



FRANCHISE DISCLOSURE DOCUMENT

SalonCentric Franchising, Inc.
A Delaware Corporation
10101 Dr. Martin Luther King Street North
St. Petersburg, Florida 33716
(727) 693-3761
www.saloncentric.com

SalonCentric®

As a franchisee, you will operate a SalonCentric business engaged in the retail distribution of professional beauty and barber supply products to licensed professionals utilizing the SalonCentric trademark.

The total investment necessary to begin operation of a SalonCentric franchised business is from \$288,300 to \$408,200. This includes from \$85,000 to \$142,500 that must be paid to the franchisor or its affiliates.

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 for you. To discuss the availability of disclosures in different formats, contact the Franchise Services Department at 10101 Dr. Martin Luther King Street North, St. Petersburg, Florida 33716, (727) 693-3761.

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: MARCH 31, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F-1 and F-3.
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 D 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 SalonCentric 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 SalonCentric franchisee?	Item 20 or Exhibit F-1 and F-3 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 requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida than in your own state.
2. **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.

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

The franchisor is SalonCentric Franchising, Inc. ("SalonCentric Franchising", "we", "us", or "our"). "You" means the person who buys the franchise. If the franchisee is a corporation, partnership, limited liability company, or other entity, the owners of the corporation, partnership, limited liability company, or other entity must execute the guaranty described in Item 15. "You" will include the persons described in Item 15.

SalonCentric Franchising is a Delaware corporation. SalonCentric Franchising does business as "SalonCentric" and "SalonCentric Franchising". SalonCentric Franchising currently has no predecessors required to be included in this Item. It has one affiliate required to be disclosed in this disclosure document, SalonCentric, Inc. ("SCI").

SalonCentric Franchising's principal business address is 10101 Dr. Martin Luther King Street North, St. Petersburg, Florida 33716. The attached Exhibit "A" contains SalonCentric Franchising's registered agent for service of process in each state.

SalonCentric Franchising franchises the right for you to engage in a business that distributes to licensed professionals resalable professional beauty and barber supply products that you purchase from SCI, an affiliate of SalonCentric Franchising. These products include hair color, color support items, shampoo, conditioners, appliances, nail supplies, and barbering supplies. The market for the products you will sell primarily consists of operators of beauty shops and barber shops who will use SalonCentric products for sales to customers and in performing haircare services for customers. The market for your products and services is well-developed with many competitors. Your competitors will include other beauty product distributing companies, including Beauty Systems Group, Salon Service Group, and other independent beauty products distribution companies. You are limited to making sales to customers who either call into or visit the physical location of your franchised business, the right to seek customers by visiting salons or other third party businesses that provide salon services in your Designated Area, as that term is defined in the Franchise Agreement, and sales to licensed professionals via e-commerce platforms we approve. You may sell products and services only to licensed professionals and may not make sales to the general public.

SalonCentric Franchising will grant some of the franchises in this state to developers who enter into an Area Development Agreement ("Area Agreement"). We have attached a form of the Area Agreement to this disclosure document as Exhibit "C". An Area Agreement provides the developer with the exclusive right to develop a specified number of franchised SalonCentric locations within a designated development area for a time period specified in the Area Agreement. Upon establishing each additional outlet under an Area Agreement, the franchisee/developer will be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document. SalonCentric Franchising does not charge an area development fee to developers who are current SalonCentric distributors under distributorship agreements with SalonCentric, Inc., but intends to charge a development fee to other developers. See Item 12 for additional information on Area Development Agreements and the rights reserved by SalonCentric Franchising.

SalonCentric Franchising's affiliate SCI has operated a business distributing professional beauty and barber supplies since 2008 and has a network of sub-distributors made up of approximately 80 sub-distributors operating 225 sub-distributor locations in 17 states. SCI operates approximately 596 distribution locations under the SalonCentric name in 44 states. SalonCentric Franchising is not engaged in any business activities other than franchising of the franchised businesses described in this disclosure document. Neither SalonCentric Franchising nor its affiliates have offered or sold franchises in any other lines of business. SalonCentric Franchising will not operate businesses of the type being franchised. SalonCentric's affiliate SCI will continue to operate its business of distributing professional beauty supplies to businesses that include non-franchised distributors of these products, who will be in competition with you and other SalonCentric Franchising franchisees.

There are no specialized laws or regulations with which you must comply to operate a SalonCentric Franchised Business.

ITEM 2. BUSINESS EXPERIENCE:

Chairman, Chief Executive Officer and Director: David Greenberg

Mr. Greenberg became SCI's Chairman, Chief Executive Officer and President in March 2022. From March 2017 to March 2022, Mr. Greenberg led the Professional Products Division of L'Oreal USA as Group President in the United States and Canada. From April 2008 to March 2017, Mr. Greenberg served as US President of Maybelline, Garnier and Essie.

President: Gina Meggo

Ms. Meggo became President of SalonCentric USA in January 2023 and assumed that position with SalonCentric Franchising at that time. Prior to that, she held numerous positions since joining SalonCentric in June 2011, including SVP of Stores, Chief Customer Officer and Deputy Vice President of SalonCentric.

Director: Thomas Sarakatannis

Mr. Sarakatannis became a director of SalonCentric Franchising in January 2019. From January 2010 to the present date he has held Senior Vice President and General Counsel positions for various L'Oreal entities.

Vice President, Sub-Distribution Sales & Development: Paul Palladino

Mr. Palladino assumed these positions with SalonCentric Franchising in January 2019. From December 2013 to the present date he has been a Vice President of Sub Distribution Operations and Direct Sales Executive for SalonCentric, Inc.

ITEM 3. LITIGATION:

Except for the matter noted in the Illinois Addendum to this disclosure document, 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:

If you are not a current SalonCentric distributor, you will pay a Development Fee of \$2,500 per location. SalonCentric Franchising may consider waiving this Development Fee based on the size and location of the area to be developed and the financial condition of the developer. As provided in Section 3a of the Area Agreement, upon receipt by SalonCentric Franchising of the development fee no part of the development fee is refundable.

When you complete a location under an Area Agreement or without an Area Agreement, you will sign a Franchise Agreement. SalonCentric Franchising normally charges an initial franchise fee for each new franchised location of \$10,000. You must pay this initial franchise fee on the date you sign the Franchise Agreement, a copy of which is attached to this disclosure document as Exhibit "B". SalonCentric Franchising did not charge an initial franchise fee for its first franchised location due to the test nature of that location, and provides discounted initial fees for distributors who have agreements with affiliates of SalonCentric Franchising and develop franchised locations or convert their existing distributor locations to franchised locations, so the initial fee is not uniform. These distributors will pay an initial fee of \$10,000 for their first location, \$5,000 for their second to fifth locations and \$3,000 for their sixth through twelfth locations. If you sign a Franchise Agreement in connection with your purchase of, or other receipt of transferred ownership interests in, the assets of a Franchised Business from a third party owner, you will pay our then current asset transfer fee, currently \$2,500. The initial franchise fee or asset transfer fee is fully earned as of the date you sign the Franchise Agreement, and is not refundable.

In addition to the initial fee or asset transfer fee described above, you are required to purchase your initial inventory of merchandise, products, supplies and other materials for resale from our affiliate, SCI. You must pay us the suggested beauty salon purchase prices, determined by SCI in its sole discretion, less a 33.3% discount. The amount of your opening inventory is estimated as \$75,000 to \$125,000. See Item 7 of this disclosure document for a description of the estimated range of your initial purchases.

You (or your operating partner) must attend and successfully complete our initial training program. You are not required to pay a training fee for any number of trainees if we conduct the initial training entirely at the location of your Franchised Business. If we complete this training at any location other than at your Franchised Business we will not charge any training fees for two attendees. For the training of more than two attendees at a location other than your Franchised Business we may charge a training fee of \$500 per attendee. We currently do not assess this training fee for more than two attendees.

You must pay the training fees before your trainees begin training, and these training fees are uniform and non-refundable. Your trainees will remain your employees during the training program. You must pay for all of your trainees' salaries, worker compensation insurance, travel, meal and lodging expenses. See Item 11 for more information on training.

ITEM 6. OTHER FEES:

<u>Type of fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Inventory Product Purchases	Suggested beauty salon prices determined by our affiliate SCI in its sole discretion, less a 33.3% discount	Within 45 days after receipt of invoice with 4% discount for payment within 30 days of receipt of invoice.	Footnote 1
Renewal Fee	50% of the initial franchise fee set forth in the then current form Franchise Agreement	Upon signing of successor Franchise Agreement	Cost to renew or extend Franchise Agreement for five years
Audit Fee	Cost of Audit	When audit is completed	Footnote 2
Cooperative Advertising	Pro-rata share of media cost	When required by media outlets	Footnote 3
Ad Fund Contribution	Not currently assessed	Monthly on a date we will determine if we establish an ad fund	Footnote 4
Indemnification	Cost to us of a claim made against you	When cost incurred	Footnote 5
Training Fee/Additional Trainees	\$500 per trainee, except there is no fee for the first two persons to be trained at locations other than your Franchised Business.	Before trainees begin training	Footnote 6
Transfer Fee	\$2,500	Before transfer approved	Footnote 7
Interest on late payments	Highest applicable legal rate for open account business credit, not to exceed 1½% per month	Accrues from due date of amounts payable to us	Payable on all amounts you owe to us or our affiliates
Reimburse us for certain state taxes	Amount of tax assessed against us and specified in notice from us	Within 30 days after you receive notice from us	Footnote 8
Advertising materials purchased from Franchisor	\$250 per month	Billed at the end of each calendar quarter and payable within 30 days after receipt of bill	Footnote 9

1. You will purchase all of the merchandise inventory for your Franchised Business from our affiliate SCI. The Inventory Product Purchases disclosed in this Item 6 are in addition to and to replenish the Opening Inventory described in Items 5 and 7. The amount of the ongoing purchases described in this Item 6 will range from \$10,000 to \$20,000 per week depending on the sales volume at your Franchised Business, payable within 45 days after receipt of an invoice for such purchases as described in the table in this Item 6.
2. If an audit reveals your understatement of Net Sales by 2% or more for any accounting period then, in addition to amounts due on the understatement and interest, you must reimburse us all costs and expenses that we incurred in connection with performing the audit or inspection (including travel, lodging and wage expenses, and attorneys' and accountants' fees). We pay the audit cost if an understatement of Net Sales is less than 2%. Net Sales are defined in the Franchise Agreement as all revenue derived from operating the Franchised Business, including all sales from products sold and services rendered at the Franchised Business or otherwise rendered in connection with the Franchised Business, excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority; and excluding the amount of any documented refunds, credits, allowances, adjustments, promotional discounts, and charge-backs the Franchised Business provides to customers in good faith.
3. We may establish local and/or regional advertising cooperatives in your area, covering such geographic areas as we may designate from time to time. You must participate in the advertising cooperative and its programs in your area and abide by its by-laws. You must contribute such amounts to the advertising cooperative(s) as the cooperative determines in accordance with its by-laws. Contributions to such local and regional advertising cooperatives are credited toward the two percent (2%) local advertising expenditures required by the Franchise Agreement. We will determine participation by us and our affiliates in any advertising cooperative if we have competitive operations near your location on a case by case basis. See Item 11 of this disclosure document.
4. We currently do not have a regional or national advertising fund, but may establish one in the future. You will be required to pay up to \$750 per month to these funds, payable monthly on a date we determine. We will provide you with written notice of the amounts to be paid to these funds when we establish the funds or change the amount of your required contribution, which will not exceed \$750 per month.
5. You must indemnify us from certain claims related to your operation of your Franchised Business described in Section 17.02 of the Franchise Agreement.
6. We will only charge the training fee described in this item if the training occurs at a location other than the location of the Franchised Business, and we currently do not charge this fee. There is no fee for initial training that occurs at the Franchised Business, and we will cover our out-of-pocket costs in connection with this training. You will be responsible for your employees' salaries, worker compensation insurance, travel and living expenses.
7. Before we approve a transfer, other than certain transfers to an entity you own or certain transfers among owners described in the Franchise Agreement, you must ensure we receive our then-current transfer fee, currently \$2,500.

8. Reimburses us for gross receipts tax or other form of state income tax, in any state other than the state in which our principal office is located, or sales or use tax in any state for any amount payable by you to us for the initial franchise fee, National Marketing Fee or other fees you pay to us.

9. We will supply you each month with certain marketing materials, including posters, end cap posters, shelf talkers, nesting table signage, and in-line shelf signage, and you will be required to pay us the amount described in this table.

ITEM 7. ESTIMATED INITIAL INVESTMENT:

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee	\$2,500 per unit (1)	Lump Sum	Upon Signing Area Agreement	Franchisor
Initial Franchise Fee	\$10,000	Lump Sum	Upon Signing Franchise Agreement	Franchisor
Advertising	\$5,000 (2)	Terms set by Vendors	As incurred	Vendors
Equipment	\$75,200-\$102,000 (3)	Terms set by Vendors	When ordered	Vendors
Opening Inventory	\$75,000-\$125,000 (4)	Terms set by Vendors	As ordered	Affiliate
Lease of Real Estate (3 months)	\$7,500-\$15,000 (5)	Monthly	Monthly	Landlord
Leasehold Improvements	\$62,000-\$83,000	Terms set by Vendors	As incurred	Contractors
Insurance	\$1,000-\$2,500	Terms set by Vendors	As purchased	Vendors
Misc. Opening Costs	\$10,000 (6)	Lump Sum	As purchased	Vendors
Signs	\$16,000-\$20,000	Lump Sum	As purchased	Vendors
Initial Training Expenses	\$1,600-\$3,200 (7)	Terms Set by Vendors	As purchased	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Additional Funds (3 months)	\$25,000 (8)	As incurred	As incurred	Employees, Suppliers, Utilities
Total (9)	\$288,300-\$408,200			

1. When you develop new locations under an Area Agreement, you must pay the Franchisor a development fee of \$2,500 for each location to be developed, unless you are a current SalonCentric distributor converting to franchised locations, when no development fee is required. This development fee is also described in Item 5 of this disclosure document, and is non-refundable. For purposes of the high-end total investment number at the end of this table, we assume if you have an Area Agreement you will develop three locations.

2. Advertising expenditures will vary, depending mainly upon the type of media used, advertising frequency, and size of the city in which the unit is located.

3. Your equipment will include shelving and other store fixtures, security systems, safes, a point-of-sale system, other store furnishings, and carts. You agree to purchase or lease only such types, brands and models of fixtures, furniture, equipment, signs and supplies that we approve for Franchised Businesses as meeting our standards and specifications. You may purchase or lease approved types, brands or models of fixtures, furniture, equipment, signs and supplies only from suppliers approved by us (including us and any of our affiliates). See Items 8 and 11 of this disclosure document.

4. You must use or offer for sale at the Franchised Business only the products, uniforms, packaging materials, forms, labels and other supplies and services that conform to our specifications and quality standards and/or are purchased from the suppliers, distributors and service providers we approve (which may include us and/or any of our affiliates). At this time our affiliate, SCI, is the sole approved vendor for all resalable inventory items you will purchase.

5. Rent will vary depending on the size and location of the unit. The range of rental amounts described is for three months.

6. Includes security deposits, utility costs, and incorporation fees.

7. You will incur approximately \$100-\$200 per day in expenses for food and lodging for each person who attends the initial training session described in Item 11 of this disclosure document if it is held other than at the location of the Franchised Business. You will also be responsible for travel expenses that will vary depending on type of transportation and length of travel. As described in Items 5 and 6 of this disclosure document, we may charge you a training fee of \$500 for each individual you send to training at a location other than at your Franchised Business, except we do not charge a training fee for the first two trainees, and we currently do not charge a training fee when

you have more than two trainees. This table assumes you will have two people for whom a training fee will be charged if we begin to charge this fee.

8. This figure estimates your initial start-up expenses before you begin operations and for your first three-month period of operations. These expenses include payroll costs. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. SalonCentric Franchising relied on the experience of its affiliates in the distribution of beauty products to compile these estimates. Your costs will depend on factors that include: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for SalonCentric products; the prevailing wage rate; competition; and the sales level you reach during this initial period.

9. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES:

To maintain the consistency of the products and services sold by SalonCentric franchisees, SalonCentric Franchising requires you to purchase products, uniforms, packaging materials, forms, labels and other supplies and services that conform to our specifications and quality standards and/or are purchased from suppliers, distributors and service providers we approve. You must purchase all of your inventory of resalable professional beauty and barber supply products from our affiliate SCI. These products include hair color, hair color support items, shampoo, conditioners, appliances, nail supplies, and barbering supplies. In developing your location you must purchase types, brands, and models of fixtures, furniture, equipment, signs, and supplies only from suppliers we approve. SalonCentric Franchising and/or its affiliates may be an approved supplier, and in some cases will be the only approved supplier, of certain items described in this paragraph. At this time our affiliate, SCI, is the sole approved vendor for all resalable inventory items you will purchase. Except for those items where SalonCentric Franchising or its affiliate is an approved supplier, there are no suppliers in which an officer of SalonCentric Franchising owns an interest.

SalonCentric Franchising developed the specifications for approved suppliers and distributors. These specifications primarily relate to the ability of an approved supplier or distributor to comply with SalonCentric Franchising's quality assurance guidelines. These requirements are consistent with the operation of a professional beauty and barber supply distribution business and are intended to maintain a consistent level of professional products for customers. SalonCentric Franchising may modify these specifications by notifying the suppliers and distributors in writing. SalonCentric Franchising will issue these specifications to approved and prospective suppliers and distributors, and will provide them to franchisees upon request.

If you want to purchase fixtures, furniture, equipment, signs, and supplies, other than merchandise inventory, from a supplier we have not approved, we may request additional information from you regarding these items and proposed suppliers. We may approve a limited number of suppliers in a market to help administer quality assurance standards and will approve an exclusive supplier for certain items, including SCI or its affiliates. SalonCentric Franchising will notify franchisees within 90 days of their request for approval of an additional supplier, and SalonCentric Franchising does not charge a fee to evaluate a potential new supplier.

Products to be sold at franchised locations will be sourced by our affiliate, SCI, who will conduct evaluations of proposed suppliers. Their evaluation criteria are internal and are not made available to franchisees. We do not permit franchisees to contract with alternative suppliers who meet our criteria with regard to the purchase of products to be sold from franchised locations, but franchisees may recommend new brands of products to be sold to franchisees by SCI for resale at franchised locations. SalonCentric Franchising emphasizes the ability of a potential new brand supplier to adhere to SalonCentric Franchising's quality assurance and confidentiality standards. SCI may also emphasize the willingness of a potential supplier to distribute the full line of products required by franchisees. SCI may approve a limited number of suppliers in a market to help administer quality assurance standards and will approve an exclusive supplier for certain products, including SCI or its affiliates. SalonCentric Franchising will notify franchisees within 90 days of their request for approval of an additional brand, and neither SalonCentric Franchising nor SCI charges a fee to evaluate a potential new brand.

SalonCentric Franchising may revoke the approval of a distributor or supplier that breaches any supplier or distributor agreement with SCI. SalonCentric Franchising will advise all franchisees dealing with a distributor or supplier whose approval is revoked by SalonCentric Franchising.

SalonCentric Franchising had total revenue of \$28,548 in the year ended December 31, 2022. SalonCentric Franchising derived no revenue during that year from all required purchases and leases of products and services. As described in this Item 8, our affiliate SCI currently serves as the exclusive supplier of the resalable professional beauty and barber supplies you will sell from your franchised location. In our most recent fiscal year, our affiliate SCI had revenue of \$13,614,197 from the purchases of products from SCI by our franchisee. We estimate that the required purchases and leases from approved suppliers and distributors will constitute 100% of your purchases and leases in establishing your franchised business and 100% of your purchases and leases in operating your franchised business. During our most recent fiscal year neither we nor any of our affiliates received any rebates from suppliers on account of purchases of required and approved items made by franchisees, but we reserve the right for us or our affiliates to receive such payments in the future.

SalonCentric Franchising negotiates purchase arrangements with suppliers (including price terms) for certain items for the benefit of franchisees. We do not operate any purchasing or distribution cooperatives. There are no product purchasing or distribution cooperatives in the SalonCentric system.

SalonCentric Franchising will not provide material benefits (like granting additional franchises to you) based on your use of designated suppliers or distributors.

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.

FRANCHISEE'S OBLIGATIONS

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM # IN DISCLOSURE DOCUMENT	SECTION IN AREA DEVELOPMENT AGREEMENT
a. Site selection and acquisition/lease	Sections 3.02 and 3.03	Item 11	Section 2b(1)
b. Pre-opening purchases/leases	Section 3.06 and 6.02	Items 7 and 8	No obligation imposed
c. Site development and other pre-opening requirements	Sections 3.05 and 3.06	Item 11	Section 2b
d. Initial and ongoing training	Sections 4.01 and 4.05	Item 11	Section 2c
e. Opening	Section 4.02	Item 11	Section 2b
f. Fees	Sections 6.01 and 6.03	Items 5 and 6	Sections 1b(8) and 3
g. Compliance with standards and policies/operating manuals	Sections 9.01-9.12	Item 11	Section 4d
h. Trademarks and proprietary information	Section 5.01-5.07	Item 13	Sections 4c and 4d
i. Restrictions on products/services offered	Sections 9.02, 9.03 and 9.04	Item 16	Section 4d
j. Warranty and customer service requirements	No obligation imposed	No obligation imposed	No obligation imposed
k. Territorial development and sales quotas	Section 9.12	Item 5	Section 2b(1) and Exhibit A
l. Ongoing product/service purchases	Sections 9.02, 9.03 and 9.04	Item 8	No obligation imposed
m. Maintenance, appearance and remodeling requirements	Section 9.01	Item 7	Section 2b(2)

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM # IN DISCLOSURE DOCUMENT	SECTION IN AREA DEVELOPMENT AGREEMENT
n. Insurance	Section 9.07	Item 7	Section 9b
o. Advertising	Sections 10.01-10.04	Item 7	No obligation imposed
p. Indemnification	Section 17.02	Item 6	Section 9a
q. Owner's participation/management/staffing	Sections 8.03 and 9.06	Item 15	Section 2c
r. Records and reports	Section 11	Item 6	Section 2b(2)
s. Inspections and audits	Section 12	Item 6	No obligation imposed
t. Transfer	Section 13	Item 17	Section 5
u. Renewal	Section 15	Item 17	Sections 6a and 6c
v. Post-termination obligations	Section 16	Item 17	Section 6d
w. Non-competition covenants	Section 16.03 and Exhibit D	Item 17	Section 4e
x. Dispute resolution	Sections 18.03 and 18.04	Item 17	Section 1i
y. Personal Guaranty	Exhibit C	Items 1 and 17	Section 10e and Exhibit C-1

ITEM 10. FINANCING:

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

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

Except as listed below SalonCentric Franchising is not required to provide you with any assistance.

Before you open your business, SalonCentric Franchising will:

1. Provide you with written specifications for all equipment, fixtures, and supplies necessary for the operation of a franchised SalonCentric location. (Franchise Agreement, Section 9.04). SalonCentric Franchising does not sell these items to you, but you will purchase the inventory of resalable professional and beauty supply products you will sell from your Franchised Business from our affiliate SCI. SalonCentric Franchising provides you with the names of approved suppliers. (Franchise Agreement, Sections 9.03 and 9.04). See Item 8 of this disclosure document.

2. Though not required by the Franchise Agreement, SalonCentric Franchising may assist you in selecting a site for your Franchised Business. We will use reasonable efforts to help you analyze your market area to help determine site feasibility but we will not conduct site selection activities for you. You will select a site which we must approve based on our then-current site selection criteria. (Franchise Agreement, Section 3.02). We will not own the premises and lease them to you. In reviewing a proposed site we will consider traffic patterns, parking, character of the neighborhood, competition from and proximity of other businesses, and size, appearance, and other physical characteristics of a proposed site. We will use reasonable efforts to approve or disapprove your proposed site within 15 days after receiving your written proposal. (Franchise Agreement, Section 3.03). If we disapprove your proposed site, you must identify and notify us of alternate new sites until we approve a site for the Franchised Business. (Franchise Agreement, Section 3.03). If we ultimately do not approve a site, no Franchise Agreement will be signed, or if a Franchise Agreement has been signed it will be terminated, any initial franchise fee paid will not be refunded, and neither Franchisor nor Franchisee will have any further obligations to proceed with development of a Franchised Business.

3. Assist you in implementing the procedures for opening a SalonCentric location. (Franchise Agreement, Section 4.02). This assistance will include providing written specifications for, and providing the names of approved suppliers of, the equipment, signs, fixtures, opening inventory and supplies. We will not deliver or install these items.

4. Before you open your initial SalonCentric location, we will provide the following training program, consisting of a three days off-site training program, followed by a 1-2 days of on-site training. We will also provide multiple digital training modules and several virtual Teams calls hosted by various SalonCentric support teams. (Franchise Agreement, Section 4.01). The off-site training program will be conducted at our national operations center in St. Petersburg, Florida. This training program is not held on a fixed schedule, but is scheduled at times that take into consideration the opening dates of new locations. In 2022 we conducted franchise onboard training virtually three times during the year. Most of the on-site training occurs at the location of your Franchise Business, but we may designate a company site or franchised location in another city as a training site. You, if you are an individual franchisee, or your Operating Partner, must successfully complete the training program. (Franchise Agreement, Section 4.01). This training normally will be completed approximately 30 days before the opening of your store. Based on situations out of our control, including public health concerns, we may amend or adjust our training guidelines/programs, which could consist of scaled back or alternative methods of training including training via digital/virtual platforms either live or recorded. If we provide training on digital/virtual platforms we will not charge a training fee and there is no limit on the number of persons you can have attend this training. (Franchise Agreement, Section 4.01).

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
History of SalonCentric, Customer Experience, Inventory assortment and replenishment, Merchandising, and Marketing.	Two days (approximately 16 hours) of initial training program will be classroom style. Remainder of the training will consist of on the job training and meeting with the franchisor's personnel to discuss subjects described in this table. There will be approximately 16 additional hours of the digital training modules and Team calls described in this Item 11.	Approximately 16 hours	Our national operations center in St. Petersburg, Florida, the location of your Franchised Business or other site we designate.

The instructional materials used for the off-site training program will consist of our Brand Standards Manual and slide presentations. Trainees will receive copies of the slides during the training sessions. SalonCentric Franchising's trainers have from five to eight years of operations experience, including from five to eight years with SalonCentric and average five years of training experience with SalonCentric.

SalonCentric Franchising may, in its sole discretion, charge you a training fee at our then-current rates if you send more than two people to training at a location other than the Franchised Business. You or your Operating Partner, as that term is defined in the Franchise Agreement, must successfully complete this training (Franchise Agreement, Section 4.01). If we complete the initial training at the location of the Franchised Business you may determine how many people will attend this training at no charge to you (Franchise Agreement, Section 4.01). You must pay the travel and living expenses for you and your employees who attend this initial training. You are not responsible for reimbursing us for our out-of-pocket expenses we incur in connection with this training.

After you have at least one person successfully complete our initial training program that person can then train others within your organization to provide training to your employees. With this train the trainer program you will not be required to send employees to our training program when you open additional locations, unless we determine additional training is needed before you open additional locations. (Franchise Agreement, Section 4.01).

Additional training may be provided to a trainee in our sole discretion if necessary to enable the trainee to successfully complete this training. SalonCentric Franchising does not permit a location to open until you or your Operating Partner have completed the training program. Section 4.05 of the Franchise Agreement allows SalonCentric Franchising to require you and your managers to

complete periodic refresher training courses at locations designated by SalonCentric Franchising. We will not charge a fee for this training but you will be responsible for compensation, travel, and living expenses for all persons attending this training.

During the operation of the franchised business, SalonCentric Franchising will:

1. Provide guidance to you in the form of the Brand Standards Manual, written materials, telephone conversations, emails and other forms of electronic communications, meetings at SalonCentric Franchising's offices or consultations at the location of your Franchised Business to provide advice to you and your key employees. (Franchise Agreement, Section 4.04).

2. Provide you with a written report showing any areas in which your location fails to comply with SalonCentric Franchising's specifications. You must promptly take action to correct these failures. SalonCentric Franchising will, at your expense and upon your request, provide advice at your location (in addition to the visits described in the previous paragraph). SalonCentric Franchising will provide this service by telephone without additional charge to you. (Franchise Agreement, Section 4.04).

3. Loan you a copy of SalonCentric Franchising's Brand Standards Manual that contains our standards and procedures. (Franchise Agreement, Section 4.06). This manual is confidential and remains SalonCentric Franchising's property. SalonCentric Franchising will modify this manual, but the modifications will not alter your status and rights under the Franchise Agreement. (Franchise Agreement, Section 4.06). The table of contents for this manual is attached as Exhibit "E" to the disclosure document. The Brand Standards Manual has 91 pages.

We will supply you each month with certain marketing materials, including posters, end cap posters, shelf talkers, nesting table signage, and in-line shelf signage. You will be required to pay us approximately \$250 per month for these materials. You may develop advertising material for your own use, at your own cost. SalonCentric Franchising has the right to approve these advertising materials before you use them (Franchise Agreement, Section 10.02). SalonCentric Franchising's franchisees place advertising locally. Local advertising agencies hired by individual franchisees or advertising cooperatives often place this advertising. SalonCentric Franchising does not have an advertising council composed of franchisees that advises SalonCentric Franchising on advertising policies.

We have not established a formal Advertising Fund (the "Fund") for advertising, marketing, and public relations programs and materials we deem appropriate, but we reserve the right to do so. (Franchise Agreement, Section 10.01). If we establish the Fund, you must contribute to the Fund the amounts that we periodically require, referred to in the Franchise Agreement as the "National Marketing Fee." (See Item 6). SalonCentric locations that we operate in the future may contribute to the Fund on the same basis as franchisees, but will not be required to do so. We have the right to collect for deposit into the Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with SalonCentric locations and with whom we have agreed that we will so deposit these allowances.

If we establish the Fund, we will direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media

placement and allocation. The Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce website, mobile app, and/or related strategies; administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, and/or on the internet, whatever we think best. The Fund periodically will give you samples of advertising, marketing, and promotional formats and materials at no cost. We will sell you multiple copies of these materials at costs approximating our direct cost of producing them, plus any related shipping, handling, and storage charges. (Franchise Agreement, Section 10.01).

We will account for the Fund separately from our other funds and not use the Fund for our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Fund contributions. (Franchise Agreement, Section 10.01).

The Fund will not be our asset. The Fund also will not be a trust. We will hold all Fund contributions for the benefit of the contributors and use contributions only for their permitted purposes (described above). We will have no fiduciary obligation to you for administering the Fund. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises. We will prepare an annual, unaudited statement of Fund collections and expenses and give it to you on written request. We may incorporate the Fund or operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described here.

If established, the Fund will be intended to maximize recognition of the Marks and patronage of SalonCentric locations. Although we will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all SalonCentric locations, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by SalonCentric locations operating in that geographic area or that any SalonCentric locations benefits directly or in proportion to its Fund contributions from the development of advertising and marketing materials or the placement of advertising. (Franchise Agreement, Section 10.01). We may use collection agents and institute legal proceedings to collect Fund contributions at the Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce a franchisee's Fund contributions and, upon 30 days prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. (Franchise Agreement, Section

10.01). If we terminate the Fund, we will use the remaining amounts in the Fund to defray costs associated with the advertising programs and overhead costs, as described above.

The Franchise Agreement requires you to spend an amount not to exceed three percent (currently two percent) of your sales on advertising SalonCentric products and your business. (Franchise Agreement, Section 10.02). We have the right to require you to participate in cooperative advertising with the company-operated and franchised locations in your market area. In some cases this cooperative advertising may require you to spend more than three percent of your sales on advertising and promotion, depending on the nature and extent of the cooperative advertising and the sales volume of your location. (Franchise Agreement, Section 10.03).

SalonCentric Franchising will define the area and membership in a cooperative. You will pay a pro rata share of the cost of advertising and promotion in the market. Your share depends on the number of locations or net sales you have in the market as a percentage of the total locations or net sales in the market, as determined in the bylaws of the cooperative. Your pro rata share will be determined in the same way as that of all other franchisees located in the advertising cooperative. The participation by us or our affiliates in any advertising cooperative as a result of competitive operations within the area covered by the cooperative will be determined on a case by case basis. (Franchise Agreement, Section 10.03). SalonCentric Franchising is responsible for administration of the cooperative. The cooperative will have written documents that govern its operation, but no such documents currently exist for your review. SalonCentric Franchising will describe your requirement to participate in the cooperative in an exhibit to the Franchise Agreement. The cooperatives do not have to prepare annual or periodic financial statements. SalonCentric Franchising has the power to decide if SalonCentric Franchising will form, change, dissolve or merge cooperatives. (Franchise Agreement, Section 10.03). Other than the advertising cooperatives described in this paragraph and the preceding paragraph, you are not required to participate in any other advertising fund unless we establish the Fund described in this Item 11.

Franchisees typically open their Franchised Business within 60 to 180 days after they sign a Franchise Agreement. The factors that affect this time are the ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, and delayed installation of equipment, fixtures and signs.

You must use an electronic cash register or point-of-sale systems designated or approved by us from time to time (Franchise Agreement, Section 11.02). You may be required to use computers, computer-based cash registers and point-of-sale systems which are fully compatible with our computer system and which include an information interface capability to communicate electronically with our computer system. (Franchise Agreement, Section 11.02). We may require you to obtain, and at any time and from time to time update and/or upgrade, equipment, software and/or related services for record keeping and reporting purposes, including facilitating communications between your computers and computer-based cash registers and our computer system. (Franchise Agreement, Section 11.02). We have the right to access data from your Franchised Business's system and use the data we collect for any lawful purpose. There are no contractual limitations on our right to access this information. If we require you to use specific hardware and/or proprietary software, you agree to execute and comply with such technology agreements as we deem necessary and you agree to pay such license, training, and maintenance fees as we, our affiliates, or third parties deem reasonably appropriate. (Franchise Agreement, Section

11.02). We estimate that you can purchase a computer for use in the operation of your business for approximately \$8,000-\$15,000. We do not encourage you to lease this computer.

Neither SalonCentric Franchising, nor any affiliate or third party has any obligation to provide ongoing maintenance, repairs, upgrades or updates for your computer system. SalonCentric Franchising may require you to upgrade or update your computer system during the term of the Franchise Agreement, and there are no limitations in the Franchise Agreement or other agreement on the frequency or cost of your obligation to upgrade or update. (Franchise Agreement, Section 11.02).

It is SalonCentric Franchising's policy and practice to monitor any websites and social media sites developed or used by franchisees to ensure that links used by franchisees from their websites do not negatively reflect on the trademarks of SalonCentric Franchising. Any offers, coupons or other discounts you offer by means of the internet must be approved in advance by SalonCentric Franchising and limited to specific locations you operate. It is also SalonCentric Franchising's policy to require you to submit to SalonCentric Franchising for approval any email marketing plans you intend to use.

ITEM 12. TERRITORY:

You will operate your SalonCentric unit at a specific location that we first must approve. You may operate the location only at the approved premises and may not relocate the premises without our prior approval. You do not have any options, rights of first refusal or similar rights to acquire additional franchises.

You will receive a territory referred to in Section 2.02 of the Franchise Agreement as a Designated Area. During the term of the Franchise Agreement SalonCentric Franchising, Inc. will not own or operate, or grant a third party the right to operate, a Franchised Business physically located in the Designated Area. However, our affiliate SCI and sub-distributors appointed by SCI under distributor agreements may sell professional beauty and barber supply products within your Designated Area. Such businesses may or may not use the SalonCentric trade name, but will not be Franchised Businesses because they will not use the System, as that term is defined in the Franchise Agreement. Continuation of your territorial exclusivity as to other franchisees does not depend on achieving a certain sales volume, market penetration or other contingency. However, under Section 9.12 of the Franchise Agreement we will provide you with a Performance Target each year. We may modify this Performance Target in our sole discretion after discussions with you. Your failure to come within 1.5% of your Performance Target in a year is an event of default under the Franchise Agreement.

As more fully described in Item 1 and Item 5 of this disclosure document, if you sign an Area Agreement you receive the exclusive right to develop a specified number of franchised locations within a designated development area during the term specified in the Area Agreement. Under the terms of the Area Agreement SalonCentric Franchising reserves the right to sell certain products and services, and may grant rights to others within the development area to sell similar or dissimilar products and services, through distribution channels other than other franchised locations.

As described in Section 2.01 of the Franchise Agreement, your franchise is limited to the right to offer and sell products and equipment to customers physically at the location of your Franchised Business or who directly call your Franchised Business, and you can call on customers located within your designated area, as the terms “customer” and “designated area” are defined in the Franchise Agreement. Without our approval you have no rights to operate other places of business or maintain digital or e-commerce sites, except for the right to sell approved products to licensed professionals through an e-commerce platform we approve. We may develop a program for e-commerce sales by franchisees in the future in which you will be required to participate. In no other event may you use alternate chains of distribution to sell products.

We retain all rights with respect to the SalonCentric trademarks described in this disclosure document (the "Marks"), the sale of similar or dissimilar products and services, and any other activities we deem appropriate, including, but not limited to:

1. the right to provide, offer and sell, and to grant others the right to provide, offer and sell, goods and services that are identical or similar to and/or competitive with those provided at SalonCentric locations, whether identified by the Marks or other trademarks or service marks, through dissimilar channels of distribution (including distribution outlets, the internet or similar electronic media) from any location and on any terms and conditions we deem appropriate;
2. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, from any location, including dissimilar channels of distribution (including distribution outlets, the internet or similar electronic media), under the Marks and on any terms and conditions we deem appropriate;
3. the right to operate, and to grant others the right to operate, SalonCentric Franchised Businesses located anywhere outside your Designated Area, under terms and conditions we deem appropriate and regardless of proximity to your location;
4. the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at SalonCentric locations, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; and
5. the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) by a business providing products and services similar to those provided at SalonCentric locations, or by another business, even if such business operates, franchises and/or licenses competitive businesses in your territory.

We are not required to pay you if we exercise any of the rights specified above regardless of proximity to your location.

ITEM 13. TRADEMARKS:

SalonCentric Franchising grants you the right to operate a retail location selling professional beauty and barber supply products under the name “SalonCentric.” You may also use our other current or future trademarks to operate your location. By trademark we mean trade names, trademarks, service marks and logos used to identify your location and the products sold from your location.

Our rights to use the Marks and to license you to use the Marks are subject to the terms of a Trademark License Agreement between SalonCentric Franchising, Inc. and SalonCentric, Inc. dated March 25, 2019 (the “TLA”). The TLA remains in effect until terminated by one of the parties. Either party can terminate the TLA on 90 days’ notice for any reason or no reason. SalonCentric, Inc. also can terminate the TLA if we commit an incurable default under the TLA or we do not cure a curable default within the applicable cure period. Our affiliate, L’Oreal USA Creative, Inc. (“L’Oreal”) registered the trademark on the United States Patent and Trademark Office (“USPTO”) principal register on June 8, 2010, at registration number 3,815,116 and on the USPTO principal register on July 6, 2010, at registration number 3,800,448, and has filed all required affidavits. L’Oreal assigned both of these registrations to SalonCentric, Inc. in March 2019.

You must follow our rules when you use these Marks. You cannot use a name or mark with modifying words, designs or symbols except for those which we license to you. You cannot use the registered trademarks in the sale of an unauthorized product or service or in a manner not authorized in writing by us. You cannot use the registered trademarks in the name of your business entity or in any online domain name.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving SCI’s or our use or ownership rights in any trademarks, or any currently effective agreements that significantly limit SCI’s or our rights to use or license any of its trademarks, nor do SCI or we know of any infringing uses that could materially affect your use of the trademarks.

Section 5.05 of the Franchise Agreement permits us, in our sole discretion, to modify or discontinue the use of any trademark, and to use one or more additional or substitute trademarks. You must comply, at your sole cost, with our directions to modify or otherwise discontinue use of a trademark within a reasonable time after notification by us. We will not reimburse you for your direct expenses of changing the signs at your location, for any loss of revenue due to any modified or discontinued trademark, or for your expenses of promoting a modified or substitute trademark or service mark.

We will protect your rights to use the Marks if a third party brings a claim, suit or demand regarding your use of one or more of the Marks in a manner permitted by the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any trademark, but the Franchise Agreement does not require us to participate in your defense or indemnify you regarding matters related to the Marks. (Franchise Agreement Section 5.06).

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION:

You do not have the right to use an item covered by a patent or copyright, but you can use the proprietary information in SalonCentric Franchising’s Brand Standards Manual. We own no rights to any patents and have no pending patent applications that are material to the franchise. Item 11 describes the Brand Standards Manual. SalonCentric Franchising has not filed an application for copyright registration for the Brand Standards Manual, but SalonCentric Franchising owns all rights to the copyright for this manual, and this information is proprietary. Item 11 describes limitations on the use of this manual by you and your employees. You may use this manual in the operation of

your location on the condition that you not use the information contained in such manual for any other business, you not disclose this information to any third party, and you return this manual to SalonCentric Franchising upon the termination or expiration of the Franchise Agreement.

There currently are no effective adverse determinations of the USPTO, the Copyright Office (Library of Congress), or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the system's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright. You do not have any rights under the Franchise Agreement if we require you to modify or discontinue using the subject matter covered by a copyright.

Our Brand Standards Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes training and operations materials; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating SalonCentric franchised locations; marketing and advertising programs for SalonCentric franchised locations; any computer software or similar technology that is proprietary to us or the system; and knowledge of specifications for and suppliers of products and supplies.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent improper disclosure to others and use non-disclosure and non-competition agreements with those having access.

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

Under Section 8.03 of the Franchise Agreement, if the franchisee is an entity you must designate a person, referred to in the Franchise Agreement as an "Operating Partner", who will have the authority to bind the franchisee and its owners to all operational decisions regarding the Franchised Business. The Operating Partner must complete our training program and exert full-time and best efforts to the Franchised Business, but is not required to supervise the on-premises operation of the Franchised Business. You may instead have an on-premises general manager. The Operating Partner may not be changed without our consent. SalonCentric Franchising may require an on-premises general manager to complete SalonCentric Franchising's training program described in Item 11. The general manager need not have an ownership interest in a corporate, limited liability company or partnership franchisee, but may be required to sign a confidentiality and non-disclosure agreement.

All owners of an interest in a Franchise Agreement, including the owners of interests in a corporation, limited liability company, partnership or other entity that is the franchisee, must sign a personal guaranty. Exhibit "C" of the Franchise Agreement contains the form of this guaranty. The

signers of this guaranty agree to pay all amounts owed by the franchisee to SalonCentric Franchising, carry out the franchisee's other obligations to SalonCentric Franchising and observe the confidentiality requirements referred to in the guaranty. SalonCentric Franchising may waive the guaranty requirement, in its sole discretion, for very large and well capitalized franchisees.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL:

SalonCentric Franchising requires you to sell SalonCentric products from your location only. You are limited to making sales to customers who call into or visit the location of your Franchised Business, the right to seek customers by visiting salons or other third party businesses described in the Franchise Agreement and the right to sell approved products to licensed professionals through an e-commerce platform we approve.

You must sell only goods and services we approve and you must sell all goods and services we require you to sell. You may sell products and services only to licensed professionals and may not make sales to the general public. We have the right to change the types of authorized goods and services; there are no limits on our right to make these changes.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION:

THE FRANCHISE RELATIONSHIP

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.

FRANCHISE AGREEMENT

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a.	Length of the franchise term	Section 2.01	Term is 5 years from the date set forth in Franchise Agreement.
b.	Renewal or extension of the term	Section 15.01	If you are in good standing, you can renew the term for one additional 5 year term.
c.	Requirements for you to renew or extend	Sections 15.01, 15.02 and 15.03	Give SalonCentric Franchising written notice of your intent <u>not</u> to renew at least 180 days before current term ends and sign new Franchise Agreement, a release (if law allows) and other documents SalonCentric Franchising uses to grant franchises; pay renewal fee of 50% of the initial franchise fee in our then-current form of Franchise Agreement; maintain premises of location and refurbish the location

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
			as required by SalonCentric Franchising; relocate the location if you cannot retain the location or SalonCentric Franchising believes it should be relocated. If you seek to renew your franchise at the expiration of the initial term, you may be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and territorial rights.
d.	Termination by you	N/A	The Franchise Agreement does not give you the right to terminate.
e.	Termination by SalonCentric Franchising without cause	None	N/A
f.	Termination by SalonCentric Franchising with cause	Sections 14.01 and 14.02	SalonCentric Franchising can terminate only if you default.
g.	“Cause” defined-curable defaults	Section 14.02	You have 10 days to cure failure to accurately report Net Sales or pay amounts due to us or our affiliates; 120 days to remedy a 1.5% shortfall in meeting a Performance Target; 30 days to cure failure to make timely payment to a supplier unaffiliated with us; or you will have the cure period otherwise provided for in the Franchise Agreement or Brand Standards Manual to comply with provisions of the Franchise Agreement not listed in Section 14.02 of the Franchise Agreement or any specification, standard or operating procedure prescribed by the Franchise Agreement or Brand Standards Manual.
h.	“Cause” defined-non curable defaults	Sections 14.01 and 14.02	Failure to submit site for approval within one month from the Effective Date of the Franchise Agreement; failure to sign a lease, sublease or purchase agreement for premises within two months of the Effective Date; fail to open and start business within six months after the

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
			Effective Date; abandon or fail to operate for five consecutive days except for force majeure events; surrender or transfer control of operation of Franchised Business without consent; material misstatement or omission in franchise application; conviction or no contest plea to felony or certain other specified crimes; loss of any license required to operate Franchised Business; transfer or attempted transfer in violation of Franchise Agreement; unauthorized use or disclosure of confidential information; failure to comply with specification, standard or operating procedure relating to cleanliness or sanitation of Franchised Business; certain understatements of Net Sales; fail to submit financial information or other required reports; offer products, supplies or equipment for resale not purchased from approved suppliers; selling products, supplies and equipment other than to customers physically in the Franchised Business, or who have called the Franchised Business or who you have called on in your designated area or who have purchased approved products through an e-commerce platform we approve; and failure on three or more separate occasions within 12 months to comply with the Franchise Agreement or Brand Standards Manual.
i.	Your obligations on termination/non-renewal	Sections 16.01-16.07	Obligations include stop operating as SalonCentric location; pay to us and our affiliates within 30 days all amounts owed; discontinue all use of the Marks and confidential information; transfer your telephone numbers and domain names to us; if we do not purchase your assets de-identify your location of the Marks or other distinctive features or designs associated with a Franchised Business; sell us all of your current and salable inventory in its original packaging; permit us in our sole discretion to purchase your accounts receivable; permit us at our

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
			option to purchase some or all of the fixed assets and leases used in your Franchised Business; and notify us within 30 days after termination or expiration that you have taken these actions.
j.	Assignment of contract by SalonCentric Franchising	Section 18.08	SalonCentric Franchising can assign to anyone who assumes its obligations under the Franchise Agreement.
k.	“Transfer” by you- definition	Section 13.03	Includes transfer of your interest in the Franchise Agreement or assets or ownership change.
l.	SalonCentric Franchising’s approval of transfer by you	Sections 13.01, 13.02 and 13.03	SalonCentric Franchising has the right to approve all transfers other than transfers by an individual franchisee to an entity within the first 12 months of the Franchise Agreement or transfers of up to 20% of the Franchisee’s ownership interests among owners; but may not unreasonably withhold approval if conditions in Franchise Agreement met.
m.	Conditions for SalonCentric Franchising’s approval of transfer	Section 13.03	You request approval at least 30 days before proposed transfer; transferee meets our then current educational, managerial and business standards, has good moral character, reputation and credit rating, has aptitude and ability to operate the Franchised Business, has obtained required documentation to legally enter and remain in the United States and has sufficient equity capital; you are in full compliance with Franchise Agreement and other agreements between us and have satisfied all financial obligations to us and our affiliates; you or transferee agree to refurbish premises to our current standards; the transferee’s Operating Partner and its managers have completed the initial training program to our satisfaction; transferee executes then-current form of Franchise Agreement and related agreements; transferee’s owners sign guaranty; we receive our then current transfer fee; you and your

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
			owners and affiliates provide releases; and if you provide financing to transferee you must subordinate this financing to transferee's obligations to comply with Franchise Agreement.
n.	SalonCentric Franchising's right of first refusal to acquire your business	Section 13.05	SalonCentric Franchising can match any offer for your business, but is not obligated to acquire your business.
o.	SalonCentric Franchising's option to purchase your business	Sections 16.04, 16.05 and 16.06	On termination or expiration of the Franchise Agreement SalonCentric Franchising has the right to acquire your interest in the lease for your location and some or all of your fixed assets.
p.	Your death or disability	Section 13.04	The transfer of an interest in the Franchisee, the Franchise Agreement, the franchise or the location following death or disability is treated as a transfer subject to the terms of Section 13 of the Franchise Agreement and must be transferred within nine months of death or disability.
q.	Non-competition covenants during the term of the franchise	Section 7.02	No Competitive Business anywhere by Franchisee or its owners.
r.	Non-competition covenants after the franchise is terminated or expires	Section 16.03	No Competitive Business for one year by Franchisee or its owners within your Designated Area.
s.	Modification of the agreement	Section 18.10	Written modifications allowed by agreement of you and SalonCentric Franchising.
t.	Integration/merger clause	Section 18.10	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
u.	Dispute resolution by arbitration or mediation	Section 18.04	Except where we seek injunctive relief under Section 18.03, disputes, claims or controversies between us and you will be resolved by arbitration in the city where our corporate headquarters are located, currently St. Petersburg, Florida.
v.	Choice of forum	Section 18.06	Subject to applicable state law, state or federal courts located closest to our corporate headquarters, currently St. Petersburg, Florida.
w.	Choice of law	Section 18.07	Subject to applicable state law, Florida law applies, provided that it does not waive your rights under an applicable franchise law in other state that does not conflict with Florida law.

AREA DEVELOPMENT AGREEMENT

	PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
a.	Length of the term	Section 6.a	Term ends with the expiration of the development schedule attached to the Agreement.
b.	Renewal or extension of the term	Sections 6.a and 6.c	You and SalonCentric Franchising can extend the term for the time period you and SalonCentric Franchising determine.
c.	Requirements for you to renew or extend	Sections 6.a and 6.c	You and SalonCentric Franchising agree to an extension of the time period for the development schedule and a number of additional locations to be developed.
d.	Termination by you	Section 6.b.1	You can terminate if SalonCentric Franchising does not cure a breach, default or other material failure under the Agreement within 30 days after you give notice.
e.	Termination by SalonCentric Franchising without cause	None	N/A

	PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
f.	Termination by SalonCentric Franchising with cause	Sections 6.b.1	SalonCentric Franchising can terminate if you do not cure a breach, default or other material failure under the Agreement within 30 days after we give notice or if the default is incurable as described below.
g.	“Cause” defined-curable defaults	Section 6.b.1	You have 30 days to cure any breach, default or other material failure under the Agreement except those defaults listed in the following paragraph.
h.	“Cause” defined-non curable defaults	Section 6.b.1	Termination of any Franchise Agreement executed pursuant to this Agreement; insolvency, bankruptcy (voluntary or involuntary), assignment for the benefit of creditors, appointment of a receiver or other custodian, reorganization, liquidation or dissolution of Developer; conviction or no contest plea of Developer or any owner an interest of Developer of a felony, a crime involving moral turpitude, or other crime or offense that is likely to adversely affect the reputation and goodwill of the business of Company, the System or the Marks; violation of any law, order, rule or regulation by Developer that has a material adverse effect on the development of Locations by Developer; unauthorized assignment by Developer; violation by Developer or any owner of an interest in Developer of the covenants in the Agreement related to confidential information or non-competes; failure to comply with the development schedule set forth in the Agreement; or a default under the Franchise Agreement that is not curable.
i.	Your obligations on termination/non-renewal	Section 6.d	You will retain all rights under each Franchise Agreement issued and not then in default subject, however, to the provisions of each such Franchise Agreement; you will not have the right to develop any new locations, and we will have the right otherwise to arrange for development of the remainder of the development area.

	PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
j.	Assignment of contract by SalonCentric Franchising	Section 5.a	SalonCentric Franchising can assign to anyone who assumes its obligations under the Agreement.
k.	“Transfer” by you- definition	Section 1.b.(14)	Includes any direct or indirect assignment, creation of a security interest, encumbrance, gift, mortgage, pledge, sale or other form of conveyance of an interest in your company.
l.	SalonCentric Franchising’s approval of transfer by you	Section 5.c	SalonCentric Franchising has the right to approve all transfers.
m.	Conditions for SalonCentric Franchising’s approval of transfer	Section 10.a	No conditions for approval of transfers described in the Agreement, but SalonCentric Franchising will not unreasonably withhold its consent.
n.	SalonCentric Franchising’s right of first refusal to acquire your business	Section 5.c.3	SalonCentric Franchising can match any offer for your business, but is not obligated to acquire your business.
o.	SalonCentric Franchising’s option to purchase your business	None	N/A
p.	Your death or disability	None	N/A
q.	Non-competition covenants during the term of the franchise	Section 4.e	Neither Developer nor any of its Owners will: (i) have any direct or indirect ownership interest in a Competitive Business within the Development Area, except for ownership of less than 5% of a Competitive Business whose ownership interests are publicly traded; (ii) perform services as a director, officer, manager, employee, contractor, consultant, representative, or agent for a Competitive Business in the Development Area; or (iii) divert or attempt to divert any actual or potential business or customer of any Franchised Business to a Competitive Business
r.	Non-competition covenants after the franchise is terminated or expires	None	N/A

	PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
s.	Modification of the agreement	Sections 8.a and 8.b	Written modifications allowed by agreement of you and SalonCentric Franchising.
t.	Integration/merger clause	Section 10.b	Only the terms of this Agreement are binding (subject to state law). Any other promises may not be enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by arbitration or mediation	Section 1.i	Except where we seek injunctive relief under Section 1.i, disputes, claims or controversies between us and you will be resolved by arbitration in the city where our corporate headquarters are located, currently St. Petersburg, Florida.
v.	Choice of forum	Section 1.i	Subject to applicable state law, state or federal courts located closest to our corporate headquarters, currently St. Petersburg, Florida.
w.	Choice of law	Section 1.h	Subject to applicable state law, Florida law applies, provided that it does not waive your rights under an applicable franchise law in other state that does not conflict with Florida law.

Termination on Bankruptcy

A provision in your Franchise Agreement that terminates the franchise on your bankruptcy may not be enforceable under Title 11, United States Code Section 101 et seq.

Reinstatements and Extensions

If any termination or expiration of the term of the Franchise Agreement would violate any applicable law, we may reinstate or extend the term for the purpose of complying with the law.

These states have statutes which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 4-72-201], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, Title 6, Chapter 25], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/19 and 705/20], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Section 537A.10], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat.

Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5B], VIRGINIA [Code 13.1-557-574-13.1-563], WASHINGTON [Code Section 19.100.180] and WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

ITEM 18. PUBLIC FIGURES:

SalonCentric Franchising does not use any public figure to promote its franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS:

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make 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 our management by contacting our Franchise Services Department, the Federal Trade Commission and any appropriate regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION:

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY FOR
YEARS 2020 TO 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	1	4	3
	2021	4	15	11
	2022	15	20	5
Company-Operated	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	1	4	3
	2021	4	15	11
	2022	15	20	5

TABLE NO. 2

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2020 TO 2022**

State	Year	Number of Transfers
Total	2020	0
	2021	0
	2022	1

TABLE NO. 3

STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
Alabama	2020	0	0	0	0	0	0	0
	2021	0	4	0	0	0	0	4
	2022	4	1	0	0	0	0	5
Illinois	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Kentucky	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Missouri	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
Montana	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Oklahoma	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
Texas	2020	1	1	0	0	0	0	2
	2021	2	2	0	0	0	0	4
	2022	4	2	0	0	0	0	6
Total	2020	1	3	0	0	0	0	4
	2021	4	11	0	0	0	0	15
	2022	15	5	0	0	0	0	20

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2020 TO 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

The information in Tables 1-4 above are for SalonCentric Franchising's fiscal years, which end on December 31.

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2022

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Alabama	0	4	0
Arkansas	0	4	0
Illinois	2	0	0
Iowa	0	1	0
Kentucky	0	1	0
Louisiana	0	2	0
Mississippi	1	1	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Missouri	0	5	0
Montana	0	2	0
New Mexico	0	1	0
Oklahoma	0	5	0
Tennessee	0	2	0
Texas	0	15	0
TOTAL	3	43	0

The names, addresses and telephone numbers of our current franchisees are shown in Exhibit F-1. A list of franchisees who had signed a Franchise Agreement for a location not yet operating as of March 31, 2023 is shown in Exhibit F-2. We have no former franchisees, so we have not included with the disclosure document an exhibit that 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 otherwise 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.

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21. FINANCIAL STATEMENTS:

Exhibit “D” contains the following audited financial statements of SalonCentric Franchising:

1. Balance Sheets as of December 31, 2022, December 31, 2021, and December 31, 2020;
2. Statements of Income and Retained Earnings for the Years Ended December 31, 2022, December 31, 2021, and December 31, 2020; and
3. Statements of Cash Flows for the Years Ended December 31, 2022, December 31, 2021 and December 31, 2020.

ITEM 22. CONTRACTS:

The following documents are exhibits to this disclosure document:

A Franchise Agreement, which is referred to in this disclosure document. Exhibit “B”.

An Area Development Agreement, which is referred to in this disclosure document. Exhibit “C”.

EXHIBIT "A"

REGISTERED AGENTS

Corporation Service Company
1201 Hays Street
Tallahassee, FL 32301

Illinois Attorney General's Office
500 S. Second Street
Springfield, IL 62706

EXHIBIT "A"

DIRECTORY OF AGENCIES

Listed here are names, addresses, and telephone numbers of state and federal agency personnel having responsibility for franchising disclosure/registration laws and selected business opportunity laws.

California

Department of Financial Protection and Innovation

Los Angeles

320 West 4th Street, Suite 750

Los Angeles, California 90013-2344

(866) 275-2677

Los Angeles

300 South Spring Street, Suite 15513

Los Angeles, California 90013-1259

(866) 275-2677

Sacramento

2101 Arena Boulevard

Sacramento, California 95834

(866) 275-2677

San Diego

1455 Frazee Road, Suite 315

San Diego, California 92108

(866) 275-2677

San Francisco

One Sansome Street, Suite 600

San Francisco, California 94104-4428

(866) 275-2677

Commissioner of Financial Protection
and Innovation

Clothilde V. Hewlett

<http://www.dfpi.ca.gov>

Connecticut

Cynthia Antanaitis
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(800)-831-7225
www.ct.gov/dob

Florida

Tom Kenny
Regulatory Consultant
Department of Agriculture and Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32399-6700
(800) 435-7352
Fax: (850) 410-3804
<https://www.fdacs.gov/Divisions-Offices/Consumer-Services>

Hawaii

Department of Commerce and Consumer Affairs
Business Registration Division
Commissioner of Securities
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2744

Commissioner of Securities
Ty Y. Nohara
<http://hawaii.gov/dcca/sec>

Illinois

Franchise Bureau
Office of Attorney General
500 South Second Street
Springfield, Illinois 62701
(217) 782-4465

Registration and Materials Inquiries:
500 South Second Street
Springfield, Illinois 62701
(217) 782-4465
<http://www.illinoisattorneygeneral.gov/consumers/franchise.html>

Indiana

Connor Skelly
Registrations Attorney
Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681
<http://www.in.gov/sos/securities>

Iowa

Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
601 Locust Street, 4th Floor
Des Moines, Iowa 50309
(515) 281-5705
Fax: (515) 281-3059
<http://www.iid.iowa.gov>

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-6360
<http://www.oag.state.md.us/Securities>

Michigan

Consumer Protection Division
Franchise Section
525 West Ottawa Street
Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 335-7567
<http://www.michigan.gov/ag>

Minnesota

Department of Commerce
Securities Section
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1638
<http://mn.gov/commerce/industries/securities/franchises/>

Nebraska

Debbie Yost
Department of Banking and Finance
1526 K Street
Suite 300
Lincoln, Nebraska 68508
(402) 471-3445
<http://www.ndbf.nebraska.gov>

New York

Administrator:
Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
28 Liberty Street, 15th Floor
New York, NY 10005
(212) 416-8222 Phone
(212) 416-8816 Fax
<http://www.ag.ny.gov/investor-protection/franchisors-franchisees>

North Dakota

Diane Lillis
Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue, Fifth Floor
Department 414
Bismarck, North Dakota 58505-0510
(800) 297-5124
<http://www.nd.gov/securities/>

Oregon

Department of Consumer and Business Services
Division of Financial Regulation
350 Winter Street NE, Room 410
Salem, Oregon 97310
(503) 378-4140
Fax: (503) 947-7862
<http://dfr.oregon.gov>

Rhode Island

David Briden
Chief Securities Examiner
Department of Business Regulation
Securities Division
1511 Pontiac Avenue
John O. Pastore Building 69-1
Cranston, Rhode Island 02920-4407
(401) 462-9527
<https://www.dbr.ri.gov/divisions/securities/franchising.php>

South Dakota

Franchise Administrator
Division of Insurance
Securities Regulation
124 S. Euclid Avenue, Second Floor
Pierre, South Dakota 57501-3185
(605) 773-3563
(605) 773-5953
<http://www.dlr.sd.gov/insurance/>

Texas

Statutory Document Section
Secretary of State
1019 Brazos
Austin, Texas 78701
(512) 475-0775
<http://www.sos.state.tx.us/statdoc/index.shtml>

Utah

Francine A. Giani
Director
Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
SM Box 146704
Salt Lake City, Utah 84114-6704
(801) 530-6601
Fax: (801) 530-6001
<http://consumerprotection.utah.gov>

Virginia

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, Ninth Floor
1300 E. Main Street
Richmond, Virginia 23219
(804) 371-9051
<http://www.scc.virginia.gov>

Washington

Bill Beatty
Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd SW
Tumwater, WA 98501
(360) 902-8760
<http://www.dfi.wa.gov/sd/franchise.htm>

Wisconsin

Mary Wells
Operations Program Associate
Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-0448
<http://www.wdfi.org/fi/securities/franchise/default.htm>

EXHIBIT “B”

SALONCENTRIC FRANCHISING, INC.

FRANCHISE AGREEMENT

SALONCENTRIC FRANCHISING, INC.

FRANCHISE AGREEMENT

SALONCENTRIC SALON BEAUTY PRODUCT DISTRIBUTION BUSINESS



FRANCHISEE

LOCATION

SALONCENTRIC FRANCHISING, INC.

FRANCHISE AGREEMENT

SALONCENTRIC SALON BEAUTY PRODUCT DISTRIBUTION BUSINESS

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SALONCENTRIC FRANCHISING, INC.
FRANCHISE AGREEMENT
SALONCENTRIC SALON BEAUTY PRODUCT DISTRIBUTION BUSINESS

This Franchise Agreement (“Agreement”) is made and entered into by and between SalonCentric Franchising, Inc. (“Franchisor,” “we,” “our” or “us”), a Delaware corporation, with its principal place of business located at 10101 Dr. Martin Luther King Street North, St. Petersburg, Florida 33716, and _____ (“Franchisee” or “you”), a(n) _____, with its principal place of business located at _____, as of the date signed by us and set forth opposite our signature on this Agreement (the “Effective Date”).

1. INTRODUCTION.

1.01 System and Standards. We have acquired a distinctive business format and system relating to the establishment and operation of a full service professional beauty and barber supply distribution business under the name SalonCentric (the “System”). The distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design, décor, color scheme, graphics, fixtures and furnishings, our signature brand(s) of salon products, operations and customer service standards and procedures, advertising and marketing specifications and requirements, and other standards, all of which we may change, improve, and further develop (collectively, the “Standards”).

1.02 Marks. The System and the location you are licensed to operate are identified by the SalonCentric service mark, and other proprietary trademarks, service marks, logos, emblems, trade dress, catch phrases, and other indicia of origin, as are now designated and may hereafter be designated by us in writing for use in connection with identifying businesses operating according to the System (the “Marks”).

1.03 Franchised Business. You desire to enter into the business of operating a professional beauty and barber supply distribution business under the System and the Marks (the “Franchised Business”) and we desire to grant you such rights, all pursuant to the terms and conditions of this Agreement. The Franchised Business is limited to sales made to customers who either call into or visit the physical location of the Franchised Business, the right to utilize a sales force to seek customers by visiting salons and other third party businesses that provide salon services provided by Customers, as that term is defined in this Agreement (“Street Rights”), and the right to sell approved products to licensed professionals via an approved e-commerce platform.

1.04 Certain Definitions. The following definitions apply to this Agreement:

“Affiliate” – Any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract, or otherwise.

“Brand Standards Manual” – Our confidential brand standards manual, as we may amend it at any time and from time to time in our sole discretion, which may consist of one or more manuals, containing our standards, specifications and operating procedures relating to the development and operation of the Franchised Business and other information relating to your obligations under this Agreement. The term “Brand Standards Manual” also includes alternative or supplemental communications we or our representatives may transmit to you, whether in writing or through other media, which specifically reference that such communications shall be considered part of the Brand Standards Manual, including policy statements, bulletins, emails, limited access intranet sites, videotapes, audio tapes, or any other electronic medium.

“Business Entity” – Any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

“Chain Account” – Businesses with six (6) or more locations, commonly owned, operating as beauty salons, barber shops, nail salons and beauty schools which use, sell or transfer products, or which are defined or treated as Chain Accounts pursuant to the policies of the manufacturer of a specific product line.

“Competitive Business” – Any business that: (i) sells at retail or wholesale professional beauty supplies and derives twenty percent (20%) or more of its revenue from selling the same to Customers; or (ii) grants franchises or licenses to others to operate the type of business specified in clause (i). Exempted from the definition of a “Competitive Business” are any concepts franchised by us or our Affiliates and distributor or sub-distributor relationships with us or our Affiliates.

“Confidential Information” – Our non-public information relating to the development and operation of the Franchised Business, including: (1) site selection criteria for the Franchised Business and plans and specifications for the development of the Franchised Business; (2) sales, marketing and advertising programs and techniques for the Franchised Business; (3) identity of suppliers; (4) knowledge of operating results and financial performance of the Franchised Business, other than your Franchised Business; (5) methods of inventory control, storage, product handling, training and management relating to the Franchised Business; (6) any computer systems, software programs, or customer databases; and (7) any and all other information we provide you, your Owners or Affiliates that is designated orally or in writing as proprietary or confidential, or by its nature would reasonably be understood to be proprietary or confidential, regardless of whether such information is specifically designated as proprietary or confidential.

“Customers” – Beauty salons, barber shops, nail salons, beauty schools and their students, licensed barbers, cosmetologists, hairdressers, aestheticians, manicurists or other salon professionals with a current, valid cosmetology license or other state issued salon professional license necessary to conduct the professional salon business.

“Customer Data” – Any information from, about, or relating to any person who has been a customer of your Franchised Business that identifies, or can be used to identify, contact, locate, or be traced back to the specific person to whom such information pertains, or from which

identification or contact information of an individual person can be derived. Customer Data includes any personally identifiable information, such as a person's name, address, phone number, fax number, e-mail address, passport number, financial profile, credit card information, or any other information by which one is reasonably able to personally identify one or more individuals.

"Fiscal Year" – Our fiscal year, as we may determine at any time and from time to time, currently consisting of twelve calendar months terminated on December 31 of the calendar year.

"Franchise Disclosure Document" means the disclosure document, including all exhibits, provided to you in connection with your interest in purchasing a SalonCentric franchise pursuant to the terms and conditions of this Agreement.

"Net Sales" – All revenue derived from operating the Franchised Business, including the aggregate of all sales amounts from products sold and services rendered at the Premises or otherwise rendered in connection with the Franchised Business, whether from cash, check, credit or debit card, barter exchange, trade credit, or other credit transactions, but: (1) excluding all federal, state or municipal sales, use or service taxes collected from Customers and paid to the appropriate taxing authority; and (2) reduced by the amount of any documented refunds, credits, allowances, adjustments, promotional discounts, and charge-backs the Franchised Business provides to Customers in good faith. For the avoidance of doubt, Net Sales includes all proceeds from the sale of coupons, gift certificates, gift cards, or vouchers, provided that the retail price of the coupons, gift certificates, gift cards, or vouchers may be credited against Net Sales in the month in which they are redeemed.

"Operating Partner" – The individual identified in Exhibit A.

"Owner" – Each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company or other legal entity.

2. GRANT OF RIGHTS.

2.01 Grant of Franchise. You have applied for a franchise to own and operate a Franchised Business at a location we approve, which will be identified on Exhibit B (the "Premises"). Subject to the terms of this Agreement, we grant to you the right, and you assume the obligation, to operate a Franchised Business at the Premises and to use the System solely in connection therewith, for a term of five (5) years from the Effective Date (the "Term"). You may not conduct the business of the Franchised Business or use the System at any site other than the Premises, or relocate the Franchised Business, without our prior written consent. The franchise granted hereunder is limited to the right to offer and sell products and equipment to Customers physically in the Premises, or who have directly called the Franchised Business, or who you have called on within your Designated Area. For the avoidance of doubt, you shall not offer and sell products or equipment through alternative channels of distribution, including, without limitation, the internet or similar electronic media. Unless you receive specific approval from us, you have no rights to create or maintain a digital or e-commerce site that allows for the purchase of products sold in your Business. You may also sell approved products to licensed professionals

by means of an e-commerce platform that we approve. We may develop additional programs for e-commerce sales by franchisees in the future in which you will be required to participate. In no other event may you use alternative chains of distribution to sell products.

2.02 Your Designated Area. The Preliminary Designated Area identified on Exhibit B, if any, is the general location where you intend to secure a site for the Franchised Business. If a Preliminary Designated Area is specified in Exhibit B, we will not grant anyone else the right to develop or operate a Franchised Business in the Preliminary Designated Area for sixty (60) days from the Effective Date of this Agreement. Once the Premises has been approved by us, you hereby authorize us to define in Exhibit B a “Designated Area” around the Premises; provided that such Designated Area will generally consist of territory defined by city or county boundaries illustrated on a map. The boundaries of the Designated Area will be determined based on our current criteria for size, demographics, and topographical features. Once defined in Exhibit B, the Designated Area will remain constant throughout the initial Term of this Agreement (unless you relocate the Franchised Business or upon renewal or transfer, in each instance with our consent). During the Term, and subject to the following Section 2.03, we will not own or operate, or grant a third party the right to operate a Franchised Business physically located within the Designated Area. You acknowledge and agree that we and our Affiliates have the right to develop and operate and grant others the right to develop and operate Franchised Businesses outside the Designated Area, regardless of their proximity to the Designated Area or any negative impact they may have on your Franchised Business.

2.03 Our Reservation of Rights. Other than as set forth in Section 2.02 above, we and our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all rights and discretion with respect to the Marks, the System, the sale of products and services similar or dissimilar to those offered by the Franchised Business, and the operation or franchising of Franchised Businesses anywhere located or to be located, and may engage in any business activities whatsoever. Specifically, by way of example and without limitation, we reserve the following rights:

(a) to establish and operate, and grant to others the right to operate, a Franchised Business physically located outside the Designated Area, on such terms and conditions as we deem appropriate;

(b) to sell any products or services under the Marks or under any other trademarks, service marks or trade dress, utilizing Street Rights or to Chain Accounts within or outside the Designated Area; and Franchisee acknowledges that Franchisee will receive no compensation with respect to any sales of products or services to Chain Accounts within the Designated Area as outlined in the most current version of the Brand Standards Manual;

(c) to sell any products or services under the Marks or under any other trademarks, service marks or trade dress, through alternative channels of distribution, wherever located or operating (including, without limitation, SalonCentric distribution locations, the internet or similar electronic media);

(d) to produce, offer and sell, and to grant others the right to produce, offer and sell, products and services similar to those provided at the Franchised Business and any other

goods and services through similar or dissimilar channels of distribution under trade and service marks other than the Marks, including but not limited to franchise concepts or distributors selling the same or similar products, and under any terms and conditions we deem appropriate and wherever such stores are located, which stores may be located within the Designated Area;

(e) to acquire the assets or ownership interests of one or more businesses providing products and services similar or dissimilar to those provided at a Franchised Business, and to franchise, license or create similar arrangements with respect to these businesses once acquired, and which businesses we may (at our sole discretion, and without obligation) convert, or allow to be converted, to operations as a Franchised Business using any of the Marks and/or the System, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in your Designated Area, if applicable); and

(f) to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Franchised Business, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Designated Area.

3. DEVELOPMENT OF THE FRANCHISED BUSINESS.

3.01 Site Acceptance Disclaimer. You acknowledge and agree that, if we suggest, approve, or give you information regarding a site for the Premises, our action is not a representation or warranty of any kind, express or implied, of the site's suitability for a Franchised Business or any other purpose. We do not represent that we, or any of our Affiliates, owners, employees or agents, have special expertise in selecting sites. Accordingly, you acknowledge and agree that your acceptance of the franchise for a Franchised Business pursuant to this Agreement is based on your own independent investigation of the site's suitability for the Premises.

3.02 Selection of Premises. If we have approved a location for the Franchised Business before or concurrently with the execution of this Agreement, the Premises will be set forth on Exhibit B. If we and you have not agreed upon an approved location for the Franchised Business before signing this Agreement, then you are responsible for selecting the site for the Franchised Business within the Preliminary Designated Area set forth on Exhibit B within thirty (30) days after the execution of this Agreement. You agree to obtain our written approval of the Franchised Business's proposed site before signing any lease, sublease, purchase contract or other document for the site. The site must meet our then-current site selection criteria. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. If you utilize a broker to identify a location, you will be responsible for any costs associated with your broker.

3.03 Franchise Site Application and Approval. For each proposed site that you identify, you must deliver to us a letter of intent or other evidence confirming your favorable prospects to purchase or lease the proposed site, in addition to information about the site as we may reasonably request to perform our evaluation. This information may include, among other

things, a description of the proposed site which includes a site plan, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses, the nature of other businesses in proximity to the site, demographic characteristics (including the purchase price, rental obligations, and other lease terms for the proposed site) and the size, appearance, and other physical characteristics. We will not unreasonably withhold our approval of a site that meets our criteria for the characteristics described in this paragraph. We will use reasonable efforts to approve or disapprove the proposed site within fifteen (15) days after receiving your written proposal. If we do not approve of a proposed site, you must identify and notify us of new sites until we approve a site for the Franchised Business. Upon our approval of a site, you agree that we will insert its address into Exhibit B, and it will be the Premises. The failure to insert such address into Exhibit B shall not automatically affect the enforceability of this Agreement.

3.04 Ownership of Premises. If you or one of your Affiliates or Owners at any time owns the Premises, you hereby acknowledge and agree that in the event of a termination or expiration of this Agreement, we have the right to lease the Premises for a term reasonably determined by us, but in no event longer than the entire initial Term or a successor franchise term, and on such other commercially reasonable terms and conditions negotiated in good faith between you and us in consultation with a regional or national commercial real estate brokerage or appraisal company as we select. In the event you do not agree with the terms and provisions of the foregoing lease of the Premises, such dispute shall be subject to the dispute resolution provisions of this Agreement. The terms of this provision shall survive the termination of this Agreement.

3.05 Development of the Premises. You are responsible for developing the Franchised Business, funding all expenses associated therewith, and for ongoing compliance with the requirements of any applicable federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. We will provide you with sample floor plans and layouts for a Franchised Business to assist you in locating an appropriate Premises (and, thereafter, creating your own construction plans and/or layout). The sample floor plans and layouts are to be used as guidance in locating a site and developing a final set of plans for construction of the Franchised Business, and are our sole and exclusive property. You must submit all plans and specifications to us for our approval before starting to develop the Premises. Our review and approval of your plans are not designed to assess compliance with federal, state or local laws and regulations, including without limitation the ADA, as compliance with such laws is your sole responsibility. At our request, you must submit to us all revised or “as built” plans and specifications. All development must be in accordance with the plans and specifications we have approved, and must comply with all applicable laws, ordinances and local rules and regulations. We may periodically inspect the Premises during its development. Such approvals and inspections shall be solely for the purpose of assuring compliance with our standards and shall not be construed as any express or implied representation or warranty that your Franchised Business complies with any applicable laws, codes or regulations (including the ADA or any other federal, state or local law or ordinance regulating standards for access to, use of, or modifications of buildings by or for any persons whose disabilities are protected by law) or that the construction thereof is sound or free from defects. We are not responsible for reviewing

the laws, and we make no representation or warranty (express or implied) that the System we have developed complies with the laws of your particular area.

Your obligation to complete construction of the Franchised Business includes obtaining all required construction and occupancy licenses and permits, developing the Premises (including all outdoor features and landscaping of the Premises), installing all required fixtures, furnishings, equipment and signs, and doing all other things required by this Agreement or by practical necessity to have the Franchised Business ready to open for business. You must give us at least thirty (30) days' prior notice of the date on which you plan to open the Franchised Business. You may not open the Franchised Business for business until we have notified you that the Franchised Business meets our requirements for opening, including payment in full of the initial franchise fee and all other amounts then owing to us, successful completion of our initial training program, and our receipt of your certificates of insurance in compliance with Section 9.07.

We may, but are not obligated to grant you extensions of any of the foregoing deadlines if we determine, in our sole discretion, that you are expending good faith best efforts to complete each phase of the site development and opening process and pay a fee for the extension of up to Five Thousand Dollars (\$5,000.00). We may also elect, in our sole discretion, to waive any extension fee. If the Franchised Business does not open for operation within six (6) months from the execution of this Agreement, unless you have received an approved extension and timely made all monthly payments hereunder, this Agreement will automatically terminate.

3.06 Equipment, Furniture, Fixtures, Signs and Supplies. You agree to purchase or lease all required equipment, furnishings, fixtures, signs and supplies for the Franchised Business. You agree to purchase or lease only such types, brands and models of fixtures, furniture, equipment, signs and supplies that we approve for Franchised Businesses as meeting our standards and specifications, including standards and specifications for quality, design, warranties, appearance, function and performance. You may purchase or lease approved types, brands or models of fixtures, furniture, equipment, signs and supplies only from suppliers approved by us (including us and any of our Affiliates). You acknowledge and agree that certain approved fixtures, furniture, equipment, signs and supplies may only be available from one source, and we or our Affiliates may be that source. You further acknowledge and agree that the products sold in the Franchised Business will be purchased primarily, if not exclusively, from the Franchisor or its Affiliates. Upon receipt and approval of the final construction plans you submit to us, we will provide you with a list of all required equipment, furniture, fixtures, and signs for the Franchised Business. You must seek approval from us to add additional equipment, furniture, fixtures, signs and supplies for the Franchised Business. From time to time, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of such modification, initiate any new orders for, or reorder, any type, brand or model, or otherwise transact with any supplier, which is no longer approved. If you propose to purchase any fixtures, furniture, equipment, signs or supplies of a type, brand or model, or from a supplier that we have not previously approved, you must notify us and submit to us all information we may request concerning the proposed item or supplier.

4. TRAINING AND GUIDANCE.

4.01 Initial Training Program. Before you may open the Franchised Business for business if it is your initial location, we will provide, and you or your Operating Partner must attend and complete to our satisfaction, an initial training program on the operation of a Franchised Business at such time(s) and place(s) as we designate. Based on situations out of our control, including public health concerns, we may amend or adjust our training guidelines/programs, which could consist of scaled back or alternate methods of training including training via digital/virtual platforms either live or recorded. If we provide training on digital/virtual platforms we will not charge a training fee and there is no limit on the number of persons you can have attend this training. We may require you (or your Operating Partner) and your general and assistant managers to attend and successfully complete periodic or additional training programs. In the event we complete the training anywhere other than your Franchised Business, we will not charge any fees for two (2) attendees attending the initial training program. We may charge fees for any additional attendees that you send to the initial training program, as well as for you and your personnel attending any additional training programs (whether optional or mandatory). You will be responsible for all compensation and expenses (including travel, meals and lodging) incurred by you and your personnel in attending any training programs. All personnel of Franchisee attending any training program are and remain employees of Franchisee during training. In the event we complete the training at your Franchised Business, you may determine how many employees you wish to attend the training, provided that the Operating Partner must attend the training. We do not charge a per-attendee fee for initial training that occurs entirely at the Franchised Business, and we will cover the out-of-pocket costs we incur in connection with providing such assistance. After you have at least one person successfully complete our initial training program, that person can then train others within your organization to provide training to your employees. With this train the trainer program you will not be required to send employees to our training program when you open additional locations, unless we determine additional training is needed before you open additional locations.

4.02 Opening Assistance. As a general matter, in addition to the initial training program we will complete on-site training at your Franchised Business before you open your location, designed to coincide with the opening of your location ("Opening Assistance"). We do not charge a fee for this training and we will cover our out-of-pocket costs for the training. At your request, or if we deem necessary, after completing the initial training or the Opening Assistance (or both) we shall provide additional on-site opening assistance, subject to availability of personnel. In such event, we have the right to charge (and you agree to pay) a per diem fee per individual providing such additional assistance per day, and you must reimburse us for all out of pocket costs that we incur in connection with providing such additional assistance, including salary, travel, lodging and dining costs for the individual(s) providing such assistance.

4.03 Existing Franchisees. If this Agreement is being signed in conjunction with your second or additional Franchised Business, there is no mandatory pre-opening assistance requirement or commitment. However, we may elect to provide such on-site opening assistance as we deem necessary and appropriate, in our sole discretion. In such event, we have the right to charge (and you agree to pay) a per diem fee per individual providing such assistance per day, and you must reimburse us for out of pocket costs that we incur in connection with providing

such on-site opening assistance, including salary, travel, lodging and dining costs for the individual(s) providing such assistance.

4.04 On-Going Guidance. We will furnish you periodic guidance with respect to the System, including improvements and changes to the System. Such guidance, at our discretion, will be furnished in the form of the Brand Standards Manual, bulletins and other written materials, consultations by telephone or in person at our offices or at the Franchised Business, or by any other means of communication. At your request, we may provide special assistance for which you will be required to pay the per diem fees and charges we may establish at any time and from time to time.

4.05 On-Going Training and Programs. You (or your Operating Partner) and all such managers, as applicable, must attend and successfully complete any and all required on-going training at such time(s) and place(s) we designate. You will be responsible for all compensation and expenses (including travel, meals and lodging) incurred by you and your personnel in attending this training program, although the training program itself shall be at no charge to you. You (or your Operating Partner) must also attend and participate in (i) any SalonCentric sales conferences held during a calendar year; and (ii) the annual owners meeting (one time per year).

4.06 Brand Standards Manual. We will provide you with access to the Brand Standards Manual. You agree to comply fully with all standards, specifications and operating procedures and other obligations contained in the Brand Standards Manual. We may modify the Brand Standards Manual at any time and from time to time to reflect changes in standards, specifications and operating procedures, provided no addition or modification may alter your fundamental status and rights under this Agreement. If a dispute develops relating to the contents of the Brand Standards Manual, our master copy will control. The Brand Standards Manual contains Confidential Information, and you agree not to copy any part of the Brand Standards Manual or to allow unauthorized persons access to the Brand Standards Manual.

5. TRADEMARKS.

5.01 Acknowledgements.

(a) You acknowledge that you have no ownership interest in the Marks, and that all right, title and interest in and to the Marks and the goodwill associated therewith belongs to the owner of the Marks, one of our Affiliates. You further acknowledge and agree that any and all goodwill associated with the Franchised Business (which incorporates and includes the use of the System) and identified by the Marks is our property and shall inure directly and exclusively to our benefit and that, upon the expiration or termination of this Agreement for any reason, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the Marks. Notwithstanding the foregoing, Franchisor and Franchisee agree that the provisions of this Section 5.01 are intended to confirm that as between the Franchisor and Franchisee, the Franchisor is the sole owner of any goodwill associated with the Franchised Business (which incorporates and includes the use of the System) and identified by the Marks, but this provision does not prevent Franchisee from receiving an amount attributable to goodwill in any sale of the assets or ownership interests in the Franchised Business to a third party,

provided that we approve such a sale under the terms of this Agreement. You understand and agree that any use of the Marks other than as expressly authorized by this Agreement, without our prior written consent, may constitute an infringement on our rights herein and that the right to use the Marks granted herein does not extend beyond the termination or expiration of this Agreement.

(b) You acknowledge and agree the Marks are owned by our affiliate SalonCentric Inc. (“SCI”) and not by us. Our rights to use the Marks and to license you to use the Marks under this Agreement are subject to the terms of a Trademark License Agreement between us and SCI, dated March 25, 2019 (the “TLA”). The TLA will remain in effect until terminated by SCI or us for one of the reasons described in this paragraph. We can lose the right to use the Marks for reasons described in the TLA, and consequently you would lose the right to use the Marks, and be required to discontinue the use of the Marks pursuant to Section 5.05 of this Agreement. The reasons we can lose the right to use the Marks include (i) the right of either party under the TLA to terminate the TLA at any time upon ninety (90) days’ notice for any reason or for no reason; (ii) our commission of an incurable default under the TLA; or (iii) our commission of a curable default we do not cure within the applicable cure period.

5.02 Use of the Marks. You shall only use the Marks designated by us and shall use them only in the manner that we authorize and permit. You shall use the Marks only in connection with the operation and promotion of the Franchised Business, and only in the manner prescribed by us. Your right to use the Marks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement. Your unauthorized use of any of the Marks constitutes a breach of this Agreement and an infringement of our and our Affiliates’ rights in and to the Marks. You may not at any time during or after the Term contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

5.03 Restriction Against Use in Your Corporate Name. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including as an electronic media identifier, such as a website, web page or domain name).

5.04 Notice. You shall identify yourself as an independent franchise owner of the Franchised Business in conjunction with any use of the Marks or operation of the Franchised Business, including, but not limited to, such use on invoices, order forms, receipts, business stationery, business cards, and contracts, as well as such conspicuous locations at the Franchised Business as we may designate in writing. The form and content of such notice shall comply with the standards set forth in the Brand Standards Manual.

5.05 Change or Discontinuance of Use of Marks. If it becomes advisable at any time and for any reason for us and/or you to modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks, service marks or trade dress, you agree to comply with our directions within a reasonable time, not exceeding sixty (60) days, after we provide notice to you. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance of any Mark or the promotion of a substitute

trademark, service mark or trade dress, including but not limited to the costs associated with modifying or removing the Marks at your Franchised Business.

5.06 Notification of Infringements and Claims. We will protect your right to use the Marks in the event that any third party brings any claim, suit or demand regarding your use of one or more of the Marks in a manner authorized by this Agreement and in full compliance with the terms and conditions of this Agreement. You must notify us immediately of any apparent infringement of or challenge to your use of any Mark, or any claim by another person of any rights in any Mark. You may not communicate with any person, other than us and our counsel (or other advisor as we may designate), in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and will have the right to control exclusively any litigation or U.S. Patent and Trademark Office proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all documents, render such assistance and do such things as may be advisable in the opinion of us or our counsel to protect our interests in any litigation or U.S. Patent and Trademark Office or other administrative proceeding or otherwise to protect our interests in the Marks.

5.07 Crisis Communications. We will have the sole and absolute discretion to determine what steps will be taken in instances of a crisis that impacts the SalonCentric brand and may cause harm or injury to the Marks or the System, or their or the Franchisor's reputation or image. A crisis is defined as any act, omission or event that we determine may materially damage the Marks or the System.

6. FEES.

6.01 Initial Franchise Fee. You agree to pay us an initial franchise fee of Ten Thousand Dollars (\$10,000.00) on the date you sign this Agreement. Your failure to pay the initial franchise fee when due constitutes grounds for termination of this Agreement, as provided in Section 14. If this Agreement is executed in connection with your independent purchase of (or other receipt of transferred ownership interests in) the Franchised Business's assets from a third party owner, then you will not pay us an initial franchise fee, but we must have received (on or before the Effective Date) our then current asset transfer fee. The initial franchise fee (and asset transfer fee, if applicable) is fully earned by us as of the Effective Date and is non-refundable. The initial fee will be reduced in compliance with our then current schedule if you are a distributor of our Affiliate who develops a franchised location or converts a distribution location to a franchised location.

6.02 Product Discounts. You must purchase all merchandise, products, supplies and other materials for resale from us or from other suppliers, which have been approved in writing by us. You recognize, agree and acknowledge the importance of our uniformly high standards of quality and service which are critical to a positive image and protection of our goodwill. We agree to sell such resale merchandise, products, supplies and other materials to you, directly or through our Affiliate, at the suggested beauty salon purchase prices, determined in our sole discretion, less a thirty-three and three-tenths percent (33.3%) discount. The suggested beauty salon purchase prices may be changed by us from time to time in the normal course of business.

All other products and supplies purchased by you from us or from other permitted suppliers will be at the price, terms and conditions set by us or the applicable supplier.

6.03 Interest On Late Payments. All amounts which you owe us or any of our Affiliates, shall bear interest after their due date at the highest contract rate of interest permitted by law, not to exceed one and one-half percent (1.5%) per month. However, your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 14.02 (termination section).

6.04 Automatic Clearing House Agreement. You agree, at our request, to sign an electronic payment authorization agreement in a form we or your bank prescribe that authorizes us to automatically debit your bank account, on the dates payments are due, for any product payments, marketing fees, rents and other amounts due and owing under this Agreement and any other agreements between you and us. You agree to reimburse us within five (5) days for any and all actual expenses or costs incurred if the debit is not successful due to your failure to have sufficient funds available.

7. RESTRICTIVE COVENANTS.

7.01 Confidential Information. We will disclose parts of our Confidential Information to you solely for your use in the operation of the Franchised Business. The Confidential Information is proprietary and includes our trade secrets. During and after the Term: (a) you may not use the Confidential Information in any other business or capacity (as you hereby acknowledge that such prohibited use would be an unfair method of competition); (b) you must exert your best efforts to maintain the confidentiality of the Confidential Information, regardless of its format or medium of transmission to you; (c) you may not make unauthorized copies of any portion of the Confidential Information; and (d) you must implement all commercially reasonable procedures we prescribe at any time and from time to time to prevent unauthorized use or disclosure of the Confidential Information, including requiring your managers and assistant managers, any other of your personnel who attends training or who has the ability to access our Confidential Information, or any Owner of the Franchisee who has access to the Confidential Information and otherwise has not signed a nondisclosure agreement to sign nondisclosure agreements in a form we prescribe or approve and delivering those agreements to us. If you become aware of any unauthorized use of the Confidential Information, you must immediately notify us of the same.

7.02 In-Term Covenants. You acknowledge that we have granted you this franchise in consideration of, and reliance upon, your agreement to deal exclusively with us. You therefore agree that, during the Term and any successor franchise term, neither you nor any of your Owners will:

(a) have any direct or indirect ownership interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating, except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph;

(b) perform services as a director, officer, manager, employee, contractor, consultant, representative, or agent for a Competitive Business, wherever located or operating; or

(c) divert or attempt to divert any actual or potential business or customer of any Franchised Business to a Competitive Business.

7.03 Ownership of Developments. You must promptly disclose to us all processes, ideas, concepts, advertising and promotional materials, website pages and content, methods, techniques or materials used or useful to the Franchised Business, whether or not constituting protectable intellectual property, that you create, or that are created on your behalf or for your benefit by your Owners, employees, agents, or contractors in connection with the development or operation of your Franchised Business (collectively, the “Materials”). Any such Materials will be deemed our sole and exclusive property without payment of compensation of any kind to you, part of the System, and works made-for-hire for us. To the extent that any one of the Materials does not qualify as a “work made-for-hire” for us (as such term is defined under Section 101 of the U.S. Copyright Act), by way of this paragraph you irrevocably convey, grant, transfer and assign ownership of the Material(s), and all related rights to the Materials, both during and after the Term, to us. You agree to take whatever action we request (including signing assignment or other documents) to evidence our ownership or to help us obtain intellectual property rights in the Materials as part of the System, and you warrant that you will obtain all rights from any third party acting on your behalf to comply with this provision.

7.04 Procurement of Additional Covenants. If you are a business entity, at our request, your Operating Partner and all Owners with at least a ten percent (10%) direct or indirect legal or beneficial ownership interest in you must execute a confidentiality and non-competition agreement which is consistent with and reinforces each individual’s obligations to comply with the restrictive covenants in this Agreement. All owners who do not meet the ten percent (10%) threshold must sign a confidentiality agreement protecting Confidential Information.

8. YOUR ORGANIZATION AND MANAGEMENT.

8.01 Organizational Documents. If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state in which the Franchised Business is located; (b) your undersigned signatory below has the authority to execute and deliver this Agreement on your behalf and that you are able and authorized to perform your obligations hereunder; (c) true and complete copies of the articles of incorporation, partnership agreement, bylaws, buy-sell agreements, certificates of organization, operating agreements and all other documents relating to your ownership, organization, capitalization, management and control have been delivered to us and all amendments thereto shall be promptly delivered to us; (d) the articles of incorporation, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; and (e) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter

issued must bear a legend in conformity with applicable law reciting or referring to such restrictions.

8.02 Disclosure of Ownership Interests. You and all of your Owners represent, warrant and agree that Exhibit A is current, complete and accurate as of the Effective Date. You agree to promptly notify us of any proposed or intended change to your ownership structure during the Term, to obtain our approval in accordance with the transfer conditions of Sections 13.02 and 13.03 below before initiating any such change, and to sign a then-updated and accurate form of Exhibit A (which will replace its predecessor version of Exhibit A) if we approve the change.

8.03 Management of Business. If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in Exhibit A as the “Operating Partner” an individual we approve who must have the authority to make, and bind you and all your Owners to, all operational decisions regarding the Franchised Business. The Operating Partner must complete our training program to our satisfaction before engaging in his or her operational duties. You may not change the Operating Partner without our prior written consent. You or, in the case of ownership by an entity, your Operating Partner shall exert full-time, best efforts to the development and operation of the Franchised Business and to the promotion of the products sold by the Franchised Business. You or your Operating Partner must keep us informed at all times of the identity of the general manager-level employees, and ensure that such personnel are competent and proficient in their duties. You or your Operating Partner are solely responsible for all employment decisions for the Franchised Business, including hiring, firing, remuneration, personnel policies, training, benefits, and maintaining supervision and discipline, regardless of whether you received advice from us on any of these subjects.

9. FRANCHISED BUSINESS OPERATING STANDARDS.

9.01 General Condition of Franchised Business. (a) You must maintain the Franchised Business’s condition and appearance in an attractive and clean manner so that the Franchised Business can be efficiently operated at all times. You agree to maintain the Franchised Business’s condition and appearance and to make such modifications and additions to its layout, decor, and general theme as we may require at any time and from time to time, including replacement of fixtures, equipment, furniture, signs, repair of the interior, exterior and parking areas, and periodic cleaning and redecorating of the Premises. If at any time the general state of repair, appearance or cleanliness of the Franchised Business or its fixtures, equipment, furniture or signs does not meet our standards, we may notify you and specify the action you must take to correct such deficiency. You may not make any alterations to the Franchised Business, nor any replacements, relocations or alterations of fixtures, equipment, furniture or signs, without our prior approval. We have the right at your expense to rectify (including reversing) any replacements, relocations or alterations not previously approved by us.

(b) Remodels. You must periodically upgrade and/or remodel the Franchised Business pursuant to our plans and specifications, and Franchisee should expect substantial remodeling once during the Term.

(c) Casualty. If the Franchised Business is damaged or destroyed by fire or other casualty, then you must initiate within thirty (30) days (and continue using best efforts until completion) all repairs or reconstruction to restore the Franchised Business to its original condition. If, in our reasonable judgment, the damage or destruction is of such a nature that it is feasible, without incurring substantial additional costs, to repair or reconstruct the Franchised Business in accordance with our then current layout and decor specifications for new Franchised Businesses, we may require you to repair or reconstruct the Franchised Business according to those specifications.

9.02 Uniform Image. You agree that the Franchised Business will offer products and services that we determine at any time and from time to time to be appropriate for the Franchised Business. We may designate products as being required or optional and also may introduce new products on a required or optional basis. You further agree that the Franchised Business will not, without our approval, offer any products or services (including promotional items) not then authorized by us. The Franchised Business may not be used for any purpose other than the operation of a Franchised Business in compliance with this Agreement. You agree that the Franchised Business will offer courteous and efficient service and a pleasant ambiance.

9.03 Suppliers, Products and Services. You must maintain at all times an inventory of approved products sufficient in quantity, quality and variety to operate the Franchised Business in accordance with our prescribed standards and specifications. You agree that you will use in the development and operation of the Franchised Business and/or offer for sale at the Franchised Business only the products, uniforms, packaging materials, forms, labels and other supplies and services that conform to our specifications and quality standards and/or are purchased from the suppliers, distributors and service providers (collectively referred to herein as “supplier” or “suppliers”) we approve (which may include us and/or any of our Affiliates). We may modify the list of approved suppliers, brands of products, services or supplies and/or suppliers of those items, and you shall cease to use any supplier after notice the supplier is no longer an approved supplier. If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such brand and/or supplier so that we can decide whether such brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require be incorporated in a written agreement. We may impose limits on the number of suppliers (which may include us or our Affiliates) and/or brands for any of the foregoing items. We are not required to consider alternative suppliers for inventory items currently supplied to franchisees by our Affiliate, SalonCentric, Inc. You acknowledge that we may receive money or other benefits from designated suppliers based on your purchases (among other factors), and you agree that we have the right to retain and use all such benefits as we deem appropriate, in our sole discretion. You further acknowledge that we and our Affiliates, owners, officers or other personnel may have investments in approved suppliers.

9.04 Specifications and Standards; Compliance with Supplier Specifications. You agree to operate the Franchised Business, to timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Franchised Business, and to maintain, at all times, a high moral and ethical standard in the operation of the Franchised Business. You agree

to comply with all specifications, standards and operating procedures, as modified at any time and from time to time (whether contained in the Brand Standards Manual or any other written communication) relating to the appearance, function, cleanliness or operation of a Franchised Business. You further agree to execute and comply with any policy statements prescribed by us or our manufacturers, as the same may be changed from time to time. These policy statements may include restrictions on the manner of presentation of product, the type of customers to whom you can sell products, and other restrictions necessary for the protection and promotion of that supplier's brand.

9.05 Compliance With Laws. You must maintain in force in your name all required licenses, permits and certificates relating to the operation of the Franchised Business. You must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. You must notify us in writing no later than within two (2) days after: (a) the commencement of any legal or administrative action, or the issuance of any order of any court, agency or other governmental instrumentality, which may adversely affect the development, occupancy or operation of the Franchised Business or your financial condition; or (b) the delivery of any notice of violation or alleged violation of any law, ordinance or regulation related to the operation of the Franchised Business. You agree to refrain from any business or advertising practice which may be injurious to our business, to the business of other franchisees' Franchised Businesses or to the goodwill associated with the Marks.

9.06 Personnel. The Franchised Business must at all times be under the direct, on-premises supervision of a manager who has completed our training program to our satisfaction and staffed by a sufficient number of competent and properly trained employees. You are solely responsible for all employment decisions for the Franchised Business, including hiring, firing, remuneration, personnel policies, training, benefits, and maintaining supervision and discipline, regardless of whether you received advice from us on any of these subjects. You must establish at the Franchised Business an employee training program meeting our standards.

9.07 Insurance. During the Term you must maintain the following categories of insurance coverage in force at your sole expense: (a) general liability in an amount not less than \$1,000,000 per occurrence; (b) automobile for owned and hired, non-owned liability; (c) umbrella including employer's liability, general liability, and automobile liability; (d) property insurance covering the Franchised Business and personal property in an amount equal to one hundred percent (100%) of the full replacement cost of the Franchised Business and personal property, and business income coverage covering twelve (12) months of actual loss sustained in such forms and including such provisions as we may require at any time and from time to time; (e) workers' compensation (as required by statute); (f) employer's liability; and (g) any other insurance policies, as we may determine at any time and from time to time. All insurance policies must: (1) be issued by carriers with an A.M. Best Rating of not less than A minus; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe at any time and from time to time; (3) name us and L'Oreal USA, Inc. and our Affiliates as additional insureds for claims related to the operation of the Franchised Business; (4) provide for thirty (30) days' prior written notice to us of any material modification, cancellation or expiration of such policy; (5) provide a waiver of subrogation in favor of us and our Affiliates; and (6) include such other provisions as we may require at any time and from time to time. These insurance policies must be primary to and without right of contribution from any

other insurance policy purchased by us, any of our Affiliates, or any other indemnitee (as defined in Section 17.02 below); must not limit or reduce coverage for you if there is a claim by us or any one or more of the other indemnitees; and must extend to and provide indemnity for all of your indemnification obligations to us and the other indemnitees under this Agreement.

The minimum amount of liability coverage we prescribe from time to time in no way limits your liability to such minimum amounts. You may purchase additional amounts and types of insurance not required by this Agreement in your discretion. You agree we will not be responsible if you suffer a loss in excess of the minimum amounts of insurance coverage we require you to maintain. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage through changes in our Brand Standards Manual or other written communications to you (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. You will be required to comply with such changes within the time specified in our notice to you of these changes.

At our request, you must furnish us with such evidence of insurance coverage and payment of premiums as we require. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur.

9.08 Customer Data. All information, mailing lists and databases of Customer Data, from whatever source derived, shall be our property and we have right to access the Customer Data at our discretion. You agree not to use such information, except in connection with your Franchised Business in accordance with this Agreement. You agree not to use, process, copy, display, publish, store or transfer the Customer Data without our approval. You agree to comply with all applicable laws with respect to Customer Data. You further agree to comply with our data privacy and security requirements and use commercially reasonable efforts to prevent the unauthorized use, dissemination, or publication of Customer Data, subject in all instances to applicable laws. You shall immediately notify us if you become aware of any unauthorized access to the Customer Data, or if you become the subject of any governmental, regulatory, or other enforcement or private proceeding relating to your data handling practices of Customer Data. We have the sole discretion to either directly address any notifications necessary or advisable associated with any such unauthorized access, or require you to complete any such notification in compliance with all applicable laws.

9.09 Credit Cards. You agree to use any system and equipment we require for processing credit cards and debit cards, and any costs to do so are at your expense, and to offer and accept customer payments via contactless mobile payment systems (e.g., Venmo) and mobile payment apps (e.g., Apple Pay). You agree to abide by (i) the Payment Card Industry (“PCI”) Data Security Standards enacted by the applicable payment card association (as they may be modified at any time and from time to time or as successor standards are adopted); and (ii) all other security standards and guidelines that may be published at any time and from time to time by payment card and mobile payment system companies and applicable to customer credit

card and debit card information and contactless mobile payment systems and mobile payment apps. If you know or suspect a security breach, you must immediately notify us. You will promptly identify and remediate the source of the compromise. Unless we indicate otherwise, you will assume all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transactions concerning customers of your Franchised Business.

9.10 Pricing. 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 and services. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered by your Franchised Business; recommending retail prices; and engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices. We may engage in such activity at our discretion, and may engage in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Except for pricing contained in materials provided in connection with marketing, promotional and related campaigns, you may vary our prescribed, recommended or suggested prices by twenty percent (20%). You acknowledge that the prices we prescribe or suggest may or may not optimize the revenues or profitability of your Franchised Business and you irrevocably waive any and all claims arising from the establishment or suggestion of your Franchised Business's retail prices.

9.11 Customer Loyalty Program. In the event we, in our sole discretion, maintain any customer loyalty program, you agree to participate in it, including honoring coupons, gift cards, vouchers, certificates, or other forms of rewards presented by customers and paying all fees associated with it, as set forth more fully in the Brand Standards Manual.

9.12 Performance Targets. On or before November 30th of each calendar year of the Term, we will present you with performance targets related to product sales and customer penetration in the Designated Area for the next calendar year (each, a "Performance Target"). These Performance Targets will be based on multiple factors outlined in the Brand Standards Manual, including but not limited to past performance and performance of other franchisees in the same geographic region. In no event will any Performance Target be five percent (5%) greater or less than the prior year's Performance Target. The initial Performance Target will be within between one percent (1%) and three percent (3%) of the performance targets for established franchisees in the region, or mutually negotiated by the parties in the event there are no other franchisees in the region. You may provide comments to the Performance Targets within ten (10) business days after receipt of any Performance Target. We will discuss your comments with you and may, in our sole discretion, modify any Performance Target in response to your suggestions.

10. MARKETING AND ADVERTISING.

10.01 National Marketing Fee. We may, in our sole discretion, establish and administer a National Marketing Fee for the creation and production of marketing materials and preparation of advertising campaigns. When we establish a National Marketing Fee, you must contribute to the National Marketing Fee amounts that we establish at any time and from time to

time, not to exceed \$750 per month, which are payable monthly. At this time, we are not charging a National Marketing Fee. When we establish a National Marketing Fee, we will direct all programs related to national or regional marketing, including, without limitation, the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. Although the National Marketing Fee is used and intended to maximize general recognition and patronage of the Marks for the benefit of all Franchised Businesses, we cannot assure you that any particular Franchised Business will benefit directly or pro-rata from the placement of advertising. The National Marketing Fee may be used to pay for the cost of preparing and producing materials and campaigns we select, including video, audio and written advertising, and for the cost of employing advertising agencies, in house staff and supporting market research activities. The National Marketing Fee 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 marketing programs, including conducting market research, preparing marketing materials and advertising campaigns and collecting the National Marketing Fee. We may at any time defer or reduce contributions of a Franchised Business and, upon thirty (30) days' prior written notice to you, reduce or suspend the National Marketing Fee and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the national marketing program.

10.02 Local Advertising. You agree to spend on local advertising and promoting the Franchised Business such amounts as we establish at any time and from time to time, up to three percent (3%) of Net Sales during each of your fiscal quarters. The current local marketing requirement is two percent (2%) of Net Sales. For these purposes, advertising expenditures include: (a) amounts contributed to advertising cooperatives; (b) the cost of required signage packages; and (c) amounts spent for advertising media, such as television, radio, newspaper, billboards, posters, direct mail, product magazines, digital advertising, and other categories of local advertising we may designate in the future in our sole discretion. You must submit to us for our prior approval, samples of all advertising and promotional materials which vary from our standard advertising and promotional materials and which have not been (i) prepared by us, or (ii) approved by us within the preceding three (3) months. You may not use any advertising or promotional materials that we have disapproved. We will respond to requests for approval of advertising or promotional material within thirty (30) days of submission by you. Upon our request, you must provide us with itemization and proof that you are conducting local advertising and also provide an accounting of the expenditures and/or copies of advertisements paid for through your local marketing funds.

10.03 Advertising Cooperatives. We have the right to establish local and/or regional advertising cooperatives for Franchised Businesses in your local or regional area, covering such geographical areas as we may designate at any time and from time to time. With respect to any advertising cooperative we establish and which we designate for your Franchised Business, you must participate in such advertising cooperative and its programs (other than price advertising, as to which you may choose not to participate) and abide by its by-laws. You must contribute such amounts to the advertising cooperative(s) as they determine at any time and from time to time in accordance with their by-laws. Contributions to such local and regional advertising cooperatives are credited toward the two percent (2%) local advertising expenditures required by Section 10.02. The participation by us and our Affiliates in any advertising cooperative as a result of competitive operations within the Designated Area shall be determined on a case by case basis.

10.04 Internet and Social Media Sites. We may maintain one or more social media sites (e.g., Twitter, Facebook, Instagram, SnapChat, or such other social media sites). You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without our advance written consent, which consent may be withheld for any or no reason. We may designate at any time and from time to time regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies that we establish at any time and from time to time and you will require all of your owners and employees to do so as well. Our social media policies may provide you with the right to promote your Franchised Business through social media sites, subject to our monitoring of such activities to ensure they are consistent with our System standards and our right to assume control of such social media sites in our sole discretion. We may require you to participate in social media initiatives directed by us. If we provide you with a user name/handle and password, you may not alter such user name/handle and password without our prior approval. You agree not to promote, offer or sell any products or services relating to your Franchised Business, or to use any of the Marks, through the internet without our consent, which consent may be withheld for any reason or no reason. In connection with any such consent, we may establish such requirements as we deem appropriate, including (a) obtaining our prior written approval of any internet domain name and home page addresses; (b) submission for our approval of all website pages, materials and content; (c) use of all hyperlinks and other links; (d) restrictions on use of any materials in which any third party has any ownership interest; and (e) obtaining our prior written approval of any modifications.

11. TECHNOLOGY, RECORDS, AND REPORTS.

11.01 Records. You agree to prepare and to maintain for three (3) years from the dates of their preparation, or such longer periods in compliance with applicable laws, complete and accurate books, records and accounts for the Franchised Business, including, but not limited to, financial records in accordance with generally accepted accounting principles consistently applied, copies of your sales tax returns and such portions of your state and federal income tax returns as relate to the Franchised Business. All such books and records shall be kept at the Premises, unless we otherwise approve.

11.02 Technology. You must record all sales on electronic cash registers or point-of-sale systems designated or approved by us at any time and from time to time. You may be required to use computers, computer-based cash registers and point-of-sale systems which are fully compatible with our computer system and which include an information interface capability to communicate electronically with our computer system. We may require you to obtain, and at any time and from time to time update and/or upgrade, equipment, software and/or related services for record keeping and reporting purposes, including facilitating communications between your computers and computer-based cash registers and our computer system. We have the right to access data from your Franchised Business's system and use the data we collect for any lawful purpose. If we require you to use specific hardware and/or proprietary software, you agree to execute and comply with such technology agreements as we deem necessary and you agree to pay such license, training, and maintenance fees as we, our Affiliates, or third parties deem reasonably appropriate.

11.03 Periodic Reports. You must furnish us by electronic data interchange-digital reporting: (i) on a daily basis a true, correct and complete summary of (a) revenues realized on the sale of products, including Net Sales by brand; (b) sell-through data, inventory lists, turnover and count by brand; and (c) such other financial information we may request including: (i) transaction amounts, total number of customers, and the average per transaction value; (ii) within thirty (30) days after the end of each Fiscal Year, a year-end balance sheet, a profit and loss statement, and statement of cash flow of the Franchised Business for such Fiscal Year, reflecting all year-end adjustments and accruals, together with a year-over-year comparison (for Franchised Businesses open more than one year) comparing financial performance in the most recently completed Fiscal Year to financial performance in the second most recently completed Fiscal Year, in the form we specify; (iii) complete copies of all tax returns within thirty (30) days of their filing; and (iv) such other information as we may require at any time and from time to time. You must verify that the information in each such report and financial statement is complete and accurate and sign it. We have the right to disclose data from such reports and statements if we consider disclosure advisable. We reserve the right to require that your annual financial statements be audited, at your expense, by an independent certified public accountant approved by us.

12. INSPECTIONS OF THE FRANCHISED BUSINESS.

12.01 Inspections. We have the right to enter upon the Premises during regular business hours to inspect the Premises for quality assurances purposes.

12.02 Audits. We have the right at any time during business hours, and without prior notice to you, to inspect, copy and audit the books, records, tax returns and documents relating to the development, ownership, lease, occupancy or operation of the Franchised Business. You must cooperate fully with our representatives and independent accountants conducting such audits. If an inspection or audit reveals underpayment of amounts owed to us, you shall immediately pay the understated amount with interest provided for in Section 6.03. If an audit or inspection reveals your understatement of Net Sales by two percent (2%) or more for any accounting period then, in addition to amounts due on the understatement and interest, you shall promptly reimburse us all costs and expenses that we incurred in connection with performing the audit or inspection (including travel, lodging and wage expenses, and attorneys' and accountants' fees).

12.03 Use of Financial Information in Franchise Disclosure Document. You acknowledge and agree that it may be in the best interest of the franchise system to share historical revenue and expense information with prospective franchisees. To that end, you hereby authorize us to publish information concerning your Net Sales and other information reported to us in our Franchise Disclosure Document.

13. FRANCHISEE'S RIGHT TO TRANSFER.

13.01 Transfer by Individual Franchisee to Business Entity for Convenience. If you are an individual, you may, without charge, transfer your interest in this Agreement to a Business Entity for convenience of operation within the first twelve (12) months of this Agreement by signing our standard form of assignment and assumption agreement if you provide

us with a copy of the Business Entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the Business Entity was formed. For any transfer to a Business Entity after the first twelve (12) months of this Agreement, in addition to the other requirements in this Section, you agree to pay the transfer fee described in Section 6.01 of this Agreement.

13.02 Transfer Among Owners. If you are a Business Entity, your Owners may transfer up to twenty percent (20%) of the total outstanding capital stock, equity or membership interests in the Business Entity as of the date of this Agreement to (i) other current Owners; or (ii) a trust provided that the trust is a "grantor trust" so that all income is taxed to the transferor, the transferor is the sole trustee of the trust, the transferor and his or her immediate family members are the sole beneficiaries of the trust, the transferor, in his or her capacity as trustee, signs an instrument satisfactory to us providing that the trust is bound by all terms and provisions of this Agreement and a copy of the trust agreement and any amendments are provided to us; if (a) you have provided to us advance notice of the transfer; (b) you have amended Exhibit A to reflect the new ownership; (c) each new Owner has signed a Guaranty; and (d) you pay to us a transfer fee in the amount set forth in Section 6.01.

13.03 Transfer of Agreement, Transfer of the Franchised Business, Transfer of Interest. All other transfers (including any sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of the Franchised Business, and the sale of any interest in you if you are a Business Entity other than those described in Section 13.02) require our prior written consent. We will not unreasonably withhold our consent to a transfer, but may condition our consent on any or all of the following:

(a) Your written request for consent in writing and delivery of a copy of the proposed transfer agreements, including sale terms, at least thirty (30) days prior to the proposed transfer, and our determination, in our sole discretion, that the terms of the sale will not materially and adversely affect the post-transfer viability of the Franchised Business;

(b) The transferee has demonstrated to our satisfaction that the transferee meets our then-current educational, managerial and business standards, possesses a good moral character, business reputation and credit rating, has the aptitude and ability to operate the Franchised Business, has obtained any required or necessary visa or other legal means to come to and remain in the United States (as applicable), and has sufficient equity capital to operate the Franchised Business (which condition shall be presumed if the transferee's liquid net worth is equal to or exceeds your liquid net worth at the time of transfer, excluding the value of the Franchised Business);

(c) All of your accrued monetary obligations and all other outstanding obligations to us, our Affiliates, and third party suppliers shall be up to date, fully paid and satisfied, and you must be in full compliance with this Agreement and any other agreements between you and us, our Affiliates and your suppliers;

(d) You or the transferee shall have agreed to refurbish the Premises so that it meets our current image requirements for a new Franchised Business;

(e) The transferee (or its Operating Partner) and its managers must have completed our initial training program to our satisfaction;

(f) The transferee's execution of our then-current form of franchise agreement and related agreements, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different product discount percentage and different advertising obligations;

(g) If the transferee is a Business Entity, then the transferee's Owners shall sign our then-current form of Guaranty and similar documents obligating Owners to comply with the terms and conditions of the Agreement;

(h) You must ensure that we receive, before we will approve any proposed transferee to begin conducting business activities at the Franchised Business as its authorized operator, a transfer fee equal to our then-current transfer fee;

(i) You and your Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to us, of any and all claims against us and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns; and

(j) If you (or any of your Owners or Affiliates) finance any part of the sale price of the transferred interest, you and/or your Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets of the Franchised Business, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement or the new franchise agreement executed by the transferee.

13.04 Death or Disability of Franchisee. Upon your death or permanent disability (if you are an individual), or the death or permanent disability of an Owner of you (if you are a Business Entity), the executor, administrator or other personal representative of such person shall transfer his or her interest in this Agreement or his or her interest in you to a third party approved by us in accordance with all of the applicable provisions of Section 13 within a reasonable period of time, not to exceed nine (9) months from the date of death or permanent disability.

13.05 Our Right of First Refusal. If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of the Franchised Business or if any Owner receives a bona fide offer from a third party to purchase his or her equity interests in you and you wish to accept such offer, you or the Owner must deliver to us written notification of the offer and, except as otherwise provided herein, we shall have the option, exercisable within thirty (30) days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party, provided, however, that we may, in our discretion, require you to include customary representations and warranties in the purchase agreement. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer shall include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms

of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. If we elect to purchase the seller's interest, closing on such purchase must occur by the later of (a) the closing date specified in the third party offer, or (b) within ninety (90) days from the date of notice to the seller of our election to purchase. We shall not be obligated to pay any finder's or broker's fees that are part of the proposed sale. Notwithstanding the foregoing, in no event shall this right of first refusal grant us any right to purchase the real estate owned by you. Our failure to exercise the option described in this Section 13.05 shall not constitute a waiver of any of the transfer conditions set forth in this Section 13.

13.06 Non-Waiver of Claims. Our consent to transfer shall not constitute a waiver of any claims we may have against the transferring party, and it will not be deemed a waiver of our right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which we and the transferee are parties.

14. TERMINATION OF AGREEMENT.

14.01 Immediate Termination in the Event of Bankruptcy or Insolvency. You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if: (a) you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; (b) you file a petition in bankruptcy, reorganization or similar proceedings under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within thirty (30) days; (c) a receiver or other custodian, permanent or temporary, is appointed for your business, assets, or property; (d) you request the appointment of a receiver or make a general assignment for the benefit of creditors; (e) your bank accounts, property or accounts receivable are attached; (f) execution is levied against your business or property; (g) suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within thirty (30) days; or (h) you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within thirty (30) days.

14.02 Termination Upon Notice. In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you or upon the expiration of any cure period described in the notice, if you or any of your Owners or Affiliates:

(a) fail to locate, and submit for our approval, an acceptable site for the Premises, as provided in Section 3.02, within one (1) month of the Effective Date;

(b) fail to sign a lease, sublease or purchase contract for the Premises, as provided in Section 3.03, within two (2) months of the Effective Date;

(c) fail to open the Franchised Business and start business within five (5) months of the Effective Date;

(d) abandon or fail to actively operate the Franchised Business for five (5) consecutive days, except where such failure to actively operate results solely from events constituting force majeure pursuant to Section 18.15;

(e) surrender or transfer control of the operation of the Franchised Business without our prior written consent;

(f) make any material misstatement or omission in an application for a Franchised Business or in any other information provided to us;

(g) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the goodwill associated with the Marks;

(h) lose any license required to operate the Franchised Business or you lose your right to occupy the Premises;

(i) make or attempt to make a transfer in violation of Section 13, or fail to make a transfer as required by Section 13.04 or Section 13.05;

(j) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Brand Standards Manual in violation of this Agreement;

(k) fail or refuse to comply with any specification, standard or operating procedure prescribed by us in this Agreement or in the Brand Standards Manual relating to the cleanliness or sanitation of the Franchised Business;

(l) fail to accurately report Net Sales or to make payment of any amounts due us or any of our Affiliates, and do not correct such failure within ten (10) days after written notice of such failure is delivered to you;

(m) understate the Franchised Business's Net Sales two (2) times or more during any twelve (12) month period during the Term or by more than five percent (5%) on any one occasion;

(n) fail to come within one and one-half percent (1.5%) of each year's Performance Target and remedy the shortfall within one hundred twenty (120) days of the end of each calendar year in accordance with a performance improvement plan mutually agreed upon by you and Franchisor;

(o) fail to make a timely payment of any amount due to a supplier unaffiliated with us (other than payments which are subject to bona fide dispute), and do not correct such failure within thirty (30) days, or such longer period required by applicable law, after we deliver to you notice of such failure to comply ("Cure Period");

(p) fail to submit the financial information or other reports required by us under this Agreement;

(q) offer products, supplies and equipment for resale which have not been purchased from us or a vendor or supplier approved by us;

(r) sell products, supplies and equipment other than to Customers physically in the Premises or who have directly called the Franchised Business, or who you have called on in your Designated Area or to whom you have sold through e-commerce sites we have approved, which prohibition specifically includes, but is not limited to, diverting product to retail establishments other than Customers;

(s) fail to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by us in this Agreement or in the Brand Standards Manual and do not correct such failure within the Cure Period; or

(t) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to comply with the requirements of this Agreement or the Brand Standards Manual, whether or not such failure is corrected after notice is delivered to you.

14.03 Cross Default. Any default under any agreement between you, your Owners, us and our Affiliates, which you or your Owners fail to cure within any applicable cure period, shall be considered a default under this Agreement and shall provide an independent basis for termination of this Agreement.

15. RENEWAL RIGHTS.

15.01 Your Right To Acquire a Successor Franchise. Subject to the conditions contained in the entirety of this Section 15, you will have the right to renew the franchise agreement by acquiring a successor franchise for the Franchised Business for one (1) additional five (5) year term under the terms and conditions then being offered by Franchisor, provided you have complied with all of the material provisions of this Agreement, including but not limited to the payment of all monetary obligations and full compliance with material operating and quality standards and procedures.

15.02 Notices; Holdover. You must give us written notice of your desire not to renew your Franchised Business at least one hundred eighty (180) days prior to the expiration of this Agreement. If you do not provide this notice, you agree that you must maintain the right to possession of the Premises for the term of the successor franchise agreement and enter into an agreement with us whereby you agree within a specified time period, starting on the signing of a successor franchise agreement, to remodel the Franchised Business, add or replace improvements, fixtures, furnishings, equipment and signs and otherwise modify the Franchised Business to upgrade the Franchised Business to the specifications and standards then applicable for new Franchised Businesses as we require. You also agree that you will be obligated to pay a renewal fee in the relevant amount described in Section 15.03 below (referred to as the successor franchise fee).

15.03 Agreements. If you have the right to acquire a successor franchise in accordance with Section 15.01 and do not opt out of renewal in accordance with Section 15.02, we and you (and your Owners) will execute the form of franchise agreement (which may contain provisions materially different from those contained herein) and all ancillary agreements (including personal guarantees by your Owners) which we then customarily use in granting successor franchises for the operation of Franchised Businesses. The successor franchise agreement will be for a successor franchise term of five (5) years. You must pay us a successor franchise fee due upon signing the successor franchise agreement, which shall be the equivalent of fifty percent (50%) of the initial franchise fee set forth in the then current form franchise agreement. In addition, you and your Owners must execute general releases, in form and substance satisfactory to us or as we then explicitly prescribe, of any and all claims against us, and our Affiliates, owners, officers, directors, employees, agents, successors and assigns. Failure by you (and your Owners) to sign such agreements and releases within thirty (30) days after delivery to you shall be deemed an election by you not to acquire a successor franchise for the Franchised Business. Upon expiration of such successor franchise agreement, you will have a further right on terms and conditions contained in the successor franchise agreement to acquire a future successor franchise as we then prescribe.

16. EFFECT OF TERMINATION OR EXPIRATION.

16.01 Payment of Amounts Owed to Us. Within thirty (30) days after the effective date of termination or expiration (without renewal) of this Agreement, you must pay us and our Affiliates all amounts due and owing pursuant to this Agreement, amounts owed for purchases from us or our Affiliates, interest due on any of the foregoing, and all other amounts owed to us or our Affiliates which are then unpaid, including all damages, costs and expenses, including reasonable attorney's fees, incurred by us as a result of a default. In the event of termination for any default by you, any damage we suffer shall be a lien in favor of us against the personal property, machinery, fixtures and equipment owned by the Franchised Business on the Premises at the time of default.

16.02 Discontinue Use of Marks and Confidential Information. Upon the termination or expiration (without renewal) of this Agreement, you will:

- (a) not directly or indirectly at any time or in any manner use any Mark, any colorable imitation or other indicia of the Franchised Business;
- (b) take such action as may be required to cancel all fictitious or assumed name registrations relating to your use of any Mark;
- (c) notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone number and directory listings associated with any Mark and to authorize transfer of the number to us or at our direction;
- (d) if we do not exercise our right to purchase the Franchised Business pursuant to Section 16.05, promptly remove from the Premises, and discontinue using for any purpose, all signs, fixtures, furniture, decor, advertising materials, forms and other materials which display any of the Marks or any distinctive features, images, or designs associated with

the Franchised Business and, at your expense, make such alterations as may be necessary (and as we may require) to distinguish the Premises so clearly from its former appearance as a Franchised Business to prevent any possibility of confusion by the public. If you fail to take the actions described in this section within seven (7) days after the termination or expiration of this Agreement, we shall have the right to enter the Premises at your expense to remove all of the items described in this section without being guilty of trespass or tort of any kind;

(e) immediately cease to use all Confidential Information and return to us all copies of the Brand Standards Manual and any other confidential materials which have been provided to you;

(f) immediately discontinue any mode of communications directly or indirectly relating to your Franchised Business and immediately take all steps required by us to transfer any domain name associated with your Franchised Business to us (such as executing a Registrant Name Change Agreement with the applicable Registrar). You irrevocably appoint the person who is then our president as your duly authorized agent and attorney-in-fact to execute all instruments and take all steps to transfer such domain names;

(g) immediately cease to use all computer software licensed by us or any of our Affiliates and comply with your obligations under any software license agreements; and

(h) within thirty (30) days after the effective date of termination or expiration, furnish us evidence satisfactory to us of your compliance with the foregoing obligations.

16.03 Post-Term Covenants. You covenant and agree that for a period of one (1) year, starting on the effective date of termination or expiration (without renewal) of this Agreement, you and your Owners shall not in any manner or in any capacity, directly or indirectly, actually or attempt (i) to sell in the Designated Area any product which you were selling as of the date of or during the twelve (12) calendar months immediately preceding the expiration, termination or non-renewal of this Agreement; (ii) to engage or participate in, or acquire any ownership interest in any entity which is involved in selling in the Designated Area any product which you were selling as of the date of or during the twelve (12) calendar months immediately preceding the expiration, termination or non-renewal of this Agreement; or (iii) to interfere with our relationship with any distributor or supplier. If you fail or refuse to abide by any of the foregoing covenants, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or we seek to enforce it, and will continue in effect for a period of time ending one (1) year after the date of the order enforcing the covenant.

16.04 Purchase of Saleable Inventory. If this Agreement expires or is terminated for any reason, we shall purchase all of your current and saleable inventory in its original packaging and you are required to sell to us such inventory. We may also, in our sole discretion, exercise the option to purchase your accounts receivable which are less than ninety (90) days past due and not classified by you as “bad debts” and, in the event we exercise this option, you are required to sell to us such accounts receivable. We must exercise such option within thirty (30) days of termination or expiration. We shall acquire this inventory at your original invoice price less all prompt payment discounts, regardless of whether such discounts were actually received by you.

Within ninety (90) days following termination or expiration of this Agreement, we will pay for any inventory and accounts receivable acquired, less: (i) any sums of money owed by you to us; and (ii) any sums necessary to acquire clear title to the assets.

16.05 Option to Purchase Franchised Business. If this Agreement expires or is terminated for any reason, you shall, at our option, sell to us your interest in some or all of the fixed assets and leases used by you in the operation of the Franchised Business. We must exercise such option within thirty (30) days of termination or expiration and we must exercise it for all, and not less than all, of such leases in the event that you have multiple leased locations. Closing of the sale shall occur promptly following the determination of fair market value of those fixed assets and leases being acquired in accordance with this Section. We shall pay in cash that fair market value less: (i) any sums of money owed by you to us; and (ii) any sums necessary to acquire clear title to the assets. Our notice of exercise of this option shall include our good faith determination of the fair market value of the fixed assets and leases, specified by each such leased location, including supporting documentation for its determination. Within twenty (20) days of receipt of our exercise notice, you shall provide written notice to us of your acceptance or rejection of the fair market value determined for each such leased location. If you do not accept the values with respect to a location you shall be deemed to have rejected that determination. If you reject the determination of fair market value of the fixed assets and leases at one or more locations, the parties shall negotiate in good faith for thirty (30) days to determine such values. In the event that the parties cannot agree on the fair market value of the fixed assets and leases at one or more locations in that time, then a qualified and mutually acceptable appraisal firm shall be retained to determine such values; the cost of such firm shall be borne equally by the parties. If the parties cannot agree on an appraisal firm, each shall select and bear the cost of an appraiser, and those two appraisers shall together choose an M.A.I. appraiser with at least five (5) years, full time, experience in commercial property appraisal in the Designated Area as a third appraiser, whom the parties shall appoint and whose cost they shall split equally. Within thirty (30) days after the appointment of the appraiser, the parties shall each submit to the third appraiser (and to one another) its written opinion regarding the fair market value of the assets. Within ten (10) days after the appraiser's receipt of the last such opinion, the appraiser shall decide which of the two opinions most accurately reflects such fair market value. Such selection by the appraiser shall be final and binding upon the parties. The appraiser must select one of the two alternative opinions and may not select any other alternatives.

16.06 Right to Lease Real Estate After Termination/Expiration. If you or any of your Owners or Affiliates directly or indirectly owns the building and/or land ("Real Estate") on which the Franchised Business is located, you must provide us the option to lease the Real Estate of the Franchised Business at reasonable and customary rental rates and other terms prevailing in the community where the Franchised Business is located upon termination of this Agreement for any reason or expiration (without renewal). We agree to deliver written notice to you within ten (10) days after the effective date of termination or expiration that we desire to lease the Real Estate and have its lease value determined by an M.A.I. appraiser we select in our sole discretion with at least five (5) years, full time, experience in commercial property appraisal in the Designated Area.

16.07 Continuing Obligations. All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

17. RELATIONSHIP OF THE PARTIES.

17.01 Independent Contractors. The parties acknowledge and agree that you are operating the Franchised Business as an independent contractor. Nothing contained in this Agreement shall create or be construed to create a partnership, joint venture, employer-employee, joint-employer, or agency relationship between the parties. Neither party has any fiduciary obligations to the other, or will be liable for the debts or obligations of the other. Neither party may bind the other, transact business in the other party's name or in any manner make any promises or representations on behalf of the other party, unless otherwise agreed between them. You shall conspicuously identify yourself and the Franchised Business in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee, and shall place a conspicuous notice, in the form and at such place as we prescribe, notifying the public of such independent ownership. The Franchisor in no way participates in the hiring, disciplining, or discharging of your employees or in setting and paying wages and benefits to your employees, and you acknowledge that we have no power, responsibility, or liability with respect to hiring, disciplining, or discharging of employees or in setting or paying their wages.

17.02 Indemnification. You agree to indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively "Indemnitees"), and to hold the Indemnitees harmless to the fullest extent permitted by law, from any and all liability or damages arising out of or relating to (i) your ownership or operation of the Franchised Business, including but not limited to any employment or third party claims associated with the foregoing; and (ii) the failure or breach of any of your representations or obligations under this Agreement, together with all reasonable costs of defending any claim brought against Indemnitees or any action in which Indemnitees are named as a party or parties (including but not limited to reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to our breach of this Agreement, gross negligence, willful misconduct or our intellectual property infringement (provided that you used our intellectual property solely in the manner we directed). We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of Indemnitees or Franchised Businesses generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with this Agreement agrees to undertake the defense of an event (an "Insured Event"), we agree not to exercise our right to select counsel to defend the event if such would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

17.03 Taxes. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon the Franchised Business,

your property or upon us, in connection with sales made or business conducted by you (except for any income taxes imposed on our income). Payment of all such taxes shall be your responsibility. In the event of a bona fide dispute as to your liability for taxes, you may contest your liability in accordance with applicable law. In no event, however, will you permit a tax sale, seizure, or attachment to occur against the Franchised Business or any of its assets. If any amount payable by you to us for the initial franchise fee, National Marketing Fee or other fees you pay to us is subject to any gross receipts tax or other form of state income tax, in any state other than the state in which our principal office is located, or sales or use tax in any state, you must pay to or reimburse us for the amount of such tax payable by us, so that the amount actually received by us after the payment or withholding of such tax will equal the full amount stated to be payable under this Agreement. Such payment or reimbursement will be due and payable within thirty (30) days after you receive a written notice from us describing the amount of the payment or reimbursement.

17.04 Guaranty. If Franchisee is a corporation, limited liability company, partnership or other legal entity, all shareholders, members, partners and other owners of Franchisee shall guaranty the obligations of Franchisee as set forth in Exhibit C. By his or her signature hereto, the officer, director, manager or other authorized representative executing this Agreement on behalf of Franchisee, hereby represents, warrants and certifies that the individuals signing the Guaranty pursuant to Exhibit C constitute all of the shareholders, members, partners and other owners of Franchisee.

18. MISCELLANEOUS.

18.01 Severability. Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to make it valid and enforceable. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

18.02 Waiver of Obligations. No waiver or modification of this Agreement or of any covenant, condition, or limitation herein shall be valid unless the same is made in writing and is duly executed by the waiving party. No evidence of any waiver or modification shall be offered or received in evidence of any proceeding, arbitration, or litigation between the parties arising out of or affecting this Agreement, unless such waiver or modification is in writing, duly executed by the waiving party. Our failure to exercise any power reserved to us by this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, or any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver of our right to demand exact compliance with any of the terms herein. Our waiver of any particular default by you of any of the terms, provisions or covenants hereof shall not affect or impair our right to exercise the same following a subsequent breach, nor shall such constitute a waiver by us of any right hereunder or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Our subsequent acceptance of any payments due to us hereunder shall not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. No right or remedy herein conferred upon or reserved to us under this Agreement, shall be exclusive of any other right or remedy provided or permitted by law or equity.

18.03 Injunctive Relief. You recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to the Franchisor and/or to some or all other Franchised Businesses. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrator(s). Except for claims involving federal trademark laws, any claims brought by us under this subsection will be brought in the state or federal court of competent jurisdiction in the county where our corporate headquarters is located, currently Pinellas County, Florida. You irrevocably consent to the jurisdiction of such courts. You further agree and consent that such courts have personal jurisdiction over you and your Franchised Business. Any claims for injunctive relief involving federal trademark law will be brought in any Federal District Court that we elect.

18.04 Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided herein, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) will be settled by arbitration in the city where our corporate headquarters is located, currently St. Petersburg, Florida. The arbitrator(s) will have a minimum of five (5) years' experience in the law of franchising and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of The American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision. The decision of the arbitrator(s) will be final and binding on all parties; provided, the arbitrator(s) may not under any circumstances: (a) stay the effectiveness of any pending termination of this Agreement; (b) assess punitive or exemplary damages except as set forth in Section 18.09; or (c) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by the Franchisor. This Section will survive termination or

non-renewal of this Agreement under any circumstances. Franchisee and Franchisor agree that arbitration will be conducted on an individual, not a class-wide, basis, and that an arbitration proceeding between Franchisor (and its officers, directors and agents) and Franchisee (or its Owners and Affiliates) cannot be consolidated with any other arbitration proceeding involving the Franchisor or its Affiliates. Judgement upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During any pending arbitration proceedings, Franchisee and Franchisor will fully perform their respective obligations under this Agreement.

18.05 Attorneys' Fees. The non-prevailing party will pay all costs and expenses, including but not limited to reasonable attorneys' fees, that the prevailing party incurs in any proceeding (including without limitation any arbitration proceeding) brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

18.06 Jurisdiction and Venue. FRANCHISEE AND FRANCHISEE'S OWNERS IRREVOCABLY AGREE THAT: (A) ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION LOCATED CLOSEST TO FRANCHISOR'S THEN CURRENT CORPORATE HEADQUARTERS (CURRENTLY ST. PETERSBURG, FLORIDA); AND (B) ANY SUCH MATTER SHALL BE TRIED BY AND TO THE COURT SITTING WITHOUT A JURY, AND FRANCHISEE WAIVES ANY RIGHT TO A JURY TRIAL. FRANCHISEE IRREVOCABLY WAIVES, TO THE FULLEST EXTENT FRANCHISEE MAY LAWFULLY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT, ACTION OR PROCEEDING, AND AGREES THAT SERVICE OF PROCESS FOR PURPOSES OF ANY SUCH SUIT, ACTION OR PROCEEDING NEED NOT BE PERSONALLY SERVED OR SERVED WITHIN THE STATE OF FLORIDA, BUT MAY BE SERVED WITH THE SAME EFFECT AS IF FRANCHISEE WERE SERVED WITHIN THE STATE OF FLORIDA, BY CERTIFIED MAIL OR ANY OTHER MEANS PERMITTED BY LAW ADDRESSED TO FRANCHISEE AT THE ADDRESS SET FORTH HEREIN. NONETHELESS, FRANCHISEE AND FRANCHISEE'S OWNERS AGREE THAT FRANCHISOR MAY ENFORCE THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH FRANCHISEE IS DOMICILED OR THE FRANCHISED BUSINESS IS LOCATED.

18.07 Governing Law. This Agreement and any dispute, claim, or matter arising out of or relating in any way to the relationship between the parties (whether based in contract, tort, statute or otherwise and regardless of the relief sought) shall be construed under the laws of the State of Florida, provided the foregoing shall not constitute a waiver of any of your rights under any applicable franchise law of another state that does not conflict with Florida law. In the event of any conflict of law, Florida law will prevail, without regard to its conflict of law principles or the conflicts of law principles of any other jurisdiction. However, if any provision of this Agreement would not be enforceable under Florida law, and if the Franchised Business is located outside of Florida and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be construed under the laws of that state.

18.08 Successors and Assigns. This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable by us, whether by operation of law or otherwise, and shall inure to the benefit of any transferee or other legal successor to our interests herein. This Agreement is transferable by you as outlined in Section 13 of this Agreement.

18.09 Limitations on Damages. EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR FOR THIRD PARTY CLAIMS UNDER SECTION 17.02, AND EXCEPT WITH RESPECT TO OBLIGATIONS REGARDING USE OF THE MARKS IN SECTION 5 AND THE CONFIDENTIAL INFORMATION IN SECTION 7.01, FRANCHISOR AND FRANCHISEE (AND ITS OWNERS) EACH WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. FRANCHISEE AND EACH OF ITS OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO RECOVER CONSEQUENTIAL, SPECIAL AND INCIDENTAL DAMAGES FOR ANY CLAIM DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT.

18.10 Construction. The language of this Agreement shall be construed according to its fair meaning and not strictly for or against any party. The introduction, personal guarantees, exhibits and riders (if any) to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements relating to the subject matter of this Agreement, that either party may or does rely on or that will have any force or effect. Nothing in this Agreement is intended to disclaim the representations we made in our Franchise Disclosure Document (including any of that document's exhibits and amendments) that we furnished to you unless we are not required to provide a Franchise Disclosure Document to you under an exemption or exclusion under any applicable statute or federal franchise law, rule or regulation. Nothing in this Agreement shall be deemed to confer any rights or remedies on any person or legal entity not a party hereto. This Agreement shall not be modified except by written agreement signed by both parties.

The headings of sections are for convenience only and do not limit or construe their contents. The word "including" shall be construed to include the words "without limitation." The term "Franchisee" or "you" is applicable to one or more persons, a corporation, limited liability

company or a partnership and its owners, as the case may be. If two (2) or more persons are at any time Franchisee hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us shall be joint and several. This Agreement may be executed in multiple copies, each of which shall be deemed an original.

18.11 Approvals and Consents. In all cases where our prior consent or acceptance is required and no other method or timing for obtaining such consent or acceptance is prescribed, you must request such consent or acceptance in writing, and we will notify you of our decision within sixty (60) days after receiving your written request and all supporting documentation. If we do not respond in writing to your request within such sixty (60)-day period, the request shall be deemed denied. Our consent to, or acceptance of, any request by you shall be effective only to the extent specifically stated and shall not be deemed to waive or render unnecessary our consent or acceptance of any subsequent similar request. Except where this Agreement expressly obligates us to reasonably accept or consent to (or not to unreasonably withhold our acceptance or consent regarding) any action or request by you, we have the absolute right for any reason or no reason to withhold our acceptance of or consent to any action by you.

18.12 Notice of Potential Profit. We and/or our Affiliates may from time to time make available to you supplies, equipment, products and/or services for use in your Franchised Business on the sale of which we and/or our Affiliates may make a profit. Further, we and/or our Affiliates may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of supplies, equipment, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and/or our Affiliates are entitled to such profits and consideration.

18.13 Notices and Payments. Any and all notices required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given (i) at the time sent by electronic mail so long as the notifying party either receives a delivery or read receipt or does not receive a message from its electronic mail provider stating that the electronic mail was undeliverable; (ii) when personally delivered; (iii) three (3) business days after deposited with the United States Postal Service, registered or certified mail, postage prepaid, return receipt requested, or (iv) two (2) business days after deposited with a recognized courier guarantying overnight delivery, and in any such case addressed to the respective parties as follows or to such other address as either party may from time to time designate by notice given in accordance with the terms hereof:

Notices to Franchisor:

SalonCentric Franchising, Inc.
10101 Dr. Martin Luther King Street N
St. Petersburg, Florida 33716

Notices to Franchisee:

18.14 Electronic Signatures. The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on

the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received.

18.15 Force Majeure. Neither Franchisor nor Franchisee shall be liable for loss or damage or be in breach of this Agreement for its failure to perform its obligations resulting from: (1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency, including any requirements to close or restrict operations from the Premises; (3) acts of God, including pandemics; (4) fires, strikes, embargoes, wars, riots or terrorist acts; or (5) any other similar event or cause. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes shall not excuse payments of amounts owed at the time of such occurrence or thereafter payable by Franchisee to Franchisor or its Affiliates.

19. ACKNOWLEDGEMENTS.

19.01 Success of Franchised Business. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon Franchisee's (or Operating Partner's) ability as an independent businessperson, and Franchisee's active participation in the daily affairs of the Franchised Business as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture or as to the success of a particular location.

19.02 Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross revenues, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this franchise and sign this Agreement.

19.03 Receipt of Documents. Except for fill-in-the-blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a complete copy of this Agreement, and exhibits attached hereto, at least seven (7) calendar days prior to the date on which this Agreement was executed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled "Franchise Disclosure Document" at least fourteen (14) calendar days prior to the date on which this Agreement was executed unless we are not required to provide a Franchise Disclosure Document to you under an exemption or exclusion under any applicable statute or federal franchise law, rule or regulation. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provision that you did not understand and to consult with an attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

19.04 Other Franchises and Competition. You acknowledge that our other franchisees have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement. You further acknowledge that (i) we and our Affiliates may provide beauty and barber supply products to distributors in the Designated Area; (ii) certain of our Affiliates may operate on a competitive basis with you in the Designated Area; (iii) we and our Affiliates shall have the right to sell and arrange delivery of all products to customers within or outside the Designated Area in accordance with our distribution rights; and (iv) we and our Affiliates shall have the right to sell certain beauty and barber supply products to an e-commerce company or internet mass market retailer (i.e., Amazon) for resale to the public as and when requested by the manufacturer of those beauty and barber supply products. You acknowledge and agree that such account servicing and competitive operation is acceptable to you.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first above written.

SALONCENTRIC FRANCHISING, INC.

By: _____

Print Name: _____

Title: _____

Effective Date: _____

FRANCHISEE

If a corporation, limited liability company or partnership:

(Name of corporation, limited liability company or partnership)

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

(Signature)

(Print Name)

EXHIBIT A

TO THE FRANCHISE AGREEMENT

1. Operating Partner. The name and home address of the Operating Partner is as follows:

2. Form of Entity of Franchisee.

Corporation, Limited Liability Company, or Partnership. Franchisee was incorporated, organized or formed on _____, _____, under the laws of the State of _____. It has not conducted business under any name other than its corporate name. The following is a list of all of Franchisee's directors, officers, general partners and managers as of _____, _____:

Name of Each Director/Officer/General
Partner/Manager

Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

3. Owners. Franchisee and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Franchisee, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Franchisee. Franchisee, and each Owner as to his or her ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his or her ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

<u>Owner's Name and Address</u>	<u>Description of Interest</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT B
TO THE FRANCHISE AGREEMENT

1. The **Preliminary Designated Area** (if any) of the Franchised Business is:

2. The **Premises** of the Franchised Business will be located at:

3. The **Designated Area** of the Franchised Business is as follows and/or as set forth on the map on the following:

SALONCENTRIC FRANCHISING, INC.

(Name of corporation, limited liability
company or partnership)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT
OWNER GUARANTY

OWNER GUARANTY AGREEMENT

In consideration of the execution of that certain SalonCentric Salon Beauty Product Distribution Business Franchise Agreement executed concurrently herewith (the "Franchise Agreement") by and between SalonCentric Franchising, Inc. (the "Franchisor") and _____ (the "Franchisee"), as of this ____ day of _____, 20____, each of the undersigned (each a "Guarantor" and collectively, the "Guarantors") personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, including all extensions and renewals thereof, that the Franchisee will timely pay and perform each and every undertaking, agreement and covenant stated in the Franchise Agreement, including the payment of all fees and costs required thereunder; and the Guarantors agree to be personally liable for the breach of each and every provision in the Franchise Agreement by Franchisee.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; (5) any and all other notices and legal or equitable defenses to which the undersigned may be entitled; and (6) THE RIGHT TO TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, Franchisee and the other Guarantors of Franchisee;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if Franchisee fails to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of Franchisee or any assignee or successor of Franchisee;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which Franchisor may grant to Franchisee, including but not limited to the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee or any other Guarantor;

(6) This Guaranty will continue in full force and effect for and as to any extension of or modification or amendment to the Franchise Agreement and each Guarantor waives notice of any and all such extensions, modifications or amendments;

(7) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses Franchisor incurs in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed; and

(8) This Guaranty is a guaranty of payment and performance (and not of collection) and shall remain in full force and effect until payment and performance in full of each and every guaranteed payment and guaranteed obligation.

This Guaranty and any dispute, claim, or matter arising out of or relating in any way to this Guaranty shall be construed under the laws of the State of Florida without regard to its conflicts of law principles or the conflicts of law principles of any other jurisdiction. Each of the undersigned irrevocably agrees that: (a) all actions arising under this Guaranty must be commenced in the state or federal court of general jurisdiction located closest to Franchisor's then current corporate headquarters (currently St. Petersburg, Florida). Each of the undersigned irrevocably waives, to the fullest extent the undersigned may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding. Each of the undersigned hereby agrees that Franchisor may enforce this Guaranty and any arbitration orders and awards related to this Guaranty in the courts of any jurisdiction.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date first written above.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN
FRANCHISEE

EXHIBIT D

TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

This Confidentiality and Noncompetition Agreement (“Agreement”) is made effective as of this ____ day of _____, 20____, by and between SalonCentric Franchising, Inc. (“Franchisor”), and _____ (“Individual” or “I”).

1. Acknowledgments.

1.01 Franchise Agreement. Franchisor entered into a franchise agreement with _____ (“Franchisee”) effective as of _____, concerning Franchisee’s operation of a SalonCentric Franchised Business (“Franchise Agreement”). Capitalized words not defined in this Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.02 Individual’s Role. I am an Operating Partner and/or an Owner with at least a ____ percent (____%) direct or indirect legal or beneficial ownership interest in Franchisee. I acknowledge that Franchisee’s confidentiality and non-compete obligations under the Franchise Agreement would be of little value to Franchisor if I were not bound by the same requirements. I acknowledge and understand that the provisions of this Agreement, including my representations, covenants, and warranties (as applicable) given hereunder, are necessary and integral to this Agreement and to Franchisor’s and Franchisee’s interests under the Franchise Agreement, and are intended to identify for me, toward the goal of preserving through this Agreement, Franchisor’s protectable legal interests in the System, the customers of Franchised Businesses, the Confidential Information, and the goodwill associated with the Marks.

2. Non-Disclosure and Protection of Confidential Information.

2.01 Non-Disclosure. Under the Franchise Agreement, Franchisor will provide Franchisee with specialized training, proprietary trade secrets, and other non-public information relating to the development and operation of a SalonCentric Franchised Business, which may include: (1) site selection criteria for the Franchised Business and plans and specifications for the development of the Franchised Business; (2) sales, marketing and advertising programs and techniques for the Franchised Business; (3) identity of suppliers; (4) knowledge of operating results and financial performance of Franchised Businesses, other than Franchisee’s Franchised Business; (5) methods of inventory control, storage, product handling, training and management relating to the Franchised Business; (6) any computer systems, software programs, or customer databases; and (7) any and all other information Franchisor provides Franchisee, its Owners or Affiliates, that is designated orally or in writing as proprietary or confidential, or by its nature would reasonably be understood to be proprietary or confidential, regardless of whether such information is specifically designated as proprietary or confidential (all such information, the “Confidential Information”). As an Operating Partner or Owner of Franchisee, I may receive such Confidential Information in connection with the development and operation of the Franchised Business. I agree that during and after the term of the Franchise Agreement, I will (a) use the Confidential Information solely in the operation of the Franchised Business and not in any other business or capacity (as I hereby acknowledge that such prohibited use would be an unfair method of competition); (b) exert my best efforts to maintain the confidentiality of the

Confidential Information, regardless of its format or medium of transmission to me; (c) not make unauthorized copies of any portion of the Confidential Information; and (d) implement all commercially reasonable procedures Franchisor and/or Franchisee prescribes at any time and from time to time to prevent unauthorized use or disclosure of the Confidential Information. If I become aware of any unauthorized use of the Confidential Information, I will immediately notify Franchisor of the same.

2.02 Covenants Upon Termination. Upon the termination or expiration (without renewal) of the Franchise Agreement, or upon the sooner expiration or other termination for any reason of my employment, association, service or ownership participation in Franchisee, I will (a) not directly or indirectly at any time or in any manner use any Mark, any colorable imitation or other indicia of the Franchised Business; and (b) immediately cease to use all Confidential Information and return to Franchisor all Confidential Information which has been provided to me.

3. Ownership of Developments. I agree to promptly disclose to Franchisor all processes, ideas, concepts, advertising and promotional materials, website pages and content, methods, techniques or materials used or useful to the Franchised Business, whether or not constituting protectable intellectual property, that I create, or that are created on my or Franchisee's behalf or for my or Franchisee's benefit, in connection with the development or operation of the Franchised Business (collectively, the "Materials"). Any such Materials will be deemed Franchisor's sole and exclusive property without payment of compensation of any kind to Franchisee or me, part of the System, and works made-for-hire for Franchisor. To the extent that any one of the Materials does not qualify as a "work made-for-hire" for Franchisor (as such term is defined under Section 101 of the U.S. Copyright Act), by way of this Section 3 I irrevocably convey, grant, transfer and assign ownership of the Material(s), and all related rights to the Materials, both during and after the term of the Franchise Agreement, to Franchisor or the trademark owner, as applicable. I agree to take whatever action Franchisor requests (including signing assignments or other documents) to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the Materials as part of the System, and I warrant that I will obtain all rights from any third party acting on my behalf to comply with this provision.

4. Covenant Not To Compete and Not To Solicit.

4.01 Non-Competition and Non-Solicitation During the Term of the Franchise Agreement. I agree that, during the term of the Franchise Agreement and any successor franchise term, I will not: (a) have any direct or indirect ownership interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating, except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subsection; (b) perform services as a director, officer, manager, employee, contractor, consultant, representative, or agent for a Competitive Business, wherever located or operating; or (c) divert or attempt to divert any actual or potential business or customer of any Franchised Business to a Competitive Business. For purposes of this Agreement, a "Competitive Business" means any business that: (i) derives more than twenty percent (20%) of its revenue from selling professional beauty supplies to Customers;

or (ii) grants franchises or licenses to others to operate the type of business specified in clause (i). Exempted from the definition of a “Competitive Business” are any concepts franchised by Franchisor or its Affiliates.

4.02 Non-Competition and Non-Solicitation After Termination. For a period of one (1) year, starting on the effective date of termination or expiration (without renewal) of the Franchise Agreement, I will not, in any manner or in any capacity, directly or indirectly, actually or attempt (i) to sell in the Designated Area any product which the Franchised Business was selling as of the date of or during the twelve (12) calendar months immediately preceding the expiration, termination or non-renewal of the Franchise Agreement; (ii) to engage or participate in, or acquire any ownership interest in any entity which is involved in selling in the Designated Area any product which the Franchised Business was selling as of the date of or during the twelve (12) calendar months immediately preceding the expiration, termination or non-renewal of the Franchise Agreement; or (iii) to interfere with Franchisor’s relationship with any distributor or supplier.

4.03 Construction; Enforcement. I acknowledge that Franchisor has a protectable legal interest in the System, customers of Franchised Businesses and the goodwill associated with the Marks and that the non-competition covenants contained in this Section 4 are necessary elements to their protection and are an integral part of this Agreement. I also expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting such skills in other ways, so that enforcement of the covenants made in this Section 4 will not deprive me of my personal goodwill or ability to earn a living. If I fail or refuse to abide by any of the foregoing covenants, and Franchisor obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or Franchisor seeks to enforce it, and will continue in effect for a period of time ending one (1) year after the date of the order enforcing the covenant.

5. Notices.

5.01 Method of Notice. Any notices given under this Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

5.02 Notice Addresses. Franchisor’s current address for all communications under this Agreement is 10101 Dr. Martin Luther King Street North, St. Petersburg, Florida 33716. My current address for all communications under this Agreement is designated on the signature page of this Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address in accordance with the Franchise Agreement.

6. Enforcement of This Agreement.

6.01 Severability. Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any provision of this Agreement is invalid or unenforceable under applicable law, Franchisor has the right, in its sole discretion, to modify such invalid or unenforceable provision to the extent required to make it valid and enforceable. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in

terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, I and Franchisor agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

6.02 Injunctive Relief. I recognize that my failure to comply with the terms of this Agreement could cause irreparable damage to the Franchisor, Franchisee and/or to some or all other Franchised Businesses. Therefore, if I breach or threaten to breach any of the terms of this Agreement, Franchisor will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrator(s). Except for claims involving federal trademark laws, any claims brought by Franchisor under this subsection will be brought in the state or federal court of competent jurisdiction in the county where Franchisor's corporate headquarters is located, currently Pinellas County, Florida. I irrevocably consent to the jurisdiction of such courts. I further agree and consent that such courts have personal jurisdiction over me. Any claims for injunctive relief involving federal trademark law will be brought in any Federal District Court that Franchisor elects.

6.03 Choice of Law; Jurisdiction and Venue. I agree that any dispute arising out of or related to this Agreement, any breach of this Agreement, and any and all relations and/or disputes between myself and Franchisor, whether sounding in contract, tort, or otherwise, shall be construed under the laws of the State of Florida without regard to its conflicts of law principles or the conflicts of law principles of any other jurisdiction. However, if any provision of this Agreement would not be enforceable under Florida law, and if the Franchised Business is located outside of Florida and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be construed under the laws of that state. I further agree that any dispute arising out of or related to this Agreement, any breach of this Agreement, and any and all relations and/or disputes between myself and Franchisor, whether sounding in contract, tort, or otherwise, will be instituted either through arbitration pursuant to Section 18.04 of the Franchise Agreement (and the arbitration proceedings shall occur in the city of the Franchisor's corporate headquarters (currently, St. Petersburg, Florida)) or, if Franchisor initiates litigation, then I agree that any such litigation shall solely be heard by the state or federal courts of general jurisdiction located closest to Franchisor's then current corporate headquarters. I waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens). Nonetheless, I agree that Franchisor may enforce this Agreement and any awards in the courts of the state or states in which I am domiciled or the Franchised Business is located.

6.04 Waiver of Jury Trial. I AND FRANCHISOR IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ME OR FRANCHISOR IN CONNECTION WITH THIS AGREEMENT.

6.05 Attorneys' Fees. The non-prevailing party will pay all costs and expenses, including but not limited to reasonable attorneys' fees, that the prevailing party incurs in any

proceeding (including without limitation any arbitration proceeding) brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

7. Miscellaneous.

7.01 No Other Agreements. This Agreement, together with the Franchise Agreement, constitutes the entire, full and complete agreement between the parties with respect to the subject matter hereof, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement, other than those in this Agreement. Except as otherwise expressly provided in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

7.02 Binding Effect. This Agreement may be executed in counterparts including by means of electronic signatures, and each copy so executed and delivered will be deemed an original. This Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

7.03 Nonwaiver. Franchisor's failure to insist upon strict compliance with any provision of this Agreement shall not be a waiver of its right to do so. Delay or omission by Franchisor respecting any breach or default shall not affect its rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement shall be cumulative.

7.04 Agreement Controls. In the event of any discrepancy between this Agreement and the Franchise Agreement, this Agreement shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first written above.

INDIVIDUAL:

Address for Notices: _____

FRANCHISOR:

SALONCENTRIC FRANCHISING, INC.

By: _____
Print Name: _____
Title: _____

EXHIBIT E
TO THE FRANCHISE AGREEMENT
ILLINOIS ADDENDUM

Illinois Addendum to the Franchise Agreement

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The Franchisor entered into an Assurance of Voluntary Compliance with the State of Illinois is April 2022 in connection with the sale of a franchise in Illinois before the Franchisor had registered to sell franchises in Illinois as required by the Illinois Franchise Disclosure Act.

The Initial Franchise Fee described in Section 6.01 of the Franchise Agreement will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

SALONCENTRIC FRANCHISING, INC.

(Name of corporation, limited liability
company or partnership)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

EXHIBIT C

AREA DEVELOPMENT AGREEMENT

**SALONCENTRIC FRANCHISING, INC.
AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement (“Agreement”) is made effective _____, 20__ (the “Effective Date”), by and between SALONCENTRIC FRANCHISING, INC. (“Company”) and _____ (“Developer”).

Company engages in the franchising of locations that will operate a full service professional beauty and barber supply distribution business under the name “SalonCentric”; and Developer proposes to enter into this Agreement to develop the number of SalonCentric locations described in this Agreement (the “Locations”) and to operate each Location under the terms of a Franchise Agreement between Company and Developer (the “Franchise Agreement”);

NOW, THEREFORE, in consideration of the Development Fees paid or to be paid by Developer and of the matters herein recited and their mutual promises exchanged in this Agreement, the receipt and sufficiency of which the parties hereby acknowledge, Company and Developer agree as follows:

1. Definitions:

- a. Terms Described in Franchise Agreement: Any terms used in this Agreement that are not defined in this Agreement but are defined in the Franchise Agreement will have the meaning given to them in the Franchise Agreement.
- b. Further Definitions: As used in this Agreement and unless otherwise required by the context, the following definitions will apply:
 - (1) “Agreement” will mean this Area Development Agreement, as originally executed or as from time to time thereafter amended in the manner provided in this Agreement.
 - (2) “Balance of initial franchise fee” will mean for each Location for which a Franchise Agreement is issued the remainder, if any, of the initial franchise fee for the Location in the amount described in the schedule attached to this Agreement as Exhibit “A”.
 - (3) “Commencement of development” will mean for any Location proposed by Developer and approved by Company the completion of acquisition by Developer through lease, option, purchase, or otherwise of the right to build and operate a Location.
 - (4) “Company” will mean SalonCentric Franchising, Inc., a Delaware business corporation, with its principal place of business located at 10101 Dr. Martin Luther King Street North, St. Petersburg, Florida 33716, or any permitted assign, successor, or representative.

- (5) “Completion of development” will mean for any Location proposed by Developer and approved by Company for which a Franchise Agreement has been issued the commencement of business by Developer as Franchisee under such Franchise Agreement.
- (6) “Developer” will mean the party listed on the first page of this Agreement or any permitted assign, successor, or representative.
- (7) “Development Area” will include and mean all of that area described in the attached Exhibit “A”.
- (8) “Development Fee” will mean for the Development Area the amount indicated in the attached Exhibit “A”, if any.
- (9) “Franchise Agreement” will mean the Franchise Agreement between Company and Developer or its permitted related entity as Franchisee. The form of Franchise Agreement to be signed by Developer or its permitted related entity for its first Location will have provisions substantially similar to those in the attached Exhibit “B”. For additional Locations Developer or its permitted related entity will sign the Company’s then current form of Franchise Agreement.
- (10) “Interest in Developer” will mean the ownership of all or any part of the equity of a sole proprietorship, the units of ownership of a general or limited partnership or limited liability company, the equity securities of a corporation, the units of ownership of a joint venture, or any other form of ownership of any part of the equity of Developer.
- (11) “Location” will mean a location within the Development Area approved by Company under the provisions of this Agreement.
- (12) “Supervisory personnel” will mean any individuals employed by Developer in any supervisory capacity over any two or more franchised Locations of Developer as Franchisee and any individuals employed by Developer in any capacity responsible for the training and general supervision of other employees of Developer as Franchisee.
- (13) “Supervisory personnel training program” will mean a program for training proposed supervisory personnel of Developer and of other developers provided or approved by Company.
- (14) “Transfer” will mean any direct or indirect assignment, creation of a security interest, encumbrance, gift, mortgage, pledge, sale or other form of conveyance of an interest in Developer.

c. Divisions and Titles: As used in this Agreement the division of the text into separate paragraphs and their titles will have no independent effect upon the application or construction of the provisions of this Agreement.

- d. Counterparts: This Agreement may be executed in any number of counterparts (including by means of facsimile or electronic signature) which taken together shall constitute a single agreement.
- e. Conflict of Provisions: The provisions of this Agreement will supersede the provisions of any Franchise Agreement issued to the extent required for resolution of any discrepancy or other inconsistency between such provisions.
- f. Relationship of Company and Developer: Developer will be an independent contractor under this Agreement without any expressed or implied authority or power as agent or otherwise to act for or bind Company; and Company will have no fiduciary, employment or other relationship with Developer, except for the contractual relationship expressed by the provisions of this Agreement, and no liability or other responsibility to Developer or to any other person or persons for the financial or other commercial success of Developer. Developer will have complete control over the hiring, discipline, and termination of all employees of the Locations operated by Developer or any permitted related entity of Developer, and will be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of the franchised Locations.
- g. Third Persons: No third person will be a party to this Agreement; but each owner of an interest in Developer will be a party to this Agreement to the extent so provided.
- h. Applicable Law: Except to the extent governed by federal trademark or franchise law or by the franchise laws of the state of Developer's business, this Agreement will be governed by the laws of the State of Florida, without regard to its conflicts of law principles or the conflicts of law principles of any other jurisdiction.
- i. Dispute Resolution: The parties agree that except to the extent Company elects to enforce the provisions of this Agreement by injunction as provided herein, all disputes, claims, and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) will be settled by arbitration in the city where Company's corporate headquarters is located, currently St. Petersburg, Florida. If Developer breaches or threatens to breach any of the terms of this Agreement, Company will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrator(s). The parties agree to submit to the personal jurisdiction of the state and federal courts of Pinellas County, Florida, as the exclusive venue for any and all litigation relating in any way to this Agreement, the development of Locations by Developer, the operation of the Developer's business, or the SalonCentric System, unless the state where Developer's business is located

requires suit to be brought in that state. Developer irrevocably submits to the jurisdiction of such courts and waives any objection Developer may have to either the jurisdiction or venue of such court, except as otherwise required by the law of the state where Developer's business is located.

- j. Limitation on Damages. EXCEPT WITH RESPECT TO DEVELOPER'S OBLIGATION TO INDEMNIFY COMPANY FOR THIRD PARTY CLAIMS UNDER SECTION 9, AND EXCEPT WITH RESPECT TO OBLIGATIONS REGARDING USE OF THE MARKS IN SECTION 4.D AND THE CONFIDENTIAL INFORMATION IN SECTION 4.C, COMPANY AND DEVELOPER (AND THE OWNERS OF AN INTEREST IN DEVELOPER) EACH WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. DEVELOPER AND EACH OF THE OWNERS OF AN INTEREST IN DEVELOPER WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW THE RIGHT TO RECOVER CONSEQUENTIAL, SPECIAL AND INCIDENTAL DAMAGES FOR ANY CLAIM DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT.
2. Development Rights, Procedure, and Personnel: Developer will construct Locations and thereafter operate them as franchised SalonCentric locations under the following rights and procedures:
- a. Rights: Company hereby grants to Developer, and will grant to no other person, the right during the Term to develop and thereafter as Franchisee to operate SalonCentric franchised Locations within the Development Area; and at the completion of development Company will issue to Developer or its permitted related entity as Franchisee for each Location a Franchise Agreement. Company reserves the right within the Development Area to offer and sell and to grant others the right to offer and sell (except through a franchised location operated by another franchisee) goods and services identical or similar to and/or competitive with those provided at Locations, whether identified by the SalonCentric trademarks or other trademarks or service marks, through similar or dissimilar channels of distribution (including retail sales of products through locations operated by Company or its Affiliates within the Development Area, or through the internet or similar electronic media) from any location and on any terms and conditions Company deems appropriate. Company also reserves the right within the Development Area to operate, and to grant to others the right to operate, businesses offering dissimilar products and services, from any location, including dissimilar channels of distribution, such as the internet and similar electronic media, under the SalonCentric trademarks or other trademarks and on any terms and conditions Company deems appropriate. Developer acknowledges and agrees that within the Development Area there may be retail or wholesale locations operated by Affiliates of Company or operating as distributors or sub-distributors of Affiliates of Company, whether operating under the SalonCentric name or another name, who will be permitted to continue to sell products and services

competitive with those to be sold by the Franchised Businesses to be developed and operated by Developer.

b. Procedure: The following procedure will govern the course of development under this Agreement:

- (1) Developer will, at intervals and with frequency adequate to assure the actual, and not average or cumulative, completion of development of not fewer than the number of Locations indicated in the schedule attached to this Agreement as Exhibit "A" for each successive period of twelve (12) months beginning with the Effective Date, from time to time during the Term submit to Company for its prior written approval a written proposal of each proposed Location; and Developer will, with timeliness adequate to assure the commencement of development of the first development location within thirty (30) days of the Effective Date, promptly submit to Company for its prior written approval a proposal of one or more first proposed Locations.
- (2) On or before July 1 of each year, Developer will submit its plans for the development and opening of Locations during the next calendar year, and a budget for the development and opening of each Location. Developer will obtain Company's approval for such plans and budgets before proceeding with any planned development.
- (3) Company will have the right in its sole discretion to grant or to withhold its written approval of any potential Location proposed by Developer and will by written response promptly advise Developer of its approval or disapproval of each potential Location proposed by Developer.
- (4) Developer will complete development of the first and each additional approved Location within one hundred twenty (120) days of the commencement of development of such Location.
- (5) Developer will have no rights after the Term for exclusive or nonexclusive development for any location within the Development Area for which no Franchise Agreement has been issued under this Agreement.

c. Supervisory Personnel: Developer will not employ any of its supervisory personnel in that capacity until such individual has, at the sole cost and expense of Developer, including the payment of any training fee described in the Franchise Agreement, attended and satisfactorily completed the supervisory personnel training program or has completed such other training program for which Company has provided its written approval, which may include a "train the trainer" program under which an employee of Developer trained by Company may train other supervisory personnel of Developer.

3. Charges and Fees: Developer will pay Company the following charges and fees:

- a. Development Fee: Developer will at the Effective Date pay Company the aggregate Development Fee; and, upon receipt by Company the entire Development Fee will be considered to be earned, and no part of it will be repaid to Developer by Company.
 - b. Initial Fee and Renewal Fees: Developer will at the time provided in each Franchise Agreement pay Company the initial fee required for such issued Franchise Agreement and will thereafter pay each renewal fee required for all such Franchise Agreements; and, no part of any initial fee or renewal fee will be repaid by Company to Developer.
 - c. Charges Under Franchise Agreement: Developer will as Franchisee under each issued Franchise Agreement fully and promptly pay all charges required under the provisions of such Franchise Agreement.
4. Representations and Limitations: The following representations and limitations will apply to this Agreement:
- a. Company Representations: Company hereby represents to Developer that it has control of all Confidential Information and intellectual property described in the Franchise Agreement, and will discharge and perform all of its services and other obligations under the provisions of this Agreement.
 - b. Developer Representation: Developer hereby represents to Company that it has the capacity to and will discharge and perform all of its development, operational, and other obligations under the provisions of this Agreement and under the provisions of each Franchise Agreement issued.
 - c. Retention of Interests: Company will retain all ownership of, property rights in, and title to its Confidential Information and its intellectual property; and Developer will have no claim or right to this Confidential Information and intellectual property except as expressly authorized under the provisions of each Franchise Agreement. During and after the Term: (i) Developer may not use the Confidential Information in any other business or capacity; (ii) Developer must exert its best efforts to maintain the confidentiality of the Confidential Information, regardless of its format or medium of transmission; (iii) Developer may not make unauthorized copies of any portion of the Confidential Information; and (iv) Developer must implement all commercially reasonable procedures Company prescribes to prevent unauthorized use or disclosure of the Confidential Information, including requiring any Owner of the Franchisee who has access to the Confidential Information and otherwise has not signed a nondisclosure agreement to sign nondisclosure agreements in a form Company prescribes or approves and deliver those agreements to Developer. Developer will immediately notify Company if Developer becomes aware of any unauthorized use of the Confidential Information.

- d. Control of Name: Developer will not without the express written consent of Company make any use whatsoever of the “SalonCentric” service mark, and other proprietary trademarks, service marks, logos, emblems, trade dress, catch phrases, and other indicia of origin, as are now designated and may hereafter be designated by Company in writing for use in connection with identifying businesses operating according to the System (the “Marks”), except to the extent permitted or required under the provisions of each Franchise Agreement issued or as otherwise permitted by Company in writing before Developer or a related entity enters into a Franchise Agreement. Developer acknowledges that Developer's right to use the Marks is derived solely from this Agreement, is limited to the development and operation of the System in compliance with this Agreement and by all applicable Standards prescribed by Company from time to time during the Term. Developer agrees that all usage of the Marks by Developer and any goodwill established thereby shall inure to the exclusive benefit of Company and its Affiliates. Notwithstanding the foregoing, Company and Developer agree that the provisions of this Section 4.d are intended to confirm that as between Company and Developer, Company is the sole owner of any goodwill associated with the Franchised Businesses (which incorporates and includes the use of the System) and identified by the Marks, but this provision does not prevent Developer from receiving an amount attributable to goodwill in any sale of Developer's interest under this Agreement to a third party, provided that Company approves such a sale under the terms of this Agreement. Developer, its Affiliates and/or any Franchisees associated with Developer shall not use the Marks as part of any corporate name or in any modified form, or use any words confusingly similar thereto, nor may Developer, its Affiliates and/or any Franchisees associated with Developer use any Mark in connection with the sale of any unauthorized product or service or in any other manner not explicitly authorized in writing by Company. Developer shall immediately notify Company of any apparent infringement of or challenge to Developer's use of any Mark, or claim by any person of any rights in any Mark. Company and its Affiliates shall have sole discretion to take such action as it or they deem appropriate and the right to exclusively control any litigation or other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark, and Developer agrees to execute any and all instruments and documents, and to do such acts and things as may, in the opinion of Company's counsel, be necessary or advisable to protect and maintain the interests of Company and its Affiliates in any such litigation or administrative proceeding. If it becomes advisable or desirable at any time in the judgment of Company for Developer to modify or discontinue use of any Mark, and/or use one or more additional or substitute Marks, including the primary Mark and/or color scheme, Developer agrees, at its expense, to do so.
- e. Non-Compete: During the Term neither Developer nor any of the owners of an interest in Developer will: (i) have any direct or indirect ownership interest in a Competitive Business within the Development Area, except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States

stock exchange will not be deemed to violate this subparagraph; (ii) perform services as a director, officer, manager, employee, contractor, consultant, representative, or agent for a Competitive Business in the Development Area; or (iii) divert or attempt to divert any actual or potential business or customer of any Franchised Business to a Competitive Business.

5. Acquisitions, Assignment, and Encumbrance: This Agreement will be subject to the following limitations upon acquisitions, assignment, and encumbrance:

- a. Transfer by Company: Company will have the right to assign or transfer to any other person or entity all or part of its interest under the provisions of this Agreement if such assignee by express written undertaking assumes all or part of the liabilities and other obligations of Company to Developer under the provisions of this Agreement; and after any such assignment or transfer of all of its interests in this Agreement Company will have no further obligation to Developer under this Agreement. Company will have the right to encumber, pledge, or make some other security transfer to any creditor, lender, or other secured person of this Agreement or all or any part or parts of the charges due or to become due from Developer under this Agreement.
- b. Rights Reserved by Company. Without regard to any contrary provision in this Agreement, Company reserves the right to:
 - (1) acquire the assets or ownership interests of one or more businesses providing products and services similar or dissimilar to those provided at the Locations, and to franchise, license or create similar arrangements with respect to these businesses once acquired, and which businesses Company may (at Company's sole discretion, and without obligation) convert, or allow to be converted, to operations as a Franchised Business using any of the Marks and/or the System, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area, if applicable); and
 - (2) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Franchised Business, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Development Area.
- c. Transfer by Developer: Transfers by or similar actions by or for Developer will be subject to the following limitations:
 - (1) Developer will not without the express written consent of Company transfer to any person or entity any part of its interest under the provisions of this Agreement.

- (2) No person owning an interest in Developer will without the express written consent of Company directly or indirectly transfer to any person or entity all or any part or parts of an interest in Developer.
 - (3) Developer will notify Company in writing not fewer than thirty (30) days before the proposed effective date of any transfer proposed by direct or indirect action of all interests in Developer; and upon receipt of such notice of any such transfer proposed to be made in good faith, Company will have the right at its sole discretion and in place of such proposed transferee to acquire such interest for consideration and upon conditions and other terms not inferior to those offered by or to such proposed transferee. Company will have thirty (30) days from the date it receives notification of a proposed sale to exercise this right of first refusal.
 - d. Spendthrift Protection: This Agreement will be and remain personal to Developer exclusively; and to the fullest extent authorized or permitted by law, no part of any interest of Developer under the provisions of this Agreement will be subject to attachment, garnishment, levy, or seizure by any creditor or any other person or entity claiming against or in the right of Developer under any legal or equitable proceeding.
 - e. Non-exploitation: Developer will not without the express written consent of Company by way of private or public securities offer for placement, syndication, or other mechanism allocate, divide, or otherwise transfer all or any part or parts of its interests under the provisions of this Agreement or of any Franchise Agreement issued.
 - f. Acquisitions by and Combinations of Developer: Neither Developer nor any person or entity owning an interest in Developer will without the express written consent of Company obtain by acquisition of assets or securities, consolidation, merger, or other form of combination the rights of any other developer or franchisee of SalonCentric locations.
6. Breach and Duration: The following provisions will govern breach and duration of this Agreement:
- a. Term of Agreement: This Agreement will be in effect for a term beginning with its Effective Date and ending with the expiration of the development schedule attached to this Agreement, or any extension of that schedule agreed to by Company and Developer (the “Term”); but will remain subject to termination upon mutual agreement by Company and Developer or under the other provisions of this Agreement.
 - b. Default: Breach by Company or Developer will give rise to the following cumulative and nonexclusive remedies and rights:
 - (1) Upon (i) termination of any Franchise Agreement executed pursuant to this Agreement; (ii) insolvency, bankruptcy (voluntary or involuntary),

assignment for the benefit of creditors, appointment of a receiver or other custodian, reorganization, liquidation or dissolution of Developer; (iii) abandonment, surrender, transfer of control or failure to actively operate Developer's business contemplated hereunder; (iv) Developer or any owner of an interest in Developer is convicted of or pleads no contest to a felony, a crime involving moral turpitude or other crime or offense that is likely to adversely affect the reputation and goodwill of the business of Company, the System or the Marks; (v) violation of any law, order, rule or regulation by Developer that has a material adverse effect on the development of Locations by Developer; (vi) unauthorized assignment of this Agreement by Developer; or (vii) violation by Developer or an owner of an interest in Developer of any of the covenants contained in Sections 4.c or 4.e of this Agreement, Company may terminate this Agreement without providing Developer an opportunity to cure the default. Upon any other breach, default, or other material failure by Developer under the provisions of this Agreement or under the provisions of any Franchise Agreement issued to Developer or to a related entity of Developer to which Company agrees to issue a Franchise Agreement, Company will have the right by an express written notice given to Developer to terminate the Term at any date not less than thirty (30) days thereafter so specified by such notice if Developer or its related entity fails to cure such breach, default or other material failure within such notice period to the reasonable satisfaction of Company; provided that Company shall not be required to permit Developer or its related entity to cure any failure to comply with the development schedule set forth in this Agreement or any default under a Franchise Agreement for which no cure period is provided in the Franchise Agreement. Company may agree in its sole discretion to extend or modify the development schedule. Upon any breach, default, or material failure by Company under the provisions of this Agreement or any Franchise Agreement issued, Developer will have the right by an express written notice given to Company to terminate the Term at any date not less than thirty (30) days thereafter so specified by such notice if Company fails to cure such breach, default or other material failure within such notice period to the reasonable satisfaction of Developer.

- (2) Upon any breach, default or other material failure by Developer or its related entity under the provisions of this Agreement or under the provisions of any Franchise Agreement issued, Company will have the right, at its sole discretion and in place of termination of the Term, to alter, amend, reduce, or otherwise to limit or modify the Development Area, the Development Fee, or all or any part or parts of the development schedule described in Exhibit "A", and all or any part or parts of any other provision of this Agreement relevant to such failure; and Company and Developer will execute either a new document to supersede this Agreement or an exhibit or exhibits to amend the provisions of this Agreement.

- (3) No failure of Company or Developer to declare or otherwise act upon any default by the other will be or constitute a waiver of the provision or provisions so breached or of any other provisions of this Agreement.
 - (4) The closing by Developer of a Location developed by Developer under this Agreement will not be a default under this Agreement, but that Location will not be included in the number of Locations developed by Developer in determining whether Developer is in compliance with the development schedule included in this Agreement.
- c. Extension: Company and Developer may by express written agreement extend the Term from time to time; provided that Company is not required to extend this Agreement if Developer fails to achieve the completion of development of all development locations described in Exhibit “A” within the time provided for such development.
- d. Post-termination Rights: Upon termination of this Agreement, Developer will retain all rights under each Franchise Agreement issued and not then in default subject, however, to the provisions of each such Franchise Agreement. In addition, upon termination, Developer’s rights under this Agreement (including any exclusive development rights and the rights to use the Marks as provided herein) terminate, Developer has no right to develop any new location and Company will have the right otherwise to arrange for development of the remainder of the Development Area.

7. Information, Notices, and Addresses:

- a. Disclosure: If and to the extent so required by governing law, Developer by execution of this Agreement acknowledges receipt by it or for it by its authorized representative of a Franchise Disclosure Document as prepared by or for Company as to this Agreement at least fourteen (14) calendar days, or such longer period required by applicable state law, before the original execution by Developer of this Agreement or of any Franchise Agreement or other document imposing upon Developer any legally binding obligation or the payment by Developer of any consideration for any such document.
- b. Mailed Notice: Any written notice or other communication permitted or required under the provisions of this Agreement will be effective (i) at the time sent by electronic mail so long as the notifying party either receives a delivery or read receipt or does not receive a message from its electronic mail provider stating that the electronic mail was undeliverable; (ii) from the date of mailing if and when mailed by certified mail, return receipt requested; or (iii) one (1) business day after being given to a nationally recognized overnight delivery service, by either Company or Developer to the other party’s then currently designated mailing address.

- c. Mailing Addresses: The mailing addresses of Company and Developer will be designated and may be changed in the following manner:

- (1) The initial designated mailing addresses of Company and Developer will be the following indicated addresses:

Company, at

10101 Dr. Martin Luther King Street North
St. Petersburg, Florida 33716

and

Developer, at

- (2) Company and Developer may from time to time change their respective designated mailing addresses by an express written notice of such change given by one to the other at its then most recently so designated mailing address.

- d. Ownership Information: Developer will at the Effective Date and at any time or from time to time thereafter upon the request of Company or upon change therein furnish to Company a list of the names and respective then current business or other mailing address of each director, officer, owner, partner, member, principal, proprietor, and other owner of an interest in Developer together with a description of the nature of such entity and of the extent and nature of the position with, or ownership of Developer of each such individual or entity.

- e. Notice of Ownership Transfer Restrictions: Developer will cause its formation documents to contain a provision restricting the transfer of any interest in Developer pursuant to the provisions of this Agreement; and Developer will cause each certificate or other document evidencing ownership of any interest in Developer to contain an appropriate legend indicating the applicability of such restriction upon transfer.

8. Additional Provisions and Documents: Additional provisions may be made a part of this Agreement in the following manner:

- a. Supplement: The additional provisions, if any, set out in any attached exhibit as supplementary to the provisions of this Agreement at the Effective Date will be and remain from such date an integral part of the provisions of this Agreement.
- b. Modifications: The additional provisions, if any, set out in any one or more attached, dated, and signed exhibits as amendments to the provisions of this

Agreement after the Effective Date will become and remain from the respective effective dates of execution of such exhibits integral parts of the provisions of this Agreement.

9. Indemnification and Insurance.

- a. Indemnification by Developer. Developer agrees to indemnify Company, its Affiliates and their respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively “Indemnitees”), and to hold the Indemnitees harmless to the fullest extent permitted by law, from any and all liability or damages arising out of or relating to (i) Developer’s acts or omissions in developing Locations under this Agreement, including but not limited to any employment or third party claims associated with the foregoing; and (ii) the failure or breach of any of Developer’s representations or obligations under this Agreement, together with all reasonable costs of defending any claim brought against Indemnitees or any action in which Indemnitees are named as a party or parties (including but not limited to reasonable attorneys’ fees) unless the loss, liability, damage or cost is solely due to Company’s breach of this Agreement, gross negligence, willful misconduct or Company’s intellectual property infringement (provided that Developer used Company’s intellectual property solely in the manner Company directed). Company may, in its reasonable discretion, take such actions as Company deems appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of Indemnitees or Franchised Businesses generally; provided, however, that any settlement shall be subject to Developer’s consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with this Agreement agrees to undertake the defense of an event (an “Insured Event”), Company agrees not to exercise its right to select counsel to defend the event if such would cause Developer’s insurer to deny coverage. Company reserves the right to retain counsel to represent Company with respect to an Insured Event at Company’s sole cost and expense. This Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.
- b. Insurance. During the Term Developer will maintain the insurance coverage set forth in Company’s then current form of Franchise Agreement under the terms and conditions, including the designation of additional insureds, set forth in that current form of Franchise Agreement. Developer will also obtain such additional forms of insurance required by Company from time-to-time during the Term in connection with the development and construction of Locations under this Agreement.

10. Guaranty, Enforcement, Entirety, and Severability:

- a. Consent: When the prior written or other consent of Company or of Developer is required for any action or decision by the other, and except where this Agreement

permits Company to take an action in its sole discretion, such consent will not be unreasonably withheld.

- b. Entirety: This Agreement constitutes the entire contractual arrangement between Company and Developer as to the development of Locations in the Development Area; provided, however, nothing in this Agreement or in any other agreement is intended to disclaim any representations made by the Company in its Franchise Disclosure Document.
- c. Severability of Provisions: Invalidity of any of the provisions of this Agreement or of any application or construction thereof will not affect the validity of the other provisions or other applications or constructions to which effect may reasonably be given without such invalid provisions or without such invalid application or construction thereof; and the provisions of this Agreement will be and remain severable from each other.
- d. Binding Effect: This Agreement will be binding upon each person owning an interest in Developer as appropriate or necessary for its effectuation and to the same extent as Developer as a party to this Agreement.
- e. Guaranty: Each owner of an interest in Developer will at the Effective Date and at any time thereafter at the request of Company furnish Company the following guaranty of this Agreement:
 - (1) Each such owner of an interest in Developer will by one or more separate documents satisfactory to Company jointly and severally with all other such owners of an interest in Developer guarantee to Company the payment and other performance by Developer of all of its obligations pursuant to the provisions of this Agreement.
 - (2) Each such owner of an interest in Developer will by one or more separate documents of content and format to the satisfaction of Company personally agree and consent to be bound by the obligations of Developer as Franchisee under the provisions of each Franchise Agreement issued as to the payment and other performance by Developer as Franchisee of its obligations under the Franchise Agreement including, but not limited to, obligations relating to confidentiality of business information of Company, exclusivity of use of business information and business property of Company, and non-competition with Company.
- f. Benefit and Burden: This Agreement will be and remain binding upon and will inure to the benefit of Company and Developer and their respective assigns, successors, and representatives; and after the Term, all provisions of this Agreement of then continuing materiality to the relationship of Company and Developer will otherwise be and remain binding upon and will inure to the benefit of Company and Developer and their respective assigns, successors, and

representatives until the expiration or other lapse of the materiality of such provisions.

- g. Success of Developer. The success of the development of SalonCentric Locations Developer intends to undertake under this Agreement is speculative and depends, to a large extent, upon Developer's (or upon the owners' of an interest in Developer) ability as an independent businessperson, as well as other factors. Developer acknowledges that Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon the business abilities of Developer. Company expressly disclaims the making of, and Developer acknowledges that Developer has not received or relied upon, any representation, warranty or guarantee, express or implied, as to the potential revenues, profits or success of the business venture or as to the success of a particular Location developed by Developer under this Agreement. Developer acknowledges that it has no knowledge of any representations by Company, or its officers, directors, shareholders, members, employees, representatives or agents that are contrary to the terms of this Agreement or the documents incorporated or referenced herein, and further represents to Company, as an inducement to its entry into this Agreement, that Developer has made no misrepresentations in obtaining the development rights granted hereunder.
- h. No Recourse. Developer acknowledges and agrees that except as provided under an express statutory liability for such conduct, none of Company's past, present or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, affiliates, controlling parties, entities under common control, ownership or management, vendors, service providers, agents, attorneys or representatives will have any liability for (i) any of Company's obligations or liabilities relating to or arising from this Agreement; (ii) any claim against Company based on, in respect of, or by reason of, the relationship between Developer or its permitted related entity as Franchisee and Company; or (iii) any claim against Company based on any of Company's alleged unlawful acts or omissions. For the avoidance of doubt, this provision constitutes an express waiver of any claims based on a theory of vicarious liability, unless such vicarious liability claims are authorized by a guarantee of performance or statutory obligation. It is not meant to bar any direct contractual, statutory or common law claim that would otherwise exist.

[Signature page follows]

IN WITNESS WHEREOF, Company and Developer have executed this Agreement.

Company:

SALONCENTRIC FRANCHISING, INC.

By: _____
Name: _____
Its: _____

Developer:

[NAME OF DEVELOPER]

By: _____
Name: _____
Its: _____

EXHIBIT “A”

Agreement for Area Development

Schedule of Development Area, Development Fee, Development Schedule and Balances of Initial Franchise Fees

1. **Development Area:**
2. **Development Fee:** \$2,500 (the Development Fee shall not be applicable to current SalonCentric sub-distributors operating under a distributorship agreement with SalonCentric Inc. that are converting their distributorship business to a franchise)
3. **Development Schedule:**
4. **Balances of Initial Franchise Fee:** \$10,000 for the first Location; \$5,000 for each of the second through fifth Locations; and \$3,000 for each of the sixth through twelfth Locations.
5. **Effective Date:**

EXHIBIT “B”

Agreement for Area Development

Form of Franchise Agreement for Initial Location

EXHIBIT “C”

Agreement for Area Development

Schedule of Supplementary Provisions

Company:

SALONCENTRIC FRANCHISING, INC.

By: _____
Name: _____
Its: _____

Developer:

[NAME OF DEVELOPER]

By: _____
Name: _____
Its: _____

EXHIBIT "C-1"

Agreement for Area Development

Schedule of Supplementary Provisions

1. Guaranty. In consideration of the execution of that certain Area Development Agreement to which this Exhibit is attached, each of the undersigned (each a "Guarantor" and collectively, the "Guarantors") personally and unconditionally guarantees to Company and its successors and assigns, for the term of this Agreement and thereafter, including all extensions and renewals thereof, that the Developer will timely pay and perform each and every undertaking, agreement and covenant stated in this Agreement, including the payment of all fees and costs required thereunder; and the Guarantors agree to be personally liable for the breach of each and every provision in this Agreement by Developer.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Company of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right the undersigned may have to require that an action be brought against Developer or any other person as a condition of liability; (5) any and all other notices and legal or equitable defenses to which the undersigned may be entitled; and (6) the right to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Guaranty.

Each Guarantor consents and agrees that:

- (1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, Developer and the other Guarantors of Developer;
- (2) Guarantor will make any payment or perform any obligation required under this Agreement upon demand if Developer fails to do so;
- (3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of Franchisee, Developer or any assignee or successor of Developer;
- (4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which Company may grant to Developer, including but not limited to the acceptance of any partial payment or performance, or the compromise or release of any claims;
- (5) Company may proceed against Guarantor and Developer jointly and severally, or Company may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer or any other Guarantor;
- (6) This Guaranty will continue in full force and effect for and as to any extension of or modification or amendment to this Agreement and each Guarantor waives notice of any and all such extensions, modifications or amendments;

(7) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses Company incurs in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed; and

(8) This Guaranty is a guaranty of payment and performance (and not of collection) and shall remain in full force and effect until payment and performance in full of each and every guaranteed payment and guaranteed obligation.

This Guaranty and any dispute, claim, or matter arising out of or relating in any way to this Guaranty shall be construed under the laws of the State of Florida. Each of the undersigned irrevocably agrees that all actions arising under this Guaranty must be commenced in the state or federal court of general jurisdiction located closest to Company's then current corporate headquarters (currently St. Petersburg, Florida). Each of the undersigned irrevocably waives, to the fullest extent the undersigned may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding. Each of the undersigned hereby agrees that Company may enforce this Guaranty and any arbitration orders and awards related to this Guaranty in the courts of any jurisdiction.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date first written above.

GUARANTORS(S)

PERCENT OF OWNERSHIP IN DEVELOPER

_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT “D”

Agreement for Area Development

Schedule of Supplementary Provisions

Pursuant to Paragraph 8b, the following amendatory provisions will be part of the Agreement from the date set forth below:

- 1.
2. EFFECTIVE DATE: The effective date of this Exhibit will be _____, _____

Company:

SALONCENTRIC FRANCHISING, INC.

By: _____
Name: _____
Its: _____

Developer:

[NAME OF DEVELOPER]

By: _____
Name: _____
Its: _____

EXHIBIT “E”

Agreement for Area Development

Illinois Addendum

Illinois law governs the Area Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees’ rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The Franchisor entered into an Assurance of Voluntary Compliance with the State of Illinois is April 2022 in connection with the sale of a franchise in Illinois before the Franchisor had registered to sell franchises in Illinois as required by the Illinois Franchise Disclosure Act.

The Development Fee for each location described in Exhibit “A” of the Area Development Agreement will be deferred until Franchisor has satisfied its pre-opening obligations to Developer and Developer has commenced business operations at that location. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

SALONCENTRIC FRANCHISING, INC.

(Name of corporation, limited liability
company or partnership)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

EXHIBIT “D”
Financial Statements

SALONCENTRIC FRANCHISING, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditors' Report

Board of Directors
SalonCentric Franchising, Inc.
St. Petersburg, Florida

Opinion

We have audited the accompanying financial statements of SalonCentric Franchising, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SalonCentric Franchising, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 SalonCentric Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related 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 financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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



March 15, 2023

SalonCentric Franchising, Inc.
Balance Sheets
December 31, 2022 and 2021

Assets			
		<u>2022</u>	<u>2021</u>
Current Assets			
Cash		\$ 257,119	\$ 85,000
Accounts receivable		10,000	40,000
Due from Parent		<u>-</u>	<u>10,000</u>
Total Current Assets		<u>267,119</u>	<u>135,000</u>
 Total Assets		 <u>\$ 267,119</u>	 <u>\$ 135,000</u>
 Liabilities and Stockholder's Equity			
Current Liabilities			
Deferred revenue		\$ 34,000	\$ 27,000
Due to SCI		100,000	-
Due to Parent		<u>10,014</u>	<u>4,624</u>
Total Current Liabilities		144,014	31,624
Deferred Revenue, Net of Current Portion		<u>85,430</u>	<u>85,978</u>
Total Liabilities		<u>229,444</u>	<u>117,602</u>
Stockholder's Equity			
Common stock, no par value			
Authorized - 1,500 shares			
Issued and outstanding - 100 shares		100	100
Retained earnings		<u>37,575</u>	<u>17,298</u>
Total Stockholder's Equity		<u>37,675</u>	<u>17,398</u>
 Total Liabilities and Stockholder's Equity		 <u>\$ 267,119</u>	 <u>\$ 135,000</u>

SalonCentric Franchising, Inc.
Statements of Income and Retained Earnings
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Franchise Revenue	\$ 28,548	\$ 18,707
Costs of Franchise Revenue	<u>-</u>	<u>-</u>
Income from Operations	<u>28,548</u>	<u>18,707</u>
Other Expense		
Other expense	<u>(2,881)</u>	<u>-</u>
Income before Income Taxes	25,667	18,707
Provision for Income Taxes	<u>5,390</u>	<u>3,928</u>
Net Income	20,277	14,779
Retained Earnings, Beginning of Year	<u>17,298</u>	<u>2,519</u>
Retained Earnings, End of Year	<u><u>\$ 37,575</u></u>	<u><u>\$ 17,298</u></u>

SalonCentric Franchising, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Net income	\$ 20,277	\$ 14,779
Adjustments to reconcile net income to net cash provided by operating activities		
Increase in assets		
Accounts receivable	30,000	(40,000)
Due from Parent	10,000	(10,000)
Increase in liabilities		
Deferred revenue	6,453	86,293
Due to Parent	5,390	3,928
Due to SCI	<u>100,000</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>172,120</u>	<u>55,000</u>
Net Increase in Cash	172,120	55,000
Cash, Beginning of Year	<u>85,000</u>	<u>30,000</u>
Cash, End of Year	<u><u>\$ 257,119</u></u>	<u><u>\$ 85,000</u></u>

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

1. Nature of Operations and Basis of Presentation

Nature of Operations

SalonCentric Franchising, Inc. (the "Company"), a C Corporation, was incorporated in 2019 in the State of Delaware. The Company's office is located in St. Petersburg, Florida. The Company sells the right to franchisees to engage in a business that distributes to licensed professionals resalable professional beauty and barber supply products that franchisees purchase from SalonCentric, Inc. ("SCI"), an affiliate of the Company. SCI grants the Company a non-exclusive, non-transferable, royalty-free license to use the SCI trademark in connection with its operations. The Company is subject to various provisions as defined in the license agreement. The Company and SCI are wholly-owned subsidiaries of L'Oréal USA, Inc. (the "Parent").

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Company follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Accounts Receivable

Accounts receivable for which the unconditional right to payment exists, are recognized when the right to consideration is unconditional and subject only to the passage of time. Accounts receivable are due under normal trade terms generally requiring payment within 30 days of the invoice date.

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable, if any. When necessary, this estimate is based on historical experience coupled with a review of current status of existing receivables. Changes in the estimate of uncollectible amounts are recorded as those circumstances become known and recognized as bad debt expense in the statements of income and retained earnings. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. The Company considers accounts receivable to be fully collectible.

Contract Liabilities

Contract liabilities include deferred revenue from advances the Company receives from franchisees before revenue is recognized. These liabilities are reported on the balance sheets on a contract-by-contract basis at the end of each reporting period. These contract liabilities are removed when revenue is recognized. Changes in the contract liability balances during the years ended December 31, 2022 and 2021, respectively, were not materially impacted by any other factors.

Revenue Recognition

The Company's revenue is derived from franchise agreements that provide for the payment of an initial franchise fee, which may be up to \$10,000 for each franchise store. Initial franchise fees are billed and received upon signing of the franchise agreement. The Company accounts for its franchise agreements as a single performance obligation, satisfied over time, as franchisees simultaneously receive and consume the benefits of the promised goods and services as defined in the franchise agreement. The Company recognizes the initial franchise fees over the term of the franchise agreement, which is five years.

Income Taxes

The taxable income of the Company is included in the consolidated federal income tax returns of its Parent. Income taxes of the Company are computed utilizing the separate return method. Under this method, income taxes are determined as if the Company filed a separate federal income tax return. The Company does not file consolidated state income tax returns. Income taxes are provided based on the asset and liability method of accounting. Deferred income taxes are provided for the expected future tax consequences of temporary differences between the basis of assets and liabilities reported for financial and tax purposes.

The Company is required to evaluate tax positions taken (or expected to be taken) in the course of preparing the Company's tax returns and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by the applicable taxing authorities. The Company has analyzed the tax positions taken and has concluded that as of December 31, 2022 and 2021, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

If applicable, the Company recognizes interest and penalties related to unrecognized tax liabilities in the statement of income and retained earnings.

Management is required to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal and certain state taxing authorities. Since inception, the Company is subject to U.S. federal and state and local income tax examinations by taxing authorities. As of December 31, 2022 and 2021, the Company did not have a liability for any unrecognized taxes. The Company has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Company has evaluated subsequent events through March 15, 2023, the date the financial statements were available to be issued.

3. Contract Balances

Contract balances at December 31, are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 10,000	\$ 40,000	\$ -
Deferred revenue	119,430	112,978	26,685

4. Due from (to) Parent and Affiliate

The balance due from Parent was \$10,000 as of December 31, 2021, and represented an amount due from a franchisee. There was no balance due from Parent as of December 31, 2022.

The balance due to SCI of \$100,000 as of December 31, 2022 represents an advancement from SCI. There was no balance due to SCI as of December 31, 2021.

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

5. Income Taxes

Deferred income tax assets and liabilities are computed for temporary differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce deferred tax assets to the amount that will more likely than not be realized. Income tax expense is the current tax for the period plus or minus the net change in the deferred tax assets and liabilities.

The principal sources of temporary differences in accounting for financial statement and income tax purposes consist of certain allowances and accrued expenses.

The differences in the provision for federal income taxes, which is computed by applying the federal statutory rate of 21 percent to income before federal income tax expense, consists primarily of the effect of the change in deferred revenue. Deferred income tax liabilities as of December 31, 2022 and 2021 are \$10,014 and \$4,624, respectively, and are presented as due to Parent on the accompanying balance sheets.

6. Risks and Uncertainties

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash. The Company maintains its cash with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, there were cash balances of \$7,119 in excess of federally insured limits at this financial institution. The Company performs ongoing credit evaluations of its customers and maintains allowances, as needed, for potential credit losses. Although the Company is directly affected by the financial stability of its customer base, management does not believe significant credit risk exists at December 31, 2022.

SALONCENTRIC FRANCHISING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditors' Report

Board of Directors
SalonCentric Franchising, Inc.
St. Petersburg, Florida

Opinion

We have audited the accompanying financial statements of SalonCentric Franchising, Inc., which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SalonCentric Franchising, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 SalonCentric Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related 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 financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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



April 7, 2022

SalonCentric Franchising, Inc.
Balance Sheets
December 31, 2021 and 2020

Assets		<u>2021</u>	<u>2020</u>
Current Assets			
Cash and cash equivalents	\$	85,000	\$ 30,000
Accounts receivable		40,000	-
Due from Parent		<u>10,000</u>	<u>-</u>
Total Current Assets		<u>135,000</u>	<u>30,000</u>
 Total Assets		<u><u>\$ 135,000</u></u>	<u><u>\$ 30,000</u></u>
Liabilities and Stockholder's Equity			
Current Liabilities			
Deferred revenue	\$	27,000	\$ 6,000
Due to Parent		<u>4,624</u>	<u>696</u>
Total Current Liabilities		<u>31,624</u>	<u>6,696</u>
Deferred revenue, net of current portion		<u>85,978</u>	<u>20,685</u>
Total Liabilities		<u>117,602</u>	<u>27,381</u>
Stockholder's Equity			
Common stock, no par value			
Authorized - 1,500 shares			
Issued and outstanding - 0 shares		-	-
Retained earnings		<u>17,398</u>	<u>2,619</u>
Total Stockholder's Equity		<u>17,398</u>	<u>2,619</u>
 Total Liabilities and Stockholder's Equity		<u><u>\$ 135,000</u></u>	<u><u>\$ 30,000</u></u>

SalonCentric Franchising, Inc.
Statements of Income and Retained Earnings
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Franchise Revenue	\$ 18,707	\$ 3,315
Costs of Franchise Revenue	<u>-</u>	<u>-</u>
Income from Operations	<u>18,707</u>	<u>3,315</u>
Income before Income Taxes	18,707	3,315
Provision for Income Taxes	<u>3,928</u>	<u>696</u>
Net Income	14,779	2,619
Retained Earnings, Beginning of Year	<u>2,619</u>	<u>-</u>
Retained Earnings, End of Year	<u><u>\$ 17,398</u></u>	<u><u>\$ 2,619</u></u>

SalonCentric Franchising, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Net income	\$ 14,779	\$ 2,619
Adjustments to reconcile net income to net cash provided by operating activities		
Increase in assets		
Accounts receivable	(40,000)	-
Due from Parent	(10,000)	-
Increase in liabilities		
Deferred revenue	86,293	26,685
Due to Parent	3,928	696
Net Cash Provided by Operating Activities	<u>55,000</u>	<u>30,000</u>
Net Increase in Cash and Cash Equivalents	55,000	30,000
Cash and Cash Equivalents, Beginning of Year	<u>30,000</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 85,000</u></u>	<u><u>\$ 30,000</u></u>

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations and Basis of Presentation

Nature of Operations

SalonCentric Franchising, Inc. (the "Company"), a C Corporation, was incorporated in 2019 in the State of Delaware. The Company's office is located in St. Petersburg, Florida. The Company sells the right to franchisees to engage in a business that distributes to licensed professionals resalable professional beauty and barber supply products that franchisees purchase from SalonCentric, Inc. ("SCI"), an affiliate of the Company. SCI grants the Company a non-exclusive, non-transferable, royalty-free license to use the SCI trademark in connection with its operations. The Company is subject to various provisions as defined in the license agreement. The Company and SCI are wholly-owned subsidiaries of L'Oréal USA, Inc. (the "Parent").

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Company follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Accounts Receivable

Accounts receivable for which the unconditional right to payment exists, are recognized when the right to consideration is unconditional and subject only to the passage of time. Accounts receivable are due under normal trade terms generally requiring payment within 30 days of the invoice date.

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable, if any. When necessary, this estimate is based on historical experience coupled with a review of current status of existing receivables. Changes in the estimate of uncollectible amounts are recorded as those circumstances become known and recognized as bad debt expense in the statements of income and retained earnings. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. Currently, the Company considers accounts receivable to be fully collectible.

Contract Liabilities

Contract liabilities include deferred revenue from advances the Company receives from franchisees before revenue is recognized. These liabilities are reported on the balance sheets on a contract-by-contract basis at the end of each reporting period. These contract liabilities are removed when revenue is recognized. Changes in the contract liability balances during the years ended December 31, 2021 and 2020, respectively, were not materially impacted by any other factors.

Revenue Recognition

The Company's revenue is derived from franchise agreements that provide for the payment of an initial franchise fee, which may be up to \$10,000 for each opened franchised store. Initial franchise fees are billed and received upon signing of the franchise agreement. The Company accounts for its franchise agreements as a single performance obligation, satisfied over time, as franchisees simultaneously receive and consume the benefits of the promised goods and services as defined in the franchise agreement. The Company recognizes the initial franchise fees over the term of the franchise agreement, which is five years.

Income Taxes

The taxable income of the Company is included in the consolidated federal income tax returns of its Parent. Income taxes of the Company are computed utilizing the separate return method. Under this method, income taxes are determined as if the Company filed a separate federal income tax return. The Company does not file consolidated state income tax returns. Income taxes are provided based on the asset and liability method of accounting. Deferred income taxes are provided for the expected future tax consequences of temporary differences between the basis of assets and liabilities reported for financial and tax purposes.

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

The Company is required to evaluate tax positions taken (or expected to be taken) in the course of preparing the Company's tax returns and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by the applicable taxing authorities. The Company has analyzed the tax positions taken and has concluded that as of December 31, 2021 and 2020, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

If applicable, the Company recognizes interest and penalties related to unrecognized tax liabilities in the statements of income and retained earnings.

Management is required to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal and certain state taxing authorities. Since inception, the Company is subject to U.S. federal and state and local income tax examinations by taxing authorities. As of and for the years December 31, 2021 and 2020, the Company did not have a liability for any unrecognized taxes. The Company has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Reclassifications

Certain amounts in the 2020 financial statement has been reclassified to conform to the current year presentation.

Subsequent Events

The Company has evaluated subsequent events through April 7, 2022, the date the financial statements were available to be issued.

3. Contract Balances

Contract balances at December 31, are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 40,000	\$ -	\$ -
Deferred revenue	112,978	26,685	-

SalonCentric Franchising, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

4. Due from (to) Parent

The balance due from Parent was \$10,000 as of December 31, 2021, and represents an amount due from a franchisee. There was no balance due from Parent as of December 31, 2020.

The balance due to Parent was \$4,624 and \$696 as of December 31, 2021 and 2020, respectively, and represents the Company's portion of federal income taxes included in the consolidated income tax return of the Parent.

5. Income Taxes

Deferred income tax assets and liabilities are computed for temporary differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce deferred tax assets to the amount that will more likely than not be realized. Income tax expense is the current tax for the period plus or minus the net change in the deferred tax assets and liabilities.

The principal sources of temporary differences in accounting for financial statement and income tax purposes consist of certain allowances and accrued expenses.

The differences in the provision for federal income taxes, which is computed by applying the federal statutory rate of 21 percent to income taxes before federal income tax expense, consists primarily of the effect of the change in deferred revenue. Deferred income tax liabilities as of December 31, 2021 and 2020 are \$4,624 and \$696, respectively, and are presented as due to Parent on the accompanying balance sheets.

6. Risks and Uncertainties

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents and accounts receivable. The Company maintains its cash with primarily one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company performs ongoing credit evaluations of its customers and maintains allowances, as needed, for potential credit losses. Although the Company is directly affected by the financial stability of its customer base, management does not believe significant credit risk exists at December 31, 2021.

EXHIBIT “E”

Brand Standards Manual Table of Contents

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EXHIBIT "F-1"

Franchisees as of March 31, 2023

Sherman B. Kennedy
2117 Douglas Avenue
Brewton, AL 36426
251-867-1861

William L. Schultz
100 Beltline Road
SW Unit S2
Decatur, AL 35601
256-355-7715

William L. Schultz
250 A Seville Street
Florence, AL 35630
256-766-8380

William L. Schultz
7185 Highway 72 West
Suite F
Huntsville, AL 35758
256-890-7006

Sherman B. Kennedy
3768 Pepperell Pkwy
Opelika, AL 36801
334-745-7783

Donald J. Cheek & Jodon D.
Young
6802 Rogers Avenue
Suite 3
Ft. Smith, AR 72903
479-783-5070

Edward & Karen Mahoney
10720 N. Rodney Parham Rd
Suite A3
Little Rock, AR 72212
501-225-9555

Michael V. Brandon
4319 S. Pleasant Crossing Blvd.
Suite 101
Rogers, AR 72758
417-434-8040

Jeffrey G. Imboden
1016 Broadway Avenue
Mattoon, IL 61938
217-235-0774

Donald J. Cheek
7220 Burlington Pike
Florence, KY 41042
256-766-8380

Francis "Bud" Goellner
164 Richardson Crossing
Arnold, MO 63010
636-467-2044

Francis "Bud" Goellner
14073 Manchester Road
Ballwin, MO 63011
636-207-0707

Francis "Bud" Goellner
2776 Muegge Road
St. Charles, MO 63303
636-441-7000

Francis "Bud" Goellner
173-175 Concord Plaza
St. Louis, MO 63128
314-849-6266

Brent M. Ewing
701 East Front Street
Butte, MT 59701
406-577-0015

Brent Ewing
4007 W. Highway 70
Durant, OK 74701
580-924-8544

Stephen D. Westfall
1370 W. I-240 Service Road
Oklahoma City, OK 73159
405-682-1221

Melissa Hampton
481 Leeper Parkway
Suite 3 & 4
Lenoir City, TN 37771
423-545-8800

Jeff and Donna Tippitt
700 University Drive East
Suite 102
College Station, TX 77840
979-846-3333

Brent M. Ewing
651 North Denton Tap Road,
Suite 150
Coppell, TX 75019
972-810-0887

Chris & Carol Andrews
9331 Stella Link Road
Houston, TX 77025
713-667-3783

Brent M. Ewing
2082 US 183, Suite 160
Leander, TX 78641
512-548-6495

Brent M. Ewing
1600 West Louisiana St #500
#600
McKinney, TX 75069
469-270-8582

Brent M. Ewing
3600 Communications Pkwy
Plano, TX 75093
469-626-3926

Brent M. Ewing
930 West Parker Road
Suite 510
Plano, TX 75075
469-304-1553

EXHIBIT “F-2”

Stores Not Yet Open as of March 31, 2023

Jeff & Lisa Imboden
1610 North Illinois
Swansea, IL 62226
618-977-8444

Jeff & Lisa Imboden
5745 Godfrey Road
Godfrey, IL 62035
618-977-8444

Mike & Marcia Brandon
4000 South Frontage Road, Suite B3
Vicksburg, MS 39180
417-434-8042

EXHIBIT “F-3”

Former Franchisees

NONE

EXHIBIT G

Disclosure Document Addendum

A Disclosure Document Addendum for the state of Illinois follows this page.

Illinois Addendum to the Franchise Disclosure Document

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The Franchisor entered into an Assurance of Voluntary Compliance with the State of Illinois is April 2022 in connection with the sale of a franchise in Illinois before the Franchisor had registered to sell franchises in Illinois as required by the Illinois Franchise Disclosure Act.

The Initial Franchise Fee described in Section 6.01 of the Franchise Agreement and the Development Fee described in Exhibit "A" to the Area Development Agreement will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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	
Hawaii	
Illinois	January 26, 2023
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

RECEIPT
(Your Copy)

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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. Iowa requires that we give you this disclosure document by the earlier of the first personal meeting between us, or 14 days prior to the earlier of your execution of a contract imposing a binding legal obligation on you or the payment by you of any consideration in connection with the offer or sale of the franchise.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: Paul Palladino, SalonCentric Franchising, Inc., 10101 Dr. Martin Luther King St. North, Suite 100 St. Petersburg, FL 33716, (918) 939-8982.

Issuance Date: March 31, 2023

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 31, 2023 that included the following Exhibits:

Exhibit A.	State Agencies/Agents For Service Of Process
Exhibit B.	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D.	Financial Statements
Exhibit E.	Brand Standards Manual Table Of Contents
Exhibit F-1.	Franchisees as of March 31, 2023
Exhibit F-2.	Stores Not Yet Open as of March 31, 2023
Exhibit F-3.	Former Franchisees
Exhibit G	Disclosure Document Addendum

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

KEEP THIS COPY FOR YOUR RECORDS.

**RECEIPT
(Our Copy)**

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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. Iowa requires that we give you this disclosure document by the earlier of the first personal meeting between us, or 14 days prior to the earlier of your execution of a contract imposing a binding legal obligation on you or the payment by you of any consideration in connection with the offer or sale of the franchise.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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- | | |
|--------------|--|
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| Exhibit D. | Financial Statements |
| Exhibit E. | Brand Standards Manual Table Of Contents |
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| Exhibit F-2. | Stores Not Yet Open as of March 31, 2023 |
| Exhibit F-3. | Former Franchisees |
| Exhibit G. | Disclosure Document Addendum |

Date	Signature	Printed Name
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature and return it to the Franchise Services Department, SalonCentric Franchising, Inc., 10101 Dr. Martin Luther King St. N. Suite 100 St. Petersburg, FL 33716.