Law

The parties hereby expressly agree that if the scope or enforceability of this Article 9 is disputed at any time by Developer, a court of competent jurisdiction may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under applicable law, and shall not by

necessity invalidate the entire covenants. In addition, Franchisor reserves the right to reduce the scope of either, or both, of said provisions without Developer's consent, at any time or times, effective immediately upon notice to Developer. Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement.

9.6 Enforcement of Covenants Not To Compete

Developer acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Developer consents to the entry of an injunction prohibiting any conduct by Developer in violation of the terms of the covenants not to compete set forth in this Agreement. Developer expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Developer's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Developer expressly agrees that any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Developer agrees to pay all costs and expenses, including reasonable attorneys' and experts' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

ARTICLE 10: TERMINATION

10.1 Termination Pursuant to a Material Breach of this Agreement

This Agreement may be terminated by Franchisor for cause without notice or opportunity to cure, except for such notice and cure period as may be required by law. In addition to any of the grounds for termination that may be stated elsewhere in this Agreement, Franchisor may terminate this Agreement, and the rights granted by this Agreement, upon written notice to Developer without an opportunity to cure upon the occurrence of any of the following events:

1. Developer omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement;
2. Any attempt by Developer to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement;
3. Developer is insolvent or is unable to pay its creditors (including Franchisor or its affiliates); files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Developer a petition in bankruptcy, an arrangement for the benefit of credits or petition for reorganization, which is not dismissed within sixty (60) days of the filing; Developer makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Developer and not dismissed within sixty (60) days of the appointment;
4. Franchisor and Developer agree in writing to terminate this Agreement;
5. Failure of Developer to meet the Minimum Development Obligations within the time periods specified in the Development Schedule set forth herein;
6. Failure of Developer, at any time during the Development Term, to have open and continuously operating the number of Specified Salons required by the Development Schedule; Failure of Developer to obtain Franchisor's written approval of a Location by the applicable date required by the Development Schedule;
7. Failure of Developer to open any of the Specified Salons by the applicable date required by the Development Schedule;

8. Developer begins construction of a Specified Salon without obtaining Franchisor's prior written approval of the Location;

9. Execution is levied against Developer's business or property(ies); suit to foreclose any lien or mortgage against the premises or equipment of any of Developer's Salons is instituted against Developer and is not dismissed within sixty (60) days; or the real or personal property of the Salon shall be sold after levy thereupon by any sheriff, marshal or constable;

10. Developer (or, if Developer is a corporation, partnership, proprietorship or other entity, any principal, owner, member, officer or director of Developer) is convicted of, or pleads no contest to, a felony charge, a crime involving moral turpitude; or any crime or offense that is reasonably likely, in the sole subjective opinion of Franchisor, to adversely affect Franchisor, its affiliates and the PROSE® System;

11. Developer (or, if Developer is a corporation, partnership, proprietorship or other entity, any principal, owner, member, officer or director of Developer) does any act that Franchisor believes in its reasonable business judgment has a negative impact on the Marks or the PROSE® System;

12. Developer interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, developers, customers, employees, advertising agencies or any third parties;

13. Developer interferes or attempts to interfere with Franchisor's ability or right to franchise or license others to use and employ Franchisor's Marks and System or Developer makes any use of the Marks not authorized under this Agreement or the Franchise Agreements;

14. Developer remains in default beyond the applicable cure period: (a) under the Franchise Agreements or any other agreement with Franchisor or its affiliates; (b) under any real estate Lease, equipment Lease or financing instrument relating to one of Developer's Specified Salons; or (c) with any vendor or supplier to one of Developer's Specified Salons;

15. Any of the individual Franchise Agreements or any other agreement between Developer and Franchisor is terminated; or

16. Developer and the Restricted Parties breach their obligations under Article 9 of this Agreement, or any other provisions related to Confidential Information and non-competition by Developer.

10.2 Termination by Franchisor - Thirty Days to Cure

Except as provided above and in Section 10.1, Developer will have thirty (30) calendar days after its receipt from Franchisor of a written Notice of Default to remedy any default under this Agreement, not specified in the preceding section and to provide evidence that it has done so to Franchisor. If Developer has not cured any default within that time (or, if appropriate, Developer has not initiated action to cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the thirty (30) day period, or any longer period required by applicable law.

All Notices of Default and Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Developer upon delivery or first attempted delivery of the notice to Developer's address set forth in Section 12.11 herein below.

10.3 Cross Default

Any default or breach by Developer of any other agreement between Franchisor or its affiliates and Developer will be deemed a default under this Agreement, and any default or breach of this Agreement by Developer will be deemed a default or breach under any and all other agreements between Franchisor and Developer. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Developer in the same manner provided for in this Agreement for termination of this Agreement. Developer will be given the same opportunity to cure defaults under any other agreement between Franchisor or its affiliates and Developer as Developer has under this Agreement.

10.4 Notice Required By Law

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

10.5 Effect of Termination

Upon the expiration of the Development Term, or upon the prior termination of this Agreement, Developer shall have no further right to construct, equip, own, open or operate additional PROSE® Salons which are not, at the time of such termination or expiration, open and operating pursuant to the terms of a Franchise Agreement between Developer and Franchisor which is in full force and effect, and Franchisor may itself construct, equip, develop, open, own or operate, or license others to construct, equip, develop, open, own or operate PROSE® Salons in the Site Selection Territories.

Developer shall immediately pay to Franchisor upon termination or expiration of this Agreement any amounts owed by Developer to Franchisor or its affiliates which are then unpaid plus any accrued interest.

ARTICLE 11: DISPUTE RESOLUTION

11.1 Enforcement Costs

Franchisor will be entitled to recover from Developer reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Franchisor prevails in any action instituted against Developer to secure or protect Franchisor's rights under this Agreement, or to enforce the terms of this Agreement.

11.2 Attorneys' Fees

If Franchisor becomes a party to any action or proceeding concerning this Agreement, the development of the Salons, or the Salons due to any act or omission of Developer or its authorized representatives and not to any act or omission of Franchisor or its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding with respect to Developer or the Salons, then Developer will be liable to Franchisor for the reasonable attorneys' fees, experts' fees and court costs incurred by Franchisor in the action or proceeding, regardless of whether the action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Developer.

11.3 Governing Law

This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Arizona without recourse to Arizona choice of law or conflicts of law principles. Nothing in this Section is intended to invoke the application of any franchise or similar law, rule or regulation of the State of Arizona or any other state, which would not otherwise apply.

11.4 Venue and Jurisdiction

Any litigation arising out of or related to this Agreement, any breach of this Agreement, the relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, shall be instituted exclusively in a court of competent jurisdiction in Maricopa County, Arizona. The parties irrevocably and unconditionally consent to the jurisdiction of such court in any suit, action, or proceeding and waive any objection that he, she or it may have to the laying of venue of any such suit, action, or proceeding in any of such courts.

11.5 Waiver of Jury Trial/Class Action

All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for any claims arising out of this Agreement, whether now existing or arising in the future.

The parties agree that any litigation arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees, multi-unit developers, or area developers. Franchisee agrees not to join or attempt to join other franchisees, area developers, or other third parties in any litigation or litigation proceeding and to refrain from participating in any "class action" litigation or arbitration proposed or asserted by one or more other franchisees.

11.6 Punitive Damages

In no event will Franchisor be liable to Developer for punitive, special, or exemplary damages in any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement. In any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement, Developer shall be limited to recovering its actual damages only.

11.7 Indemnity by Developer

Developer hereby agrees to protect, defend and indemnify Franchisor, and all of its past, present and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Developer's development and operation of the franchised PROSE® Salons pursuant hereto.

11.8 No Consequential Damages for Legal Incapacity

Franchisor shall not be liable to Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Developer by reason of any delay in the delivery of Franchisor's FDD caused by legal incapacity during the Development Term, or other conduct not due to the gross negligence or malfeasance of Franchisor. Such incapacity shall not be a default by Franchisor under this Agreement.

11.9 Joint and Several Liability

If Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

11.10 Remedies Cumulative

Except as otherwise expressly provided in this Agreement, no remedy in this Agreement conferred upon any party is intended to be exclusive of any other remedy. Each and every such remedy is cumulative and is in addition to every other remedy given under this Agreement or, subject to any choice of law provided in this Agreement, now or later existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power, or remedy under this Agreement precludes any other or further exercise of such right, power, or remedy.

11.11 Franchisor's Withholding of Consent; Developer's Exclusive Remedy

In no event may Developer make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval to a proposed act by Developer under the terms of this Agreement. Developer waives any such claim for damages. Developer may not claim any such damages by way of setoff, counterclaim or defense. Developer's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

ARTICLE 12: GENERAL CONDITIONS AND PROVISIONS

12.1 Relationship of Developer and Franchisor

This Agreement does not create a fiduciary or other special relationship between the parties. No agency, employment, joint venture, or partnership is created or implied by the terms of this Agreement. It is expressly agreed that Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Developer agrees that he will not hold himself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Developer shall be the employees of Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Developer shall not issue any press releases without the prior written approval of Franchisor.

The sole relationship between Developer and Franchisor is a commercial, arms' length business relationship and there are no third-party beneficiaries to this Agreement. Developer's business is, and shall be kept, totally separate and apart from any that may be operated by Franchisor. In all public records, in relationships with other persons, and on letterheads and business forms, Developer shall indicate its independent ownership of Developer's Salons and that Developer is solely an independent contractor.

12.2 Variations

Franchisor has the right, in its sole discretion, to waive, or permit variations from the standards of the PROSE® System or any applicable agreement to any developer, franchisee, prospective developer or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. Franchisor has the right, in its sole discretion, to deny any such request Franchisor believes would not be in the best interest of the PROSE® System.

12.3 Waiver and Delay

No waiver or delay by Franchisor in Franchisor's enforcement of any breach of any term, covenant or condition of this Agreement by Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any separate Franchise Agreement between Franchisor and Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Salons) or to insist upon strict compliance with or performance of Developer's obligations under this Agreement or any separate Franchise Agreements between Franchisor and Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Salons), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

12.4 Survival

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement.

12.5 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

12.6 Third Parties

Except as provided in this Agreement to the contrary with respect to any affiliates of Franchisor, nothing in this Agreement, whether express or implied, confers any rights or remedies under or by reason of this Agreement on any persons (including other PROSE® franchisees) other than the parties and their respective personal or legal representatives, heirs, successors, and permitted assigns. Further, except as provided in this Agreement to the contrary with respect to any designee of Franchisor, nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement. Nor does any provision give any third persons any right of subrogation or action over or against any party to this Agreement.

12.7 Integration of Agreement

This Agreement and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Developer acknowledges that it is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of its own independent investigation of the franchised Salons and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, independent contractors or other PROSE® franchisees which are contrary to the terms set forth in this Agreement or of any offering circular, prospectus, disclosure document or other similar document required or permitted to be given to Developer pursuant to applicable law.

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Developer expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to the terms in this Agreement. Developer understands and assumes the business risks inherent in this enterprise.

Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Developer.

12.8 Construction and Interpretation; Further Acts

The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Developer. It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid. Since the words "Franchisor" and "Developer" in this Agreement may be applicable to one or more parties, the singular will include the plural, and the masculine will include the feminine and neuter. If more than one party or person is referred to as "Developer" under this Agreement, then their obligations and liabilities under this Agreement will be joint and several. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

Each reference in this Agreement to a corporation or partnership will also refer to a limited liability company and any other entity or similar organization. Each reference to the organizational documents, shareholders, directors, officers and stock of a corporation in this Agreement will also refer to the functional equivalents of the organizational documents, shareholders, directors, officers and voting rights, as applicable, in the case of a limited liability company or any other entity or similar organization.

12.9 Severability

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) unreasonable, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

12.10 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

12.11 Notices

Any notice required or permitted to be given under this Agreement shall be in writing; shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by overnight mail or by facsimile (e-mail) transmission; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor shall be addressed to Franchisor at:

PROSE FRANCHISING, LLC
Attn: Nate McFarland
4250 North Drinkwater Blvd., #300
Scottsdale, AZ 85251

Notice to Developer shall be addressed to Developer at:

_____
_____
_____
_____

Either party to this Agreement may, in writing, on ten days' notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

ARTICLE 13: ACKNOWLEDGMENTS

DEVELOPER ACKNOWLEDGES, WARRANTS AND REPRESENTS TO FRANCHISOR THAT:

NO REPRESENTATION HAS BEEN MADE BY FRANCHISOR (OR ANY EMPLOYEE, AGENT OR SALESPERSON OF FRANCHISOR) AND RELIED ON BY DEVELOPER AS TO THE FUTURE OR PAST INCOME, EXPENSES, SALES VOLUME OR POTENTIAL PROFITABILITY, EARNINGS OR INCOME OF THE SPECIFIED SALONS, OR ANY OTHER PROSE® SALON.

Initials_____

NO REPRESENTATION OR STATEMENT HAS BEEN MADE BY FRANCHISOR (OR ANY EMPLOYEE, AGENT OR SALESPERSON OF FRANCHISOR) AND RELIED ON BY DEVELOPER REGARDING THE ANTICIPATED INCOME, EARNINGS AND GROWTH OF FRANCHISOR OR THE PROSE® SYSTEM, OR THE VIABILITY OF THE BUSINESS OPPORTUNITY BEING OFFERED UNDER THIS AGREEMENT OR SEPARATE FRANCHISE AGREEMENT.

Initials_____

BEFORE EXECUTING THIS AGREEMENT, DEVELOPER HAS HAD THE OPPORTUNITY TO CONTACT ALL EXISTING FRANCHISEES OF FRANCHISOR.

Initials_____

DEVELOPER HAS HAD THE OPPORTUNITY TO INDEPENDENTLY INVESTIGATE, ANALYZE AND CONSTRUE BOTH THE BUSINESS OPPORTUNITY BEING OFFERED UNDER THIS AGREEMENT, AND THE TERMS AND PROVISIONS OF THIS AGREEMENT, USING THE SERVICES OF LEGAL COUNSEL, ACCOUNTANTS OR OTHER ADVISERS (IF DEVELOPER SO ELECTS) OF ITS OWN CHOOSING. DEVELOPER HAS BEEN ADVISED TO CONSULT WITH ITS OWN ADVISERS WITH RESPECT TO THE LEGAL, FINANCIAL AND OTHER ASPECTS OF THIS AGREEMENT, THE SPECIFIED SALONS, AND THE PROSPECTS FOR THE SPECIFIED SALONS. DEVELOPER HAS EITHER CONSULTED WITH THESE ADVISORS OR HAS DELIBERATELY DECLINED TO DO SO.

Initials_____

DEVELOPER HAS RECEIVED FROM FRANCHISOR A COPY OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE DEVELOPMENT RIGHTS GRANTED BY THIS AGREEMENT AND THE FRANCHISE, AT LEAST FOURTEEN CALENDAR DAYS BEFORE THE EXECUTION OF THIS AGREEMENT OR AT LEAST FOURTEEN CALENDAR DAYS BEFORE THE PAYMENT BY DEVELOPER TO FRANCHISOR OF ANY CONSIDERATION IN CONNECTION WITH THE SALE OR PROPOSED SALE OF THE DEVELOPMENT RIGHTS GRANTED BY THIS AGREEMENT.

Initials_____

NO REPRESENTATION OR STATEMENT HAS BEEN MADE BY FRANCHISOR (OR ANY EMPLOYEE, AGENT OR SALESPERSON OF FRANCHISOR) AND RELIED ON BY DEVELOPER REGARDING DEVELOPER'S ABILITY TO PROCURE ANY REQUIRED LICENSE OR PERMIT THAT MAY BE NECESSARY TO THE OFFERING OF ONE OR MORE OF THE SERVICES CONTEMPLATED TO BE OFFERED BY THE SPECIFIED SALONS.

Initials_____

THE COVENANTS NOT TO COMPETE SET FORTH IN THIS AGREEMENT ARE FAIR AND REASONABLE, AND WILL NOT IMPOSE ANY UNDUE HARDSHIP ON DEVELOPER, SINCE DEVELOPER HAS OTHER CONSIDERABLE SKILLS, EXPERIENCE AND EDUCATION WHICH AFFORD DEVELOPER THE OPPORTUNITY TO DERIVE INCOME FROM OTHER ENDEAVORS.

Initials_____

DEVELOPER AFFIRMS THAT ALL INFORMATION SET FORTH IN ALL APPLICATIONS, FINANCIAL STATEMENTS AND SUBMISSIONS TO FRANCHISOR IS TRUE, COMPLETE AND ACCURATE IN ALL RESPECTS, AND DEVELOPER EXPRESSLY ACKNOWLEDGES THAT FRANCHISOR IS RELYING ON THE TRUTHFULNESS, COMPLETENESS AND ACCURACY OF THIS INFORMATION.

Initials_____

*Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

ARTICLE 14: SUBMISSION OF AGREEMENT

The submission of this Agreement does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by Franchisor and Developer. The date of execution by Franchisor will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR.

DEVELOPER ACKNOWLEDGES THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO IT OTHER THAN THOSE SET FORTH IN FRANCHISOR'S DISCLOSURE DOCUMENT, AND THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO DEVELOPER, DEVELOPER IS NOT RELYING ON THEM.

DEVELOPER HAS READ ALL OF THE FOREGOING AGREEMENT AND ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

INTENDING TO BE LEGALLY BOUND, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR:
PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Printed Name: Nate McFarland
Title: CEO

Date: _____

DEVELOPER:
_____

By: _____
Printed Name: _____
Title: _____

Date: _____

EXHIBIT A TO MULTI-SITE DEVELOPMENT AGREEMENT

SITE SELECTION TERRITORIES

The Site Selection Territories consists of the following geographical area, as defined by the following boundaries as of the date of execution of this Agreement.

Salon	**Site Selection Territory**
Salon 1	
Salon 2	
Salon 3	
Salon 4	
Salon 5	

FRANCHISOR:
PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Printed Name: Nate McFarland
Title: CEO

Date: _____

DEVELOPER:
_____

By: _____
Printed Name: _____
Title: _____

Date: _____

EXHIBIT B TO MULTI-SITE DEVELOPMENT AGREEMENT

MINIMUM DEVELOPMENT OBLIGATIONS

Cumulative Number of Salons to be in Operation	Commencement Date	Site Approval Date	Opening Date

FRANCHISOR:
PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Printed Name: Nate McFarland
Title: CEO

Date: _____

DEVELOPER:
_____

By: _____
Printed Name: _____
Title: _____

Date: _____

EXHIBIT C TO MULTI-SITE DEVELOPMENT AGREEMENT

OWNERSHIP ADDENDUM TO MULTI-SITE DEVELOPMENT AGREEMENT

1. If Developer is a corporation, limited liability company or partnership, set forth below are the names and addresses of each shareholder, member or partner in Developer:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENT INTEREST

2. Developer shall notify Franchisor in writing within ten (10) days of any change in the information set forth above.

3. Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer.

4. Developer shall cause all of its current and future shareholders, members and partners to execute Franchisor's standard form of Guaranty.

This Addendum is effective as of this_____day of_____, 20___.

DEVELOPER:

_____

By: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT D TO MULTI-SITE DEVELOPMENT AGREEMENT

GUARANTY

In consideration of the execution by PROSE FRANCHISING, LLC ("**Franchisor**") of the Multi-Site Development Agreement (the "**Development Agreement**"), dated the _____ day of _____, 20____, between Franchisor and _____("**Developer**") and for other good and valuable consideration, including Franchisor's execution of or consent to the transfer of the Development Agreement, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Development Agreement and in any other agreement(s) by and between Developer and Franchisor.

If more than one (1) person has executed this Guaranty, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Development Agreement and any other agreement(s) by and between Developer and Franchisor, and agree that this Guaranty shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Development Agreement and any other agreement(s) by and between Developer and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the Development Agreement may be amended, compromised, released or otherwise altered by Franchisor and Developer, and the undersigned do guarantee and promise to perform all the obligations of Developer under the Development Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Development Agreement may be released, substituted or added; (c) any right or remedy under the Development Agreement, this Guaranty or any other instrument or agreement between Franchisor and Developer may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Developer, any of the undersigned, any party to the Development Agreement or any other person.

Should Developer be in breach or default under the Development Agreement or any other agreement(s) by and between Developer and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Developer and without proceeding against or naming in such suit any other Developer, signatory to the Development Agreement or any others of the undersigned.

Notice to or demand upon Developer or any of the undersigned shall be deemed notice to or demand upon Developer and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Developer or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Development Agreement, or under any other agreement(s) between Franchisor and Developer, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Development Agreement or any other agreement(s) by and between Developer and Franchisor, shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty shall inure to the benefit of the Franchisor, its successors and assigns. This Guaranty may be

assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

Should any one (1) or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty effective as of the date of the Development Agreement.

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

Date: _____ Signature: _____

Printed Name: _____

EXHIBIT E TO MULTI-SITE DEVELOPMENT AGREEMENT

DEVELOPMENT AMENDMENT TO FRANCHISE AGREEMENT

THIS DEVELOPMENT AMENDMENT TO FRANCHISE AGREEMENT ("Amendment") dated for reference purposes this ____ day of _____, 20___ ("Effective Date"), between PROSE FRANCHISING, LLC, an Arizona limited liability company, with its principal office at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251 ("**Franchisor**") and _____, whose principal address is _____ ("**Franchisee**") amends that certain Franchise Agreement dated _____ by and between Franchisor and Franchisee ("**Franchise Agreement**") for the development of a PROSE® Salon in the Site Selection Territory identified as: _____.

RECITALS

WHEREAS, Franchisor and Franchisee entered into that certain Multi-Site Development Agreement dated _____, pursuant to which Franchisee has agreed to develop multiple PROSE® Salons; and

WHEREAS, Franchisor and Developer desire to amend the Franchise Agreement as herein provided.

NOW THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Franchise Agreement as follows:

1. Notwithstanding anything contained in Sections 1.2, 3.2, 4.1, 6.1, or 16.2.A of the Franchise Agreement, Franchisee's obligations to meet the deadlines required therein shall commence on the Commencement Date specified in the Development Schedule (Exhibit B to the Multi-Site Development Agreement).

2. Full Force and Effect. Except as amended by this Amendment, the Agreement and all prior amendments remain in full force and effect.

3. Conflict. In the event of conflict between the terms and conditions of this Amendment and the terms and conditions of the Agreement, the terms and conditions of this Amendment shall control.

INTENDING TO BE LEGALLY BOUND, the parties have executed and delivered this Development Amendment to Franchise Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR:
PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Printed Name: Nate McFarland
Title: CEO

Date: _____

DEVELOPER:
_____

By: _____
Printed Name: _____
Title: _____

Date: _____

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF CURRENT FRANCHISEES AND MULTI-SITE DEVELOPERS
AS OF DECEMBER 31, 2021

Arizona
Teri Jenkins
100 Easy Street, Unit 5330
Carefree, AZ 85377
908.397.0399
(Location Not Yet Open)

Greg, Janene Robertson
645 East Bellerive Place
Chandler, AZ 85249
916.798.1932
(Location Not Yet Open)

John, Desiree Coats
3180 East Indian School Road
Phoenix, AZ 85016
602.856.2149

John, Desiree Coats
3627 East Orange Drive
Phoenix, AZ 85018
602.327.3631
(Location Not Yet Open)

Sarah Nelson
12011 North Oakhurst Way
Scottsdale, AZ 85254
602.402.9257
(Location Not Yet Open)
(Franchise located in California)

California
Meredith Lincoln*
1513 Cherry Lane
San Jose, CA 95125
(2 Locations Not Yet Open)

Colorado
Craig Flom**
5000 East Hampden Avenue
Denver, CO 80222
720.506.4949

Washington, DC
Nate McFarland*
3429 Luahine Place
Haiku, HI 96708
808.372.6459
(Location Not Yet Open)

Florida
Stephen Hixon*
9925 San Jose Boulevard, Unit 1
Jacksonville, FL 32222
904.423.1099

Larry Romero*
13661 Gronger Avenue
Orlando, FL 32827
305.301.9309
(Location Not Yet Open)

Elsy Romero*
10655 New Independence Parkway,
Suite 100
Winter Garden FL 34787
407.663.7207

Georgia
Jan Zalud**
915 West Peachtree Street NW
Suite 2
Atlanta, GA 30309
678.831.0650

Emily Ebsworth, Dan Plante
363 Alderwood Lane
Atlanta, GA 30328
770.595.1510
(Location Not Yet Open)

Hawaii
Nate McFarland*
3249 Luahine Place
Haiku, HI 96708
808.372.6459
(Location Not Yet Open)

Illinois
Jason Markowicz*
2040 South Naperville Road
Wheaton, IL 60189
708.670.2371

Indiana
Scott Buchner
15889 Millwood Drive
Noblesville, TN 78230
317.220.1086
(Location Not Yet Open)

Maryland
David Galloway
2129 Turnberry Way
Woodstock, MD 21163
410.598.8083
(Location Not Yet Open)

Minnesota
Kelly Halvorson
14409 83rd Street SE
Becker, MN 55308
763.250.0847
(Location Not Yet Open)

Deborah Isensee
11300 Rich Road
Bloomington, MN 55437
612.385.0813
(Location Not Yet Open)

Dan Kellogg
19525 Vine Street
Deephaven, MN 55331
952.388.8429
(Location Not Yet Open)
(Franchise located in California)

Ben Bucholtz
6967 Weston Lane N
Maple Grove, MN 55311
612.240.1595
(Location Not Yet Open)

Anne Jones
2375 Fairview Avenue
Roseville, MN 55113
612.306.6775

Zach, Brittany Zwieg
3658 Interlachen Drive NE
Ham Lake, MN 55304
(Location Not Yet Open)

Missouri
Travis Doke
413 Pine Bend Avenue
Wildwood, MO 63005
(Location Not Yet Open)

New Jersey
Mark Strulowitz*
184 Columbia Turnpike
Florham Park, NJ 07932
908.787.2487

Kevin, Stacey Kimmel
61 Gathering Road
Pine Brook, NJ 07058
973.650.2982
(Location Not Yet Open)

North Carolina
Scott Pool*
12028 Royal Latham Court
Charlotte, NC 2827
704.906.2270
(2 Locations Not Yet Open)

North Dakota
Brittany and Jake Grinaker
6202 Osgood Parkway S
Nashville, TN 37208
701.205.5876
(Location Not Yet Open)

Pennsylvania
Tina Disco, Bob Kneeshaw
840 Church Road
Harleysville, PA 19438
267.261.2309
(Location Not Yet Open)

South Carolina
Rick Hoff
1501 Saramont Road
Columbia, SC 29501
410.227.5842
(Location Not Yet Open)

Tennessee
Jennifer Johnson
4031 Aspen Grove Drive, Suite 126
Franklin, TN 37067
615.549.6085

LeShane Greenhill
2306 Medical Center Pkwy, Suite B-3
Murfreesboro, TN 37139
615.878.8138

Texas
Andrea Fascinetto
11511 Elm Bluff Road
San Antonio, TX 78230
210.601.1717

Wisconsin
Traci, Jeff Dalsin
556 Junction Road
Madison, WI 53717
608.733.6308

*Denotes Multi-Site Developer

**Denotes owners of PRC Capital Holdings LLC, a lender and equityholder of the Franchisor

EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF FORMER FRANCHISEES AND MULTI-SITE DEVELOPERS

PROSE® Franchisees and/or Multi-Site Developers who had Outlet Terminated, Cancelled, Not Renewed, Transferred or Otherwise Voluntarily or Involuntarily Ceased to do Business under a Franchise Agreement During the Year Ended December 31, 2021 or Who has not Communicated with the Franchisor Within 10 Weeks of the Application Date:

John, Desiree Coats
10893 North Scottsdale Road, Suite 109
Scottsdale, AZ 85254
480.490.1112

This outlet was closed, and most members kept their PROSE® membership and patronize the other outlet owned by this franchisee.

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

EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT

SAMPLE GENERAL RELEASE

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20___ by and between **PROSE FRANCHISING, LLC** (the "Franchisor"), and _____, a _____ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with that certain Franchise Agreement by and between Franchisor and Releasor, dated _____, and all ancillary documents executed in connection therewith, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Arizona law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder, without regard to Arizona's provisions for conflicts of laws. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of Arizona.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

7. Releasor further expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of California or any other state laws, and does so understanding and

acknowledging the significance and consequences of such specific waiver of Section 1542. Releasor acknowledges that they are or may be represented by counsel, and acknowledge that they are familiar with the provisions of California Civil Code Section 1542, which provides as follows: 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. Releasor acknowledges that he/she/or it may later discover claims or facts in addition to or different from those set forth in this release and which, if known or suspected at the time of executing this release, may have materially affected this Agreement. Nonetheless, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of all claims, Releasor expressly acknowledges that this Release is also intended to include in its effect, without limitation, all claims which they do not know or expect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claim or claims. Releasor waives any rights, claims or causes of action that might arise as a result of such different or additional claims or facts. Notwithstanding the governance of this Release by laws of the State of North Carolina, it is the intent of Releasor to waive any right, claim or cause of action as is consistent with the forgoing waiver of Section 1542 of the Civil Code of California.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

FRANCHISOR: PROSE FRANCHISING, LLC, an Arizona limited liability company	RELEASOR: _____
By: _____ Printed Name: Nate McFarland Title: President and CEO	By: _____ Printed Name: _____ Title: _____
Date: _____	Date: _____

EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

Financial Reports

PROSE®

PROSE FRANCHISING, LLC AND AFFILIATES

Scottsdale, Arizona

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021, 2020, and 2019

Henry+Horne

PROSE FRANCHISING, LLC AND AFFILIATES
TABLE OF CONTENTS

Independent Auditors' Report	1
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Member's Equity (Deficit)	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

Henry+Horne
Offering You More

INDEPENDENT AUDITORS' REPORT

To the Member of
PROSE Franchising, LLC and Affiliates
Scottsdale, Arizona

Opinion

We have audited the accompanying consolidated financial statements of PROSE Franchising, LLC and Affiliates, which comprise the consolidated balance sheets as of December 31, 2021, 2020, and 2019, and the related consolidated statements of operations and changes in member's equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PROSE Franchising, LLC and Affiliates as of December 31, 2021, 2020, and 2019, and the results of their operations and their 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PROSE Franchising, LLC and Affiliates 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 PROSE Franchising, LLC and Affiliates internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PROSE Franchising, LLC and Affiliates' 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.

Henry & Horne, LLP

Tempe, Arizona
March 17, 2022

PROSE FRANCHISING, LLC AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
December 31, 2021, 2020, and 2019

	2021	2020	2019
ASSETS			
CURRENT ASSETS			
Cash	$ 92,360	$ 110,243	$ 403,207
Accounts receivable	71,165	57,740	39,700
Prepaid expenses and other current assets	38,949	33,422	47,023
Due from related party	50,000	-	201,032
Deferred franchise costs, current portion	120,430	104,683	99,193
TOTAL CURRENT ASSETS	372,904	306,088	790,155
PROPERTY AND EQUIPMENT, net	36,179	45,037	187,508
OTHER ASSETS			
Deferred franchise costs, net of current portion	980,249	980,788	992,882
Due from related party	82,581	181,650	-
Note receivable, net	86,825	86,825	100,000
Lease deposit	3,443	1,721	13,882
Intangible assets - VIE	15,275	15,275	15,275
TOTAL OTHER ASSETS	1,168,373	1,266,259	1,122,039
TOTAL ASSETS	$ 1,577,456	$ 1,617,384	$ 2,099,702
LIABILITIES AND MEMBER'S DEFICIT			
CURRENT LIABILITIES			
Accounts payable	$ 36,218	29,603	$ 106,811
Accrued expenses	5,092	3,463	52,707
Deferred franchise fees, current portion	383,300	355,400	336,900
Deferred rent, current portion	-	-	7,179
TOTAL CURRENT LIABILITIES	424,610	388,466	503,597
LONG-TERM LIABILITIES			
Deferred franchise fees, net of current portion	3,004,616	3,197,883	3,234,026
Deferred rent, net of current portion	-	-	39,447
Paycheck Protection Program ("PPP") loan	-	107,700	-
TOTAL LONG-TERM LIABILITIES	3,004,616	3,305,583	3,273,473
TOTAL LIABILITIES	3,429,226	3,694,049	3,777,070
COMMITMENTS AND CONTINGENCIES	-	-	-
MEMBER'S DEFICIT	(1,851,770)	(2,076,665)	(1,677,368)
TOTAL LIABILITIES AND MEMBER'S DEFICIT	$ 1,577,456	$ 1,617,384	$ 2,099,702

See accompanying notes.

PROSE FRANCHISING, LLC AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY (DEFICIT)
Years Ended December 31, 2021, 2020, and 2019

	2021	2020	2019
REVENUES			
Area representative fees	$ 335,900	$ 318,517	$ 245,858
Franchise fees	147,467	88,158	14,017
Royalty fees	392,963	171,690	95,756
Technology access fees	102,500	34,682	28,251
Brand fund fees	125,317	55,803	32,198
Regional advertising cooperative contributions	-	-	19,000
TOTAL REVENUES	1,104,147	668,850	435,080
COST OF REVENUES			
Area developer commissions	154,792	133,841	78,692
Area developer royalties	126,289	40,400	17,046
TOTAL COST OF REVENUES	281,081	174,241	95,738
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES			
Salaries and benefits	393,732	461,628	1,554,227
Marketing expenses	176,681	148,868	276,451
Depreciation	26,258	41,849	49,522
Other general and administrative expenses	463,933	641,192	860,081
TOTAL SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	1,060,604	1,293,537	2,740,281
LOSS FROM OPERATIONS	(237,538)	(798,928)	(2,400,939)
OTHER INCOME (EXPENSE), net			
Forgiveness of PPP loans	195,262	-	-
Other income and expense, net	(12,829)	1,631	-
TOTAL OTHER INCOME, net	182,433	1,631	-
NET LOSS	(55,105)	(797,297)	(2,400,939)
MEMBER'S EQUITY (DEFICIT) AT BEGINNING OF YEAR	(2,076,665)	(1,677,368)	543,571
CONTRIBUTIONS FROM MEMBER	280,000	398,000	180,000
MEMBER'S DEFICIT AT END OF YEAR	$ (1,851,770)	$ (2,076,665)	$ (1,677,368)

See accompanying notes.

PROSE FRANCHISING, LLC AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021, 2020, and 2019

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (55,105)	$ (797,297)	$ (2,400,939)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	26,258	41,849	49,522
Deferred rent	-	(46,626)	34,087
Forgiveness of PPP loans	(195,262)	-	-
Reserve on note receivable	-	13,175	-
Bad debt expense	22,267	-	-
Write off of software development	-	21,198	-
Loss on sale of fixed assets	-	85,394	-
(Increase) decrease in:			
Accounts receivable	(35,692)	(18,040)	(23,323)
Due from related party	49,069	19,382	(160,789)
Prepaid expenses	(5,527)	13,601	(15,040)
Deferred franchise costs	(15,208)	6,604	(832,517)
Lease deposits	(1,722)	12,161	-
Increase (decrease) in:			
Accounts payable	6,615	(77,208)	(22,938)
Accrued expenses	1,629	(49,244)	10,659
Deferred franchise fees	(165,367)	(17,643)	2,143,634
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(368,045)	(792,694)	(1,217,644)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(17,400)	(8,150)	(49,926)
Proceeds from sale of property and equipment	-	2,180	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(17,400)	(5,970)	(49,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from PPP loans	87,562	107,700	-
Contributions from member	280,000	398,000	180,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	367,562	505,700	180,000
NET INCREASE (DECREASE) IN CASH	(17,883)	(292,964)	(1,087,570)
CASH AT BEGINNING OF YEAR	110,243	403,207	1,490,777
CASH AT END OF YEAR	$ 92,360	$ 110,243	$ 403,207

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

PROSE Franchising, LLC (PROSE Franchising) was organized as an Arizona limited liability company on January 25, 2017, for the purpose of developing, managing, operating and selling hand and foot care boutique franchises throughout the United States. The boutique franchises are a healthy and enriching hand and foot care brand offering an unparalleled experience delivering transformative and purposeful hand and foot services through a cutting-edge boutique design, world-class products and a personalized approach. PROSE IP, LLC (PROSE IP) was organized as an Arizona limited liability company on December 7, 2017, for the purpose of holding the intellectual property of PROSE Franchising, LLC. PROSE Gift Card Funding, LLC (PROSE Gift Card) was organized as an Arizona limited liability company on July 18, 2017, for the purpose of selling gift cards to be used in the boutiques of PROSE Franchising, LLC. PROSE Gift Card is dormant as of December 31, 2021.

The following table summarizes the number of boutiques in operation and sold under franchise agreements:

	2021	2020	2019
Franchised boutiques			
Boutiques open at beginning of year	14	10	2
Boutiques opened during the year	10	4	8
Boutiques closed during the year	(1)	-	-
Boutiques open as of the end of the year	23	14	10
Boutique franchise licenses sold but not yet operational	24	26	27

Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of PROSE Franchising, LLC and its variable interest entities (VIE's), PROSE IP, LLC and PROSE Gift Card Funding, LLC, (collectively, "the Company") in which PROSE Franchising is the primary beneficiary. Significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with a maturity date of three months or less at date of acquisition to be cash equivalents.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable represent amounts due from area representatives and franchisees for royalty fees, technology fees, and brand fund fees. The Company considers a reserve for doubtful accounts based on the creditworthiness of the area representative and franchisee. The reserve for doubtful accounts is continually reviewed and adjusted to maintain the reserve at a level considered adequate to cover future losses. The reserve is management's best estimate of uncollectible amounts and is determined based on specific identification and historical performance which are tracked by the Company on an ongoing basis. The losses ultimately could differ materially in the near term from the amounts estimated in determining the allowance. The Company determined that an allowance for doubtful accounts was not necessary as of December 31, 2021, 2020, and 2019.

Deferred Franchise Costs

The Company incurs commissions in connection with the sale of area representative agreements and franchise agreements. These commissions are deferred and recognized in costs of revenues when the related revenue for the sale of the area representative agreement or franchise agreement is recognized in revenue, which is over the term of the respective agreement.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major renewals and betterments that extend the useful lives of equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost and accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in income. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives.

Intangible Assets

Intangible assets consist of costs related to obtaining a trademark incurred during the development phase of the franchising operation. These costs have been determined to have an indefinite life. The Company reviews the carrying values of its intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. No impairment losses were recognized during the years ended December 31, 2021, 2020, and 2019.

Revenue Recognition

PROSE Franchising generates revenues through franchise fees, royalty fees, brand fund fees, technology access fees, conference fees, training fees and an area representative program.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise Fees

PROSE Franchising requires the entire initial franchise fee of $45,000 and $35,000 for additional boutiques to be paid upon execution of the franchise agreement, which has an initial term of ten years. The franchise agreement requires PROSE Franchising to provide various services throughout the term of the agreement including training and ongoing operational support. These services are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Recognition of franchise fees is deferred until the boutique opening and is then recognized over the term of the franchise agreement.

Transfer fees of $25,000 are paid as consideration for the same rights and services as the initial fee and occur when a former franchisee transfers ownership of their location to a new franchisee. Transfer fees are recognized over the remaining life of the transferred franchise agreement.

The renewal fee is charged to existing franchisees upon renewal of the franchise agreement. This fee is 2/3 of the then-current initial franchise fee and is recognized over the term of the franchise renewal agreement.

Area Representative Program

PROSE Franchising has established an area representative program to assist in soliciting and screening prospective franchisees for the right to own and operate a PROSE Boutique franchise. Area representatives also assist in rendering services and support to franchisees to oversee the development and construction process for franchise boutiques as well as assist in presales, core business reviews, marketing and other operational aspects of the business. Area representative fees are generally calculated at the rate of $9,000 per potential boutique and will generally range between $45,000 (5 boutiques) and $450,000 (50 boutiques). This fee is due upon the signing of an area representative agreement and is recognized as revenue on a straight-line basis over the term of the area representative agreement, which is considered to be upon the execution of the agreement. The area representative agreement requires PROSE Franchising to provide various services throughout the term of the agreement including training and ongoing operational support. These services are highly interrelated with the development of the area and the resulting franchise licenses sold by the area representative and as such are considered to represent a single performance obligation.

In cases where an area representative assists in the sale of a franchise, 50% of the initial franchise fee or 30% of the transfer/renewal fee will be due to the area representative upon collection of the franchise or transfer/renewal fee. In addition, the area representative will also earn 40% of royalty fees collected from the franchisee.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Royalties

PROSE Franchising collects royalties, as stipulated in the franchise agreement, generally equal to 6% of gross revenues. Royalties are sales-based, relate to the Company's performance obligation under the franchise agreement, and are recognized as franchisee level sales occur.

Brand Fund Fees

Brand fund fees are collected, as stipulated in the franchise agreement, equal to 2% of gross revenues. The brand fund fees support research, development and support costs and are used to develop and promote the brand name for marketing promotions. Brand fund fees are sales-based, relate to the Company's performance obligation under the franchise agreement, and are recognized as revenue as franchisee level sales occur.

Regional Advertising Cooperative Contributions

PROSE Franchising administers, manages, and governs certain regional marketing cooperatives, as stipulated in the franchise agreements. Monthly regional advertising cooperative contributions will vary based on the agreements. The contributions are used for website or e-commerce development and promotional materials for use by franchises in their respective local areas. Regional advertising contributions are recognized as revenue when earned.

Technology Access Fees

Monthly technology access fees are collected for use of software required to be used in the boutique. Technology fees are recognized as revenue when earned over the term of the respective franchise agreement.

Conference Fees

PROSE Franchising may host an annual conference requiring the franchise owner and general manager to attend. Payment of the annual conference fee up to $1,000 will be required regardless of attendance. Conference fees will be recognized as revenue when earned.

Training Fees

PROSE Franchising will provide additional training programs as requested, subsequent to the initial training, for a $3,500 fee plus the costs of travel and incidental expenses. Revenue will be recognized as training services are provided.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, will not be subject to income taxes. Rather, all items of taxable income, deductions and tax credits will be passed through to and reported by its members on their respective income tax returns. The Company's tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is not required to file tax returns with the Internal Revenue Service and other taxing authorities as a single member limited liability company. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Advertising

Advertising costs are charged to expense as incurred. Advertising expenses were $176,681, $148,868, and $276,451 for the years ended December 31, 2021, 2020, and 2019, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Date of Management's Review

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 17, 2022, the date the consolidated financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Company to potential concentrations of credit risk consist principally of cash. The Company maintains its cash in bank accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

NOTE 3 REVENUE RECOGNITION

Contract Balances

Contract liabilities consist of initial franchise fees and area representative fees. These are reported as deferred franchise fees on the accompanying consolidated balance sheets. These fees are recognized as revenue over the term of the respective agreement. As these fees are generally received in cash at or near the beginning of the agreement, the cash received is initially recorded as a contract liability until recognized as revenue over time.

Contract liabilities consist of the following as of December 31:

	2021	2020	2019	2018
Deferred franchise fees	$ 3,387,916	$ 3,553,283	$ 3,570,926	$ 1,427,292

Contract assets consist of commissions paid in connection with the sale of area representative agreements and franchise agreements. These are reported as deferred franchise costs on the accompanying consolidated balance sheets. These costs are recognized as expense when the respective revenue is recognized, which is over the term of the respective agreement. As these costs are generally paid in cash at the beginning of respective agreement, the cash paid is initially recorded as a contract asset until recognized as expense over time.

Contract balances also consist of accounts receivable which represent amounts due from area representatives and franchisees for royalty fees, technology fees, and brand fund fees.

Contract assets and contract balances consist of the following as of December 31:

	2021	2020	2019	2018
Deferred franchise costs	$ 1,100,679	$ 1,085,471	$ 1,092,075	$ 259,558
Accounts receivable	$ 71,165	$ 57,740	$ 39,700	$ 16,377

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2021	2020	2019
Website development	$ 77,138	$ 65,138	$ 58,388
Computer software	17,200	11,800	31,599
Leasehold improvements	-	-	25,397
Furniture and equipment	33,822	33,822	139,378
	128,160	110,760	254,762
Accumulated depreciation	(91,981)	(65,723)	(67,254)
	$ 36,179	$ 45,037	$ 187,508

Depreciation charged to operations for the years ended December 31, 2021, 2020, and 2019 was $26,258, $41,849, and $49,522, respectively.

NOTE 5 NOTE RECEIVABLE

The Company entered into a note receivable agreement with an area representative in 2018 in which the area representative agreed to pay their initial $100,000 area representative fee through future area representative commissions. The commissions are triggered upon the payment of future franchise fees from new franchises within the area representative's territory. As of December 31, 2021, no payments have been made and the date of the future franchise fees was unknown. Due to the uncertainty of future payments, management recorded an allowance of $13,175 during the year ending December 31, 2020. The note receivable, net of the allowance, is classified as a long-term asset on the accompanying consolidated balance sheets due to the uncertain timing of payments. The note is unsecured and bears no interest.

NOTE 6 PAYCHECK PROTECTION PROGRAM ("PPP") LOAN

In May 2020 and March 2021, the Company received $107,700 and $87,562, respectively, in loan proceeds under the CARES Act Paycheck Protection Program ("the Program") administered by the SBA. The loans can be forgiven in full if they are used to fund payroll, rent, utilities, and other costs as described under the Program and subject to approval by the originating bank and SBA. The loans bear interest at a rate of 1.00% per year. In April 2021 and September 2021, the Company received notices from the SBA that the loans and related interest were eligible for and granted full forgiveness. As a result, the loans were written off and reflected in other income for the year ended December 31, 2021.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Operating Lease

The Company leased office space under a non-cancelable operating lease with escalating payments ranging from $12,931 to $13,882 per month through March 2024. The Company recorded rent expense on a straight-line basis from the inception of the lease. Any difference between the calculated expense and the amounts paid were reflected as deferred rent in the accompanying consolidated balance sheets. In July 2020, the Company terminated the lease. As part of the termination the Company paid a $90,000 termination fee which was recorded to rent expense for the year ended December 31, 2020. The Company currently leases office space on a month-to-month basis. Rent expense for the years ended December 31, 2021, 2020, and 2019 was approximately $21,000, $143,000, and $155,000, respectively.

Software Licensing Agreement

The Company entered into a three-year agreement for the rights associated with software licensing with an expiration date in October 2020, however, in March 2020 this agreement was terminated with no termination fee. Total software licensing expense related to this agreement for the years ended December 31, 2020 and 2019 was $12,500 and $50,000, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

PROSE Boutiques, LLC (PROSE Boutiques) owns and operates a franchise boutique located in Phoenix. PROSE Boutiques is a related party to the Company due to common ownership. During the years ended December 31, 2021, 2020, and 2019, the Company recorded revenues from PROSE Boutiques as follows (approximated):

	2021	2020	2019
Royalty fees	$ 47,400	$ 33,100	$ 40,600
Technology access fees	6,000	3,100	6,000
Brand fund fees	15,800	11,200	13,600
Regional advertising cooperative contributions	-	-	12,000
	$ 69,200	$ 47,400	$ 72,200

As of December 31, 2021, 2020, and 2019, the Company had receivables due from PROSE Boutiques of $132,581, $181,650, and $201,032, respectively.

A member of the owner of the Company is also an area representative for three areas of the Company. For the years ended December 31, 2021, 2020, and 2019, the Company recorded area representative fees with this member of approximately $47,000, $47,000 and $43,000, respectively.

NOTE 9 VARIABLE INTEREST ENTITIES

PROSE Franchising is the primary beneficiary of PROSE IP and PROSE Gift Card, which qualify as VIE's. The determination was based on the fact that PROSE Franchising will be the entity that has the power to direct the most significant activities of the VIE's and the obligation to absorb losses or right to receive benefits of the VIE's that could be significant to the VIE's. While PROSE Franchising has no contractual obligation to do so, it may voluntarily elect to provide the entity with direct or indirect financial support in the future.

PROSE Gift Card is a dormant entity as of December 31, 2021. The assets and liabilities and revenues and expenses of PROSE IP have been included in the accompanying consolidated financial statements. As of December 31, 2021, 2020 and 2019, the carrying amount of consolidated assets included in the accompanying consolidated balance sheets relative to PROSE IP totaled $15,275, consisting of intangible assets. Further, as of December 31, 2021, 2020, and 2019, there were no liabilities relative to PROSE IP.

NOTE 10 LIQUIDITY

The Company has sustained recurring operating losses and negative cash flows from operations. These factors create an uncertainty about the Company's financial stability. These factors are attributed to the Company only being in existence since 2017 and the deferral of area representative and franchise license revenue, which is deferred over the term of the respective agreements. The Company projects continual growth in 2022 and beyond, including the sale of 10 franchises and 5 area representatives through the end of 2022. The Company has also taken measures to reduce expenses including salary reductions, rent negotiations, and the elimination of certain marketing and technology license agreements, which resulted in a decrease in total selling, general, and administrative expenses of 17% in the year 2021 from the year 2020, and a decrease of 56% in the year 2020 from the year 2019.

In addition, part of the Company's working capital is provided by contributions from PROSE Holding Company, LLC (PROSE Holding), the owner of the Company. In April 2020, PROSE Holding secured a loan for $615,000 with the intent of providing additional capital to the Company as needed. The loan is secured by substantially all of the assets of PROSE Holding and PROSE Franchising. As of December 31, 2021, borrowings of approximately $55,000 were available on the loan. A member of PROSE Holding has committed to the Company that additional financial support will continue for the foreseeable future as needed by the Company.

Management believes that as a result of the expected cash flows, reduced expenses, additional contributions from PROSE Holding, the Company has adequate resources to meet any obligations as they become due in the ordinary course of business for 2022 and beyond.

NOTE 11 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The Company had non-cash financing transactions relating to the forgiveness of PPP loans during 2021 of $195,262.

The Following Financial Statements Have Been Prepared Without An Audit. Prospective Franchisees Or Sellers of Franchises Should Be Advised That No Independent Certified Public Accountant Has Audited These Figures Or Expressed An Opinion with Regard to their Content Or Form.

PROSE Franchising, LLC
Combined Balance Sheet
As of April 30, 2022

2:04 PM
06/02/2022
Accrual Basis

	PROSE Franchising, LLC	PROSE IP, LLC	TOTAL
ASSETS			
Current Assets			
Checking/Savings			
Regional Marketing Fund	5,100.00	0.00	5,100.00
Wells Fargo - 8081	69,528.79	0.00	69,528.79
Wells Fargo National Brand Fund	3,350.00	0.00	3,350.00
Total Checking/Savings	77,978.79	0.00	77,978.79
Other Current Assets			
Accrued Income	69,148.51	0.00	69,148.51
Due From PROSE Boutiques, LLC	71,381.68	0.00	71,381.68
Inventory Asset	1,997.90	0.00	1,997.90
Note Receivable - Illinois AD			
Note Receivable - Reserve	-13,175.00	0.00	-13,175.00
Note Receivable - Illinois AD - Other	100,000.00	0.00	100,000.00
Total Note Receivable - Illinois AD	86,825.00	0.00	86,825.00
Prepaid Expenses	13,945.53	0.00	13,945.53
Total Other Current Assets	243,298.62	0.00	243,298.62
Total Current Assets	321,277.41	0.00	321,277.41
Fixed Assets			
Accumulated Depreciation	-101,089.23	0.00	-101,089.23
Computer Equipment	33,821.67	0.00	33,821.67
Computer Software	17,200.00	0.00	17,200.00
Trademarks	0.00	15,275.00	15,275.00
Website Development	84,138.00	0.00	84,138.00
Total Fixed Assets	34,070.44	15,275.00	49,345.44
Other Assets			
Deferred ARA Commission	706,357.10	0.00	706,357.10
Deferred Franchise Fee Commissi	373,740.91	0.00	373,740.91
Security Deposit	3,442.50	0.00	3,442.50
Total Other Assets	1,083,540.51	0.00	1,083,540.51
TOTAL ASSETS	**1,438,888.36**	**15,275.00**	**1,454,163.36**
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable	8,192.82	0.00	8,192.82
Total Accounts Payable	8,192.82	0.00	8,192.82
Other Current Liabilities			
Accrued Expenses	33,521.94	0.00	33,521.94
Deferred Area Master Fee Revenu	2,378,541.47	0.00	2,378,541.47
Deferred Franchisee Fee Revenue	916,233.10	0.00	916,233.10
Franchise Marketing Contributio	3,250.00	0.00	3,250.00
Total Other Current Liabilities	3,331,546.51	0.00	3,331,546.51
Total Current Liabilities	3,339,739.33	0.00	3,339,739.33
Long Term Liabilities			
Due to PROSE Holdings	-11,519.94	0.00	-11,519.94
Total Long Term Liabilities	-11,519.94	0.00	-11,519.94
Total Liabilities	3,328,219.39	0.00	3,328,219.39
Equity			
Capital Contributions - PHC	2,357,500.00	0.00	2,357,500.00
Contributions from Member	231,717.02	66,133.00	297,850.02
Retained Earnings	-4,396,812.76	0.00	(4,396,812.76)
Net Income	-81,735.29	0.00	-81,735.29
Members Equity	0.00	-50,858.00	-50,858.00
Total Equity	-1,889,331.03	15,275.00	-1,874,056.03
TOTAL LIABILITIES & EQUITY	**1,438,888.36**	**15,275.00**	**1,454,163.36**

PROSE Franchising, LLC
Combined Profit And Loss
January through April 2022

	PROSE Franchising, LLC	PROSE IP, LLC	TOTAL
Ordinary Income/Expense			
Income			
Area Master Fee Revenue	111,966.64	0.00	111,966.64
Brand Fund Fee Revenue	55,080.74	0.00	55,080.74
Franchise Development Marketing	3,750.00	0.00	3,750.00
Franchise Fee Revenue	16,674.97	0.00	16,674.97
Royalty Revenue	169,682.70	0.00	169,682.70
Technology Fee Revenue	48,356.00	0.00	48,356.00
Website Retail Sales	346.50	0.00	346.50
Total Income	405,857.55	0.00	405,857.55
Cost of Goods Sold			
Area Developer Commissions	33,764.44	0.00	33,764.44
Area Developer Royalties	57,151.96	0.00	57,151.96
Franchise Dev Marketing	5,591.00	0.00	5,591.00
Franchise Fee Commission	6,816.37	0.00	6,816.37
Total COGS	103,323.77	0.00	103,323.77
Gross Profit	302,533.78	0.00	302,533.78
Expense			
Advertising and Promotion			
Marketing Expense	62,632.13	0.00	62,632.13
Total Advertising and Promotion	62,632.13	0.00	62,632.13
Bank Service Charges	812.57	0.00	812.57
Computer and Internet Expenses	54,274.52	0.00	54,274.52
Consulting Fees	35,000.00	0.00	35,000.00
Credit Card Fees	11.96	0.00	11.96
Depreciation Expense	9,108.07	0.00	9,108.07
Dues and Subscriptions	770.99	0.00	770.99
Employee Benefits			
Health Insurance	6,431.26	0.00	6,431.26
Total Employee Benefits	6,431.26	0.00	6,431.26
Filing Fees	62.00	0.00	62.00
Insurance Expense			
D&O Insurance	2,205.00	0.00	2,205.00
E&O Insurance	4,018.03	0.00	4,018.03
Property Insurance	225.92	0.00	225.92
Worker's Compensation Insurance	788.61	0.00	788.61
Insurance Expense - Other	1,982.56	0.00	1,982.56
Total Insurance Expense	9,220.12	0.00	9,220.12
Meals and Entertainment	521.49	0.00	521.49
Miscellaneous Expense	1,360.16	0.00	1,360.16
Office Expense	2,316.56	0.00	2,316.56
Office Supplies	211.51	0.00	211.51
Payroll Expenses	663.65	0.00	663.65
Payroll Tax Expense	11,333.64	0.00	11,333.64
Postage & Shipping	91.56	0.00	91.56
Professional Fees			
Accounting	20,000.00	0.00	20,000.00
Architect	728.38	0.00	728.38
Legal Expenses	23,518.66	0.00	23,518.66
Total Professional Fees	44,247.04	0.00	44,247.04
Rent Expense	8,284.95	0.00	8,284.95
Research and Development	27.23	0.00	27.23
Salary and Wages	125,321.40	0.00	125,321.40
Software Licensing Costs	5,646.20	0.00	5,646.20
Telephone Expense	508.49	0.00	508.49
Training and Education			
Conference Expenses	2,550.00	0.00	2,550.00
Training and Education - Other	1,883.88	0.00	1,883.88
Total Training and Education	4,433.88	0.00	4,433.88
Travel Expense	4,528.93	0.00	4,528.93
Total Expense	387,820.31	0.00	387,820.31
Net Ordinary Income	-85,286.53	0.00	-85,286.53
Other Income/Expense			
Other Income			
Other Income	3,551.24	0.00	3,551.24
Total Other Income	3,551.24	0.00	3,551.24
Net Other Income	3,551.24	0.00	3,551.24
Net Income	**-81,735.29**	**0.00**	**-81,735.29**

PROSE Franchising, LLC

2:04 PM

Combined Statement Of Cash Flow

06/02/2022

January through April 2022

	PROSE Franchising, LLC	PROSE IP, LLC	TOTAL
OPERATING ACTIVITIES			
Net Income	-81,735.29	0.00	-81,735.29
Adjustments to reconcile Net Income to net cash provided by operations:			
Accrued Income	2,016.44	0.00	2,016.44
Due From PROSE Boutiques, LLC	61,199.51	0.00	61,199.51
Inventory Asset	173.92	0.00	173.92
Prepaid Expenses	12,507.67	0.00	12,507.67
Accounts Payable	8,192.82	0.00	8,192.82
Accrued Expenses	-2,695.87	0.00	-2,695.87
Deferred Area Master Fee Revenu	-111,966.64	0.00	-111,966.64
Deferred Franchisee Fee Revenue	18,825.03	0.00	18,825.03
Franchise Marketing Contributio	3,250.00	0.00	3,250.00
Payroll Liabilities	-5,060.17	0.00	-5,060.17
Sales Tax Payable	-31.78	0.00	-31.78
Net cash provided by Operating Activities	-95,324.36	0.00	-95,324.36
INVESTING ACTIVITIES			
Accumulated Depreciation	9,108.07	0.00	9,108.07
Website Development	-7,000.00	0.00	-7,000.00
Deferred ARA Commission	33,764.44	0.00	33,764.44
Deferred Franchise Fee Commissi	-13,183.63	0.00	-13,183.63
Net cash provided by Investing Activities	22,688.88	0.00	22,688.88
FINANCING ACTIVITIES			
Due to PROSE Holdings	-1,195.96	0.00	-1,195.96
Capital Contributions - PHC	59,500.00	0.00	59,500.00
Net cash provided by Financing Activities	58,304.04	0.00	58,304.04
Net cash increase for period	-14,331.44	0.00	-14,331.44
Cash at beginning of period	92,310.23	0.00	92,310.23
Cash at end of period	**77,978.79**	**0.00**	**77,978.79**

EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT

MANUAL TABLE OF CONTENTS

New Franchisee Training
Introduction to the Prose Brand
Road to Profitability
PROSE Buildout and Construction
Building a Marketing Plan
Services, Retail and Innovation
Pre-Sales Execution
Improving Membership Conversion
Member Retention
Schedule Optimization

EXHIBIT J TO FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND MULTI-SITE DEVELOPMENT AGREEMENT

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

Preliminary Comment: Each provision of this Appendix to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§2000 - 20043, are met independently without reference to this Addendum to the Franchise Disclosure Document.

1. Item 3 is amended to reflect that:

   Neither we nor any person or broker identified in Item 2 of the Franchise Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling such persons from membership is such association or exchange.

   Item 6 of the FDD is amended to disclose that the highest interest rate allowed in California is 10%.

3. Item 17 is amended by the addition of the following statements:

   California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

   The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Financial Protection and Innovation, before we solicit a proposed material modification of an existing franchise.

   The Franchise Agreement contains a liquidated damages clause, under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

   The Franchise Agreement requires the application of the laws and forum of Arizona. This provision may be unenforceable under California Law.

   The Franchise Agreement requires you to sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California 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).

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

5. OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dpfi.ca.gov.

6. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

CALIFORNIA LAW MODIFICATIONS

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

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

b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

c. The Agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

d. The Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the California Business and Professions Code, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

<Signatures on Following Page>

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

With regard to Item 5 and Item 7 in the FDD, Hawaii has required we defer initial fees. The deferred receipt of the initial fees shall include all fees paid to the franchisor or related parties until the franchisor has completed all of their pre-opening obligations and the franchisee is open for business.

The deferred receipt of initial fees shall also include any Initial Franchise Fee associated with Multi-Site development fees. As each franchise is opened for business, the franchisor may collect the Initial Franchise Fee for the facility opened. The franchisor shall not collect the Initial Franchise Fee for any franchise in Hawaii that has not opened for business.

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF HAWAII

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

HAWAII LAW MODIFICATIONS

Hawaii has required we defer initial fees. The deferred receipt of the initial fees shall include all fees paid to the franchisor or related parties until the franchisor has completed all of their pre-opening obligations and the franchisee is open for business. The franchisor shall not collect the Initial Franchise Fee for any franchise in Hawaii that has not opened for business.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Name: Nate McFarland
Title: CEO

Date:_____

FRANCHISEE:
_____
_____

By:_____
Name: _____
Title: _____

Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

The following information applies to franchises and franchisees subject to the Illinois Disclosure Act of 1987. Item numbers correspond to those in the main body:

a. Item 17 - Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois. Illinois law governs the Franchise Agreement and the Multi-Site Development Agreement.

b. Section 41 of the Illinois Franchise Disclosure Act provides that 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.

c. Item 17 - Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

d. Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

For information about nail technician licensure in Illinois, see: https://www.idfpr.com/profs/nailtech.asp

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 515 ILCS 705/1 et. seq. To the extent that this Agreement contains provisions that are inconsistent with the following, such provision are hereby amended:

a. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois. Illinois law governs the Franchise Agreement and the Multi-Site Development Agreement.

b. Section 41 of the Illinois Franchise Disclosure Act provides that 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.

c. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

d. Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

For information about nail technician licensure in Illinois, see: https://www.idfpr.com/profs/nailtech.asp

[Signatures on Following Page]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
MULTI-SITE DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS

The PROSE Franchising, LLC Multi-Site Development Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 515 ILCS 705/1 et. seq. To the extent that this Agreement contains provisions that are inconsistent with the following, such provision are hereby amended:

a. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois. Illinois law governs the Franchise Agreement and the Multi-Site Development Agreement.

b. Section 41 of the Illinois Franchise Disclosure Act provides that 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.

c. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

d. Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

For information about nail technician licensure in Illinois, see: https://www.idfpr.com/profs/nailtech.asp

[Signatures on Following Page]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

Item 5 of the Franchise Disclosure Document is amended to reflect that

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17 of the Franchise Disclosure Document is amended to include the following paragraph:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended to include the following sentence:

A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of the Franchise Disclosure Document is modified to include the words:

"franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

All representations requiring prospective franchisees to assent to a 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.

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

MARYLAND LAW MODIFICATION

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010) (the "Law"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.

b. All representations requiring prospective franchisees to assent to a 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.

c. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Notwithstanding anything contained in the Franchise Agreement to the contrary, the Initial Franchise Fee and any other payments for goods and services due to Franchisor shall not become due and payable by Franchisee until Franchisor has satisfied all of its pre-opening obligations to Franchisee and Franchisee's Salon has opened for business.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

<Signatures on Following Page>

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Name: Nate McFarland
Title: CEO

Date:_____

FRANCHISEE:
_____
_____

By:_____
Name: _____
Title: _____

Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
MULTI-SITE DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND

The PROSE Franchising, LLC Multi Site Development Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

MARYLAND LAW MODIFICATION

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010) (the "Law"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.

b. All representations requiring prospective franchisees to assent to a 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.

c. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Notwithstanding anything contained in the Multi Site Development Agreement, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

<Signatures on Following Page>

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC,
an Arizona limited liability company

By: _____
Name: Nate McFarland
Title: CEO

Date:_____

FRANCHISEE:
_____
_____

By:_____
Name: _____
Title: _____

Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

Item 13 of the Franchise Disclosure Document is amended to state that we will protect your right to use the trademarks, service marks, trade names, logotypes of other commercial symbols ("Marks") or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

The following is added to Item 17 of the Franchise Disclosure Document:

Under Minnesota law and except in certain specified cases, PROSE Franchising, LLC must give you 90 days' notice of termination with 60 days to cure. PROSE Franchising, LLC also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

To the extent that any condition, stipulation or provision contained in the Franchise Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the non-waiver provision of the Minnesota Franchises Law.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J. prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule 2860.4400J. prohibits us from requiring you to consent to liquidated damages and prohibits waiver of a jury trial. If the Franchise Agreement contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise Agreement will be superseded by the Minn. Rule's requirements and will have no force or effect.

Minn. Rule 2860.4400J. prohibits us from requiring you to assent to a general release. To the extent that the Franchise Agreement requires you to sign a general release as a condition of renewal or transfer, the Franchise Agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn. Rule 2860.4400J. prohibits us from requiring you to pay a termination fee. To the extent that the Franchise Agreement requires you to pay a termination fee, the provisions of the Franchise Agreement will be superseded by the Minn. Rule's requirements and will have no force or effect.

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

MINNESOTA LAW MODIFICATION

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act. Minn. Stat. Section 80C.01 et. seq., and the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and/or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's proprietary marks infringes trademark rights of the third party.

b. Minn. Stat. Sec. 80C.14. Subds. 3, 4, and 5 requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

d. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

e. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat. 80C.1, Subd. 5, may not be enforceable under Minnesota law.

2. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Ch. 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Agreement and/or Franchise Disclosure Document is hereby amended to delete all referenced to Liquidated Damages (as defined) in violation of Minnesota law; provided, that no such deletion shall excuse Franchisee from liability for actual or other damages and the formula for Liquidated

Damages in the Agreement and/or Franchise Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement and/or Franchise Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement and/or Franchise Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain such relief.

6. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Minnesota Law applicable to the provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

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

1. The following information is added to the cover page of the Franchise 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, INVESTOR PROTECTION BUREAU, 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:

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:

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:

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), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), 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 provision 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), 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), 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), titled "**Choice of forum"**, and Item 17(w), 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.

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

NEW YORK LAW MODIFICATION

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 to 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Release. If Franchisee is required to execute a release of claims, as provided in Article 2(B) of the Franchise Agreement, or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. Governing Law. Article 21(A) of the Franchise Agreement is amended by adding the following sentence at the end of such Article: "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."

c. Termination by Franchisee. Article 9 of the Franchise Agreement is hereby amended to add the following sentence at the end of the Article: "Notwithstanding anything contained in this Article 9 to the contrary, Franchisee may terminate the Franchise Agreement on any grounds available by law."

d. Renewal, Extension, Approval of Transfer. Article 2 and Article 17 are amended by adding the following: "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 provision that the non-waiver provisions of the General business Law sections 687.4 and 687.5 be satisfied."

e. Assignment. Article 17 is amended by adding the following sentence at the end of the Article: "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."

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

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

1. The following is added to Section 5A of the Franchise Disclosure Document:

> Initial franchise fees are deferred until the Franchisor has performed all initial obligations owed the Franchisee and the Franchisee has commenced doing business. This financial assurance requirement is imposed by the North Dakota Securities Department based on our financial condition.

A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

NORTH DAKOTA LAW MODIFICATION

1. **Franchise Fee**. The following is added to Section 5A of the Agreement:

Initial franchise fees are deferred until the Franchisor has performed all initial obligations owed the Franchisee and the Franchisee has commenced doing business. This financial assurance requirement is imposed by the North Dakota Securities Department based on our financial condition.

2. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 to 51-19-17 (1995). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

3. a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by the law of a state other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

h. Any provision that provides that Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota law.

i. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota law may not be enforceable under North Dakota law.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of North Dakota Franchise Investment Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law Tit. 19 Ch. 28.1 Sections 19-28.1-1 to 19-28.1-34. To the extent that this Agreement contains provisions that re inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-21.1-14.

b. If this Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.

c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Rhode Island Franchise Investment Act, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

<Signatures on Following Page>

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM
PROSE™ FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

The following information applies to franchise and franchisees subject to South Dakota statues and regulations. Item numbers correspond to those in the main body.

Item 5.

Payment of all initial franchise fees due the franchisor is deferred until such time as the Store has opened for business.

RIDER TO
PROSE™ FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF SOUTH DAKOTA

This Rider is entered into this _____, 20___ (the "**Effective Date**"), between **PROSE™ FRANCHISING, LLC,** an Arizona limited liability company, with its principal business address at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251 ("**we**," "us" or "**our**"),, and _____, a _____ whose principal business address is _____ ("**Franchisee**") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "**Agreement**").

1. **Precedence and Defined Terms**. This Rider is incorporated into the Agreement and supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Initial Fees**. The following is added to Section 8 of the Agreement:

All initial franchise fees due Company, including the applicable portion of any development fee under a related Area of Development Agreement (if any), are deferred until Franchisee Store is open for operation of business.

Intending to be bound, the parties sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

FRANCHISOR: PROSE FRANCHISING, LLC, an Arizona limited liability company	AREA REPRESENTATIVE: _____
By: _____ Printed Name: Nate McFarland Title: CEO	By: _____ Printed Name: _____ Title: _____
Date: _____	Date: _____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for PROSE Franchising, LLC is supplemented by the following:

"Under 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 ground for default or termination stated in the franchise 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."

"The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement."

"Any securities offered or sold by the Investor Franchisee as part of the PROSE Franchising, LLC Franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act."

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration 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.

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.

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

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.

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.

The franchisor may use the services of franchise brokers to assist in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

The State of Washington has imposed a financial condition that the initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Multi-Unit Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT, FRANCHISE COMPLIANCE CERTIFICATION AND RELATED AGREEMENTS FOR THE STATE OF WASHINGTON

The PROSE Franchising, LLC Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

WASHINGTON LAW MODIFICATIONS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration 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.

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.

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

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.

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.

The franchisor may use the services of franchise brokers to assist in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

The State of Washington has imposed a financial condition that the initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Multi-Unit Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

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.

The State of Washington has imposed a financial condition that the initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchise is open for business.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
MULTI-SITE DEVELOPMENT AGREEMENT, FRANCHISE COMPLIANCE CERTIFICATION AND RELATED AGREEMENTS
FOR THE STATE OF WASHINGTON

The PROSE Franchising, LLC Multi-Site Development Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

WASHINGTON LAW MODIFICATIONS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration 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.

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.

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

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.

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.

The State of Washington has imposed a financial condition that the initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Multi-Site Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____	By:_____
Name: Nate McFarland	Name: _____
Title: CEO	Title: _____
Date:_____	Date:_____

ADDENDUM TO
PROSE FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

The PROSE Franchising, LLC Franchise Agreement between PROSE Franchising, LLC ("Franchisor") and _____ ("Franchisee") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

WISCONSIN LAW MODIFICATIONS

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is hereby amended to add the following provision:

For all franchises sold in the State of Wisconsin, the Company will provide Franchisee at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Washington law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

PROSE FRANCHISING, LLC, an Arizona limited liability company	FRANCHISEE: _____ _____
By: _____ Name: Nate McFarland Title: CEO	By:_____ Name: _____ Title: _____
Date:_____	Date:_____

EXHIBIT K TO FRANCHISE DISCLOSURE DOCUMENT

NON-DISCLOSURE AGREEMENT

NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement ("Agreement") is made and entered into this _____day of _____, 20_____ (the "Effective Date") by and between PROSE Franchising, LLC, with an address of 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251 ("Disclosing Party"), and _____ _____, with an address of _____ ("Receiving Party").

RECITALS

A. WHEREAS, Disclosing Party is the franchisor of the PROSE® franchise system;

B. WHEREAS, Receiving Party is a prospective franchisee of Disclosing Party and wishes to learn more information about the PROSE® franchise system;

C. WHEREAS, as part of considering whether to purchase a PROSE® franchise, the Receiving Party may receive access to and review certain trade secrets and confidential information of the Disclosing Party. As a condition to receiving such information, the Receiving Party agrees to treat confidentially such information and any other information which Disclosing Party furnishes to Receiving Party or to which Receiving Party is afforded access.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed that:

TERMS AND CONDITIONS

1. Recitals. The recitals contained herein are true and correct and are incorporated herein by reference.

2. Confidential Information. As used in this Agreement, "Confidential Information" means and includes any and all information, data, documents or materials provided or made available by the Disclosing Party to the Receiving Party, in whatever form (*e.g.*, printed, written, oral, recorded, electronic, etc.) and by whatever mode (*e.g.*, company presentation, slide show, video, film, facility tour, meeting, interview, telephone conference or call, e-mail, provision of documents, etc.) in which it is communicated, recorded or maintained, that contains or otherwise reflects information concerning the Disclosing Party, its affiliates or its business, including but not limited to, its and its affiliates' operations, plans, designs, layouts, specifications, procedures, formulas, programs, technology, markets, services, products, prospects, employees, owners, customers, suppliers, partners, or financial condition. The term "Confidential Information" also includes all manuals of the Disclosing Party, reports, analyses, memos, notes or other information prepared or otherwise obtained by the Receiving Party which are based on or derived from, or which contain or reflect, any Confidential Information, regardless of the form in which such information is communicated, recorded or maintained.

Confidential Information shall not include information otherwise described above that the Receiving Party can establish: (a) is or becomes generally available to or known by the public (other than as a result of a disclosure directly or indirectly by the Receiving Party or any of its employees, agents or advisors); (b) is or becomes available to the Receiving Party or any of its employees, agents or advisors on a non-confidential basis from a source other than the Disclosing Party, provided that such source is not and was not bound by a confidentiality and/or non-disclosure agreement with, or have other similar obligations to, the Disclosing Party; or (c) has been independently acquired or developed by the Receiving Party or any of its employees, agents or advisors without violating any of its obligations under this Agreement.

3. Confidentiality. The Confidential Information shall be held and treated by the Receiving Party in utmost and strictest confidence. The Confidential Information shall not, without the prior written consent of the Disclosing Party, be disclosed by the Receiving Party in any manner whatsoever, in whole or in part. The Confidential Information shall not be used by the Receiving Party other than for the specific purpose of considering whether to purchase a PROSE® franchise. The Receiving Party agrees to restrict circulation of Confidential Information within its own organization to those partners and advisors who need to receive such Confidential Information in order for the Receiving Party to decide whether he or she will purchase a PROSE® franchise. Each partner or advisor of the Receiving Party to whom Confidential Information is disclosed shall be obligated to hold said information in confidence and otherwise to comply with the terms of this Agreement. The Receiving Party shall diligently monitor all access to Confidential Information, and upon request by the Disclosing Party, the Receiving Party shall promptly furnish a list of individuals with access to the Confidential Information.

In the event that the Receiving Party becomes legally compelled or required to disclose any of the Confidential Information to a third party by order of a court or other authority of competent jurisdiction, the Receiving Party shall provide the Disclosing Party with notice as far in advance as practicable so that the Disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement, in the sole discretion of the Disclosing Party. In any event, the Receiving Party will furnish only that portion of the Confidential Information which it is legally required to furnish. The Receiving Party shall immediately advise the Disclosing Party in writing if it learns of any unauthorized use or disclosure of Confidential Information by the Receiving Party, its employees, agents or advisors.

4. Ownership and Return of Information. The parties acknowledge and agree that all Confidential Information disclosed is confidential and proprietary to the Disclosing Party and shall remain the exclusive property of the Disclosing Party. At the request of the Disclosing Party, the Receiving Party shall promptly return or destroy any and all Confidential Information including all copies thereof, on any storage medium whatsoever, in its possession or in the possession of any of its employees, agents or advisors and will not retain any copies or other reproductions in whole or in part of such material.

5. Remedies. The parties acknowledge that unauthorized disclosure or use of the Confidential Information may cause the Disclosing Party irreparable harm and significant injury that may be difficult to ascertain. Accordingly, the parties understand and agree that, in addition to any other rights including the right to damages, the Disclosing Party shall be entitled to equitable relief, including injunction, in the event of any breach of this Agreement. The Receiving Party shall be responsible and held liable for any breach of this Agreement by its employees, agents, contractors or other representatives.

6. Representations. The Receiving Party understands and agrees that the Disclosing Party, nor its affiliates, agents, advisors or representatives: (i) have made or make any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information (or any portion thereof); or (ii) shall have any liability whatsoever to the Receiving Party (or any of its employees, partners, agents, representatives or affiliates) relating to or resulting from any errors in, or omissions from, the Confidential Information, unless otherwise set forth in a separate written agreement between the parties.

7. Survival. The confidentiality provisions of this Agreement shall survive and apply whether or not the Receiving Party purchases a PROSE® franchise and enters into a franchise agreement.

8. Miscellaneous

a. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Notwithstanding the foregoing, the Receiving Party shall not assign its rights or obligations under this Agreement.

b. Non-waiver. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein. No waiver of any provisions of this Agreement shall be effective unless it is in writing, signed by the party against whom it is asserted and any such written waiver shall only be applicable to the specific instance to which it relates and shall not be deemed to be a continuing or future waiver.

c. Attorney's Fees, Costs and Expenses. In any action or proceeding to enforce this Agreement, including any appeals or post judgment proceedings, the prevailing party shall be entitled to recover from the other party the reasonable attorneys' fees, court costs, filing fees, publication costs and other expenses incurred by the prevailing party in connection therewith.

d. Venue, Jurisdiction and Governing Law. The Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Arizona. Venue for any litigation involving or relating to this Agreement shall be Maricopa County, Arizona. The parties agree to submit to the exclusive jurisdiction of the courts of Maricopa County, Arizona for any such litigation.

e. Rule of Construction. The terms and conditions set forth in this Agreement are the product of mutual draftsmanship and/or review by the parties hereto, each having the opportunity to be represented by counsel. Any ambiguities in this Agreement or any agreement prepared or to be prepared pursuant to or in connection with this Agreement shall not be construed against any one party because of the draftsmanship. The Agreement shall be interpreted in a neutral fashion consistent with the intent of the parties as stated herein.

f. Notices. Any notice, request, demand, instruction, or other communication to be given to any party to this Agreement, shall be in writing and shall be sent either by: registered or certified mail; hand delivery; by Federal Express or other reputable courier service, and shall be deemed delivered upon receipt of said notice. Unless and until written notice of a change of address is given in writing and received, the addresses as provided in the first paragraph hereof shall be deemed to continue in effect for all purposes. The addresses for the purposes of this section may be changed by giving written notice hereunder.

g. Modification of Agreement and Merger. This Agreement, including any exhibits attached hereto and made part hereof, constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement may not be supplemented, modified or revised in any manner except by a single writing signed by all parties hereto, no additional consideration required. There are no prior or contemporaneous oral promises, representations or agreements not set forth herein inducing entry into this Agreement and all prior negotiations, discussions, statements and representations are merged into this Agreement. The provisions of this paragraph cannot be modified by conduct, oral agreement or written agreement, unless signed by all parties hereto.

h. Authority to Sign. By signing this Agreement, each party represents and warrants to all other parties that its execution of this Agreement is duly authorized in accordance with applicable laws relating to such parties, that this Agreement is fully enforceable according to its terms against such executing party and that the individual executing on any corporation's behalf has the requisite power and authority to do so.

i. Severability. If at any time any provision of this Agreement is deemed to contravene any provision of Local, State or Federal law, said provision shall be deemed amended to conform to such law or be considered null and void. All other provisions of this Agreement shall continue in full force and effect. If any provision of this Agreement is at any time rendered invalid, the enforceability of the remaining portions of this Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

DISCLOSING PARTY:	RECEIVING PARTY:
PROSE FRANCHISING, LLC,	_____
an Arizona limited liability company	_____
By: _____	By:_____
Name: Nate McFarland	Name: _____
Title: President and CEO	Title: _____
Date:_____	Date:_____

EXHIBIT L TO FRANCHISE DISCLOSURE DOCUMENT
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	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	April 29, 2022
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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 M TO FRANCHISE DISCLOSURE DOCUMENT
RECEIPTS

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 PROSE Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York and Rhode Island require 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. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PROSE Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise:

Nate McFarland; 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251; (602) 499-3971

Issuance date: April 29, 2022

PROSE Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated April 29, 2022, that included the following Exhibits:

A.	State Agencies/Agents for Service of Process	H.	Financial Statements
B.	Franchise Agreement and Exhibits	I.	Manual Table of Contents
C.	Deposit Receipt	J.	State Addenda to Disclosure Document and Franchise Agreement
D.	Multi-Site Development Agreement	K.	Non-Disclosure Agreement
E.	List of Current Franchisees and Area Developers	L.	State Effective Dates
F.	List of Former Franchisees and Area Developers	M.	Receipts
G.	Sample General Release		

Date: _____ Signature of Prospective Franchisee
(Do not leave blank)

Proposed Location: _____ _____
(city/state) Print Name: _____

You may return the signed receipt either by signing, dating, and mailing it to PROSE Franchising, LLC at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251, or by emailing a copy of the signed and dated receipt to PROSE Franchising, LLC at franchise@myprose.com.

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 PROSE Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York and Rhode Island require 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. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PROSE Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise:

Nate McFarland; 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251; (602) 499-3971

Issuance date: April 29, 2022

PROSE Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated April 29, 2022, that included the following Exhibits:

A.	State Agencies/Agents for Service of Process	H.	Financial Statements
B.	Franchise Agreement and Exhibits	I.	Manual Table of Contents
C.	Deposit Receipt	J.	State Addenda to Disclosure Document and Franchise Agreement
D.	Multi-Site Development Agreement	K.	Non-Disclosure Agreement
E.	List of Current Franchisees and Area Developers	L.	State Effective Dates
F.	List of Former Franchisees and Area Developers	M.	Receipts
G.	Sample General Release		

Date: _____ Signature of Prospective Franchisee
(Do not leave blank)

Proposed Location: _____ _____
(city/state) Print Name: _____

You may return the signed receipt either by signing, dating, and mailing it to PROSE Franchising, LLC at 4250 North Drinkwater Blvd., #300, Scottsdale, AZ 85251, or by emailing a copy of the signed and dated receipt to PROSE Franchising, LLC at franchise@myprose.com.