

## FRANCHISE DISCLOSURE DOCUMENT



TLSS FRANCHISE SYSTEM, LLC  
a Delaware Limited Liability Company  
11010 Lake Grove Blvd. Suite 100-316  
Morrisville, NC 27560  
919-630-7572  
www.thelooksalonsuites.com  
franchise@thelooksalonsuites.com

The franchisee will own and operate a turnkey salon suite studios that will license contemporary luxury suites to independent salons and other business professionals under “THE LOOK SALON SUITES” mark. Franchisor, TLSS FRANCHISE SYSTEM, LLC, provides services to franchisees including assistance with training, operations, advertising, purchasing and promotional techniques.

The total investment necessary to begin operation of a THE LOOK SALON SUITES single Studio franchise is between \$940,493 and \$1,192,280. This includes between \$39,250 and \$49,250 that must be paid to us or our affiliates. Entering into an Area Development Agreement will grant you the right to develop all THE LOOK SALON SUITES franchises within a defined area. The total investment necessary to purchase an Area Development Agreement for 3 units with the cost of opening the first unit ranges from ~~\$994,993~~ \$984,993 to ~~\$1,246,780~~ \$1,236,780, which includes between \$93,750 and \$103,750 that must be paid to the franchisor or its affiliates. Additionally, for each additional unit, you will incur the expense associated with the additional unit.

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, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss availability of disclosures in different formats, contact the Franchise Administration Department of TLSS FRANCHISE SYSTEM, LLC, at 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572.

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, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://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: September 18, 2024



## How to Use This Franchise Disclosure Document

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

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | 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 B. |
| <b>How much will I need to invest?</b>                                                   | 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.                                                                  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit C includes financial statements. Review these statements carefully.                                                                                                                                                                    |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                              |
| <b>Will my business be the only THE LOOK SALON SUITES business in my area?</b>           | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                             |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                      |
| <b>What's it like to be a THE LOOK SALON SUITES franchisee?</b>                          | Item 20 or Exhibit B lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | 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 E.

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



## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. 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 North Carolina than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.
6. **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.

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a

franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.** Any questions regarding the notice should be delivered to the Department of the Attorney General, Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, 2501 Woodlake Circle, Okemos, MI 48864, Telephone: (517) 241-6470.



## **TABLE OF CONTENTS**

| ITEM     | PAGE                                                                                    |
|----------|-----------------------------------------------------------------------------------------|
| ITEM 1.  | THE FRANCHISOR AND ANY PARENTS,<br>PREDECESSORS AND AFFILIATES ..... 1                  |
| ITEM 2.  | BUSINESS EXPERIENCE ..... 3                                                             |
| ITEM 3.  | LITIGATION ..... 4                                                                      |
| ITEM 4.  | BANKRUPTCY ..... 5                                                                      |
| ITEM 5.  | INITIAL FEES ..... 5                                                                    |
| ITEM 6.  | OTHER FEES ..... 6                                                                      |
| ITEM 7.  | ESTIMATED INITIAL INVESTMENT ..... 12                                                   |
| ITEM 8.  | RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 17                               |
| ITEM 9.  | FRANCHISEE'S OBLIGATIONS ..... 20                                                       |
| ITEM 10. | FINANCING ..... 23                                                                      |
| ITEM 11. | FRANCHISOR'S ASSISTANCE, ADVERTISING,<br>COMPUTER SYSTEMS, AND TRAINING ..... 23        |
| ITEM 12. | TERRITORY ..... 32                                                                      |
| ITEM 13. | TRADEMARKS ..... 34                                                                     |
| ITEM 14. | PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION ..... 36                               |
| ITEM 15. | OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE<br>FRANCHISE BUSINESS ..... 37 |
| ITEM 16. | RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 38                                   |
| ITEM 17. | RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION ..... 40                          |
| ITEM 18. | PUBLIC FIGURES ..... 48                                                                 |
| ITEM 19. | FINANCIAL PERFORMANCE REPRESENTATIONS ..... 48                                          |
| ITEM 20. | OUTLETS AND FRANCHISEE INFORMATION ..... 52                                             |
| ITEM 21. | FINANCIAL STATEMENTS ..... 54                                                           |
| ITEM 22. | CONTRACTS ..... 54                                                                      |
| ITEM 23. | RECEIPT ..... 55                                                                        |

### **EXHIBITS**

|             |                                                                                                                                                                                                                                                                                                                                          |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit A   | THE LOOK SALON SUITES FRANCHISE AGREEMENT with Attachment 1 (Franchise Rider),<br>Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment),<br>Attachment 4 (Guaranty), Attachment 5 (Nondisclosure and Noncompetition Agreement), and<br>Attachment 6 (Nondisclosure and Non-solicitation Agreement) |
| Exhibit B-1 | STUDIO DIRECTORY/LISTING OF CURRENT FRANCHISEES                                                                                                                                                                                                                                                                                          |
| Exhibit B-2 | LISTING OF CERTAIN PAST FRANCHISEES                                                                                                                                                                                                                                                                                                      |
| Exhibit C   | FINANCIAL STATEMENTS                                                                                                                                                                                                                                                                                                                     |
| Exhibit D   | STATE SPECIFIC INFORMATION                                                                                                                                                                                                                                                                                                               |
| Exhibit E   | FEDERAL AND STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS                                                                                                                                                                                                                                                                           |
| Exhibit F-1 | SAMPLE GENERAL RELEASE AGREEMENT                                                                                                                                                                                                                                                                                                         |
| Exhibit F-2 | COLLATERAL ASSIGNMENT OF LEASE                                                                                                                                                                                                                                                                                                           |
| Exhibit G   | ACH/EFT TRANSFER AGREEMENT                                                                                                                                                                                                                                                                                                               |
| Exhibit H   | FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT                                                                                                                                                                                                                                                                                            |
| Exhibit I   | AREA DEVELOPMENT AGREEMENT                                                                                                                                                                                                                                                                                                               |
| Exhibit J   | AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER                                                                                                                                                                                                                                                                                            |
| Exhibit K   | SMALL BUSINESS ADMINISTRATION ADDENDUM                                                                                                                                                                                                                                                                                                   |
| Exhibit L   | BRAND STANDARDS MANUAL TABLE OF CONTENTS                                                                                                                                                                                                                                                                                                 |
| Exhibit M   | RECEIPT                                                                                                                                                                                                                                                                                                                                  |

## **ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### **THE FRANCHISOR**

To simplify the language in this Disclosure Document, “we,” “THE LOOK SALON SUITES,” “our,” or “us” means TLSS FRANCHISE SYSTEM, LLC. “You” means the person or company that buys the franchise, including, if any, such company’s owners, partners, members, shareholders, and guarantors. We are a Delaware limited liability company, formed under the name “TLSS FRANCHISE SYSTEM, LLC,” on March 21, 2023. Our principal business address is 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560. Our registered agent is Harvard Business Services, Inc. located at 16192 Coastal HWY, Lewes, DE 19958. Use of the term “affiliate” means an entity’s subsidiary or parent and an entity controlled by, controlling, or under common control with, another entity.

Our sole business since inception is selling THE LOOK SALON SUITES franchises and providing training and other services to THE LOOK SALON SUITES franchisees. We began selling THE LOOK SALON SUITES franchises in 2023. We are not currently engaged in any other business activities and have never offered franchises in any other line of business. We have never operated a THE LOOK SALON SUITES Studio, although affiliates of ours do.

### **PARENTS, PREDECESSORS, AND AFFILIATES**

We have no parents or predecessors.

Our affiliate, The Look Salon Suites LLC (“Operating Co.”), was formed on November 18, 2021, and is a North Carolina limited liability company, with a business address at 103 Carolina Sky Place, Cary, North Carolina 27519. Operating Co. owns the trademarks and intellectual property you will use in the operation of your THE LOOK SALON SUITES Studio. While Operating Co. has licensed to us the right to use and sublicense to our franchisees the right to use certain trademarks and other intellectual property, Operating Co. does not offer any products or services to our franchisees, except, indirectly, the trademarks. Currently Operating Co. operates a THE LOOK SALON SUITES Studio in Raleigh, North Carolina since February 1, 2023, that is substantially similar to the franchise offered under this disclosure document. Operating Co. does not nor has it offered franchises in this or any other line of business.

Exhibit E lists our agent for service of process in your state.

### **THE FRANCHISE OFFERED**

As a THE LOOK SALON SUITES franchisee, you will own and operate a turnkey salon suite studios that will license contemporary luxury suites to independent salons, salon professionals, and other business professionals under “THE LOOK SALON SUITES” mark (“Studio”). THE LOOK SALON SUITES Studios are characterized by a unique system that includes unique methods and procedures, specially designed contemporary and luxury premises with distinctive décor, equipment, equipment layouts, interior and exterior accessories, color schemes, products, services, Marks, information, the Brand Standards Manual (defined below) methods of

operation, management programs, standards, specifications, and procedures for operations; training and assistance; and advertising and promotional programs; all of which we may improve, amend, and further develop from time to time.

You will be required to operate using our Marks and in accordance with our confidential manuals and other proprietary manuals we may loan to you (collectively, the “Brand Standards Manual”), standards and specifications, marketing and sales programs, and other research and development connected with the establishment and operation of a THE LOOK SALON SUITES Studio (collectively, the “System”), which we may modify from time to time as we deem appropriate in our sole discretion. The typical THE LOOK SALON SUITES Studio is operated in leased, inline space located on or near main thoroughfares.

You will typically lease your approved Location, which will normally range between 4,350 square feet to 5,744 square feet in size. The approved Location is converted or remodeled into individual suites (“Individual Suites”) The leasable space per Individual Suite will vary, with the average Individual Suite ranging in size from 100 square feet to 150 square feet of leasable space that you will sublease to third-party salon professionals. The typical studio will contain between 18 to 35 individual suites. Your Studio will also be required to provide maintenance services for each Individual Suite, and the common areas of the approved Location. Each Individual Suite and common area in your approved Location must have access to wireless internet. Each individual salon professional leasing Individual Suites will be required to collect their own revenue and schedule their own appointments.

To purchase a franchise, you must sign our standard franchise agreement and other related documents. The form of franchise agreement for the first Studio you develop is contained in Exhibit A to this Disclosure Document. If you are qualified, we may offer you the option to develop multiple Studios within a certain geographic area under the terms of an Area Development Agreement. The form of Area Development Agreement you may sign is contained in Exhibit I to this Disclosure Document. The Area Development Agreement requires you to establish more than one Studio within a designated Development Area according to a development schedule, and to sign a separate Franchise Agreement for each Studio you establish. When you sign a Franchise Agreement for each Studio on your development schedule, you will sign the then-current version of the Franchise Agreement, which Franchise Agreement may be different than the form of Franchise Agreement included in this Franchise Disclosure Document.

## **MARKET AND COMPETITION**

You will compete with other THE LOOK SALON SUITES franchisees and THE LOOK SALON SUITES Studios owned by our affiliate. You will also compete with other salon suite studios, commercial lease businesses, independent owned companies offering temporary space or leasing solutions, and other similar businesses. These include national and regional chains, as well as local operations. The services are not seasonal in nature. The market for commercial leasing services is well developed and highly competitive. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other establishments. You will also face normal business risks that could have an adverse effect on your THE LOOK SALON SUITES Studio.

## **REGULATION**

You must obtain all necessary permits, licenses, and approvals to operate your Studio. State and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your Studio, including those that (a) apply to barbers and cosmetologists; (b) establish general standards, specifications, and requirements for the construction, design, and maintenance of the Studio premises; (c) regulate matters affecting the health, safety, and welfare of your customers; restrictions on smoking; and the availability of and requirements for public accommodations, including restrooms; (d) set standards pertaining to employee health and safety; (e) set standards and requirements for fire safety and general emergency preparedness; (f) govern labor practices for your employees; and (g) govern the application of the Affordable Care Act. The Americans with Disabilities Act may also apply to the operation of your Studio. You should investigate whether there are regulations and requirements that may apply to the geographic area in which you are interested in locating your franchise and should consider both the effect and cost of compliance.

We have not researched any of these laws to determine their applicability to your Studio. You should consult with your own attorney to ensure that the laws of the state where your THE LOOK SALON SUITES Studio is located permits you to provide the approved products and services we require. It is your sole responsibility to investigate any regulations in your area, including those related to the establishment and operation of a THE LOOK SALON SUITES Studio generally. You alone are responsible for complying with all applicable laws and regulations, despite any advice we may offer.

## **ITEM 2. BUSINESS EXPERIENCE**

| <b>Name</b>  | <b>Position</b>        | <b>Principal Occupation During the Past 5 Years</b>                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hardik Raval | Co-founder and manager | Mr. Raval is our Co-founder and manager. Concurrently, he is also the Co-founder of The Look Salon & Suites LLC since November 2021, which operates a Look Salon Suites and is located in Raleigh, NC. Mr. Raval also currently serves as the President of AAHAN Homes, since December 2020, located in Apex, NC. From June 2015 through August 2021, he was the President and CEO of Aveanna Corporation d/b/a The Flying Locksmiths – Raleigh, NC located in Cary, NC. |



| <b>Name</b>      | <b>Position</b>                   | <b>Principal Occupation During the Past 5 Years</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prasad Naik      | Co-founder and manager            | Mr. Naik is our Co-founder and manager. Concurrently, he is also the Co-founder of The Look Salon & Suites LLC since November 2021, which operates a Look Salon Suites, and is located in Raleigh, NC. He has also served as a Finance Executive at Patagonia Health located in Cary, NC since April 2022. From February 2022 to April 2022, Mr. Naik was the Director of Consulting for CFO Systems, LLC located in Raleigh, NC. From July 2018 through January 2022, he served as the Director of Financial Planning & Sales Operations at Verdesian Life Sciences, located in Raleigh-Durham, NC.                                                                                                                                              |
| Dennis Mulgannon | Director of Franchise Development | Mr. Mulgannon has served as our Director of Franchise Development since June 2023. Concurrently, he is the Director of Franchising for both Vertica Fitness Franchising and Bin Masters USA since May 2022, located in El Dorado Hills, CA; Director of Franchising of CAC Franchising since December 2019, located in El Dorado Hills, CA; Director of Franchising for Surface Experts Franchising since June 2018, located in El Dorado Hills, CA; Director of Franchising for WaveMAX Franchising, LLC since April 2016 and Director of Franchising for TFL Franchise Systems, LLC since April 2015, located in El Dorado Hills, CA. Mr. Mulgannon is also the Principal of Franchise Scale, Inc., in El Dorado Hills, CA, since January 2002. |
| Sean Hansen      | Franchise Development Manager     | Mr. Hansen has served as our Franchise Development Manager since June 2023. Concurrently, he is also the Director of Operations for WaveMAX Franchising, LLC in Jacksonville, FL since January 2020; Mr. Hansen serves as an Area Representative for WaveMAX since November 2016, located in El Dorado Hills, CA. He also serves as Franchise Development Manager for both Vertica Fitness Franchising and Bin Masters USA and since May 2022, located in El Dorado Hills, CA; Franchise Development Manager for CAC Franchising since December 2019, located in El Dorado Hills, CA; and Franchise Development Manager for Surface Experts Franchising since July 2018, located in El Dorado Hills, CA.                                          |

### ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

#### **ITEM 4. BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

#### **ITEM 5. INITIAL FEES**

##### Initial Franchise Fee

The initial fee to open a THE LOOK SALON SUITES Studio for the first 10 franchisees is \$45,000, thereafter the initial franchise fee will be \$55,000. The initial franchise fee is due when you sign the franchise agreement. We do not refund the initial franchise fee under any circumstance. We offer a \$10,000 discount for the first Studio, to qualified veterans of the U.S. Armed Forces and to first responders. A first responder is a person with specialized training who is among the first to arrive and provide assistance at the scene of an emergency, such as an accident, natural disaster, or other catastrophic events. First responders include paramedics, emergency medical technicians, police officers, sheriffs, and firefighters ("First Responder"). We reserve the right to determine if an individual qualifies as a First Responder.

##### Development Fee for Multi-Unit Development

Our franchises are site-specific, and we do not automatically or by default grant territories for development, at our discretion we may offer qualified candidates the rights to open and operate multiple Studios by entering into our area development agreement ("ADA"). When you sign the ADA, you will be required to pay a development fee ("Development Fee") based on the number of THE LOOK SALON SUITES Studios to be developed. For the purchase of two Studios, you will pay a Development Fee of \$84,500 for the right to develop two Studios, for the purchase of three Studios the Development Fee will be \$99,500, and for the purchase of the fourth and additional Studios the Development fee will be \$25,000 per additional Studio. For the first 10 franchisees and/or area developers we will offer a one-time \$10,000 discount. This one-time discount can only be used once. For example, if you are one of the first 10 franchisees and purchase a single Studio and later decide to open additional studios, you will only receive the \$10,000 discount once.

If you sign an ADA, you will pay a Development Fee equal to the number of Studios to be developed. The Development Fee is paid in lieu of the initial franchise fee and paid when you sign the ADA. The Development Fee is earned upon receipt and is nonrefundable. When you sign each Franchise Agreement, the portion of the Development Fee will be credited to the initial franchise fee due for each Studio.

For example, if you are approved to develop three Studios, you would take the following actions and pay the following fees: (i) you would sign an ADA for the right to develop three Studios. Simultaneously, you would sign your first Franchise Agreement. (ii) At signing, you would pay a Development Fee of \$99,500, of which would be credited against the initial franchise fee due for the first Studio and with the remaining amounts to be credited at the opening of the second and third Studio.

Any unused Development Fee credits will be forfeited at the end of the development term. We

reserve the right to negotiate different payment schedules for qualified prospects.

#### Site Selection Assistance Fee

You will be required to pay us a site selection assistance fee of \$2,750 (“Site Selection Assistance Fee”). For the Site Selection Assistance Fee, we will provide you with three on-site visits to conduct an evaluation for a proposed location for your Studio. However, if you request us to visit more than three on-site locations, then you will be required to pay us \$500 per each additional on-site visit plus our costs and expenses, inclusive but not limited to travel, meals, and living expenses.

#### Design Services

You are required to obtain the services of our in-house designated designer who will design the initial floor plan layout of your interior space and you will be required to pay us a fee of \$1,500. The interior design plans may include drywalls, dimensions, furniture, fixtures, and shampoo bowl placement. We will also provide to you or your architect with any template architectural or design plans we have previously approved or designated for use (if we have any). The designer will provide you with a PDF and CAD file of your interior space design that will be sent to your architect and may be used for approved marketing purposes. You will also be required to obtain an architect that is designated or approved by us.

The Initial Franchise Fee is payable in a lump sum upon execution of the Franchise Agreement. In our last fiscal year, we sold a franchise at a discounted rate of \$40,000 to our first franchisee, otherwise, all fees mentioned above are applied uniformly to all of our franchisees. These fees are non-refundable.

### **ITEM 6. OTHER FEES**

| <b>Name of Fee<sup>1</sup></b> | <b>Amount</b>                                                               | <b>Due Date</b>                                     | <b>Remarks</b>                                                                                                                          |
|--------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Royalty                        | Greater of \$1,000 per month or 5.5% of monthly Gross Revenues <sup>2</sup> | Monthly; payable by electronic funds transfer (EFT) | Gross Revenues is defined in Note 2. Royalties will be due on the 5 <sup>th</sup> day of the month for the preceding calendar month.    |
| Brand Development Fund         | 2% of monthly Gross Revenues                                                | Monthly; payable by EFT                             | This contribution will be used for a “Brand Building Fund” for our use in promoting and building The Look Salon Suites franchise brand. |

| <b>Name of Fee<sup>1</sup></b>  | <b>Amount</b>                                                                                    | <b>Due Date</b>                                       | <b>Remarks</b>                                                                                                                                                                                                                                                                         |
|---------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Technology Fee                  | Our then-current technology fee (currently, \$300 per month)                                     | Monthly                                               | You must pay us our then-current technology fee per month for third-party partnerships or agreement. This may also include third-party software that we may collect and pay on your behalf to approved or designed third parties.                                                      |
| Email Service Fee               | \$120 per year                                                                                   | Annually                                              | You must pay us \$120 per year due on January 1 <sup>st</sup> and beginning on your first full year from the execution of the franchise agreement. This fee will cover the cost of your The Look Salon Suites email.                                                                   |
| Minimum Local Advertising Spend | Greater of \$1,000 or 1% of Gross Revenues per month                                             | Monthly                                               | You must spend the greater of \$1,000 or 1% of Gross Revenue per month. You must spend the Minimum Local Advertising Spend on approved local advertising until such time as at least 90% of the suites are occupied.                                                                   |
| Renewal Fee                     | \$10,000                                                                                         | Upon signing a then-current form franchise agreement  | Payable in immediately available funds. The initial franchise term is 10 years. The renewal term is for one additional term of 10 years.                                                                                                                                               |
| Transfer Fee                    | \$15,000 plus any broker fees                                                                    | The transfer fee is paid upon application to transfer | We retain the right of first refusal with respect to all transfer applications. If we do not approve the transfer or the transfer is not completed, the transfer fee will be returned minus our expenses incurred (including legal fees) for review and consideration of the transfer. |
| Advertising Cooperative Fee     | There are currently no plans for an advertising cooperative, but one may be formed in the future | When designated by cooperative                        | Any percentage contribution would be set by the cooperative on a vote of a majority of its members. Each franchisee and each affiliate-owned Studio is entitled to one vote. The maximum fee that can be imposed by the advertising cooperative will not exceed 2% of Gross Revenues.  |

| <b>Name of Fee<sup>1</sup></b>      | <b>Amount</b>                                                      | <b>Due Date</b> | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------|--------------------------------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shared Third Party Supplier Charges | Your share of any charges billed to us on behalf of your business. | As incurred.    | Sometimes it may be in the best interest of THE LOOK SALON SUITES brand for suppliers to bill us a system-wide charge for a product or service. We will then divide the invoice among our franchisees and charge you your share.                                                                                                                        |
| Business Directory Listings         | Actual out-of-pocket costs.                                        | Upon demand.    | You will place and pay the cost of business listings in the directories and categories we specify. Alternatively, we can do so on your behalf and at your expense.                                                                                                                                                                                      |
| Data Inspections and Reimbursement  | Actual costs.                                                      | Upon demand.    | If you repeatedly violate the required data privacy and security obligations under the Franchise Agreement, we reserve the right to charge you our costs and expenses to inspect your business. Additionally, you are responsible for our costs and expenses that arise from your non-compliance, or a security breach caused by you or your personnel. |
| Legal Fees                          | Actual costs.                                                      | Upon demand.    | If we incur legal expenses while providing assistance to you in legal compliance or negotiation circumstances, we may require you to reimburse us for the legal expenses we incur.                                                                                                                                                                      |
| Audit Fee                           | Costs and expenses                                                 | As incurred     | Audit Fee is paid by you if the difference in reported royalties or revenue is 2% or greater.                                                                                                                                                                                                                                                           |
| Relocation Fee                      | Costs and expenses                                                 | As incurred     | Payable to us to defray our costs associated with evaluating and approving/rejecting your relocation proposal. Except in cases of emergency, you must occupy the new premises and open your business in the new premises before vacating your original premises.                                                                                        |

| <b>Name of Fee<sup>1</sup></b>                      | <b>Amount</b>                                                                                                                                                            | <b>Due Date</b>                                       | <b>Remarks</b>                                                                                                                                                                                                      |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest                                            | 2% per month or highest rate allowed by law                                                                                                                              | Calculated and payable monthly                        | Interest accrues from the original due date until payment is received in full.                                                                                                                                      |
| Late Fee                                            | 10% of each late payment                                                                                                                                                 | As incurred                                           | Failure to make timely payment of any fee owed to us.                                                                                                                                                               |
| Insufficient Funds Fee                              | \$250 per violation                                                                                                                                                      | As incurred                                           | Failure to have sufficient funds available for payment to us.                                                                                                                                                       |
| Testing or Supplier Approval Fee                    | Currently, costs and expenses                                                                                                                                            | Upon request                                          | If requested by you, you will pay all fees and costs incurred by us to obtain the necessary information and new evaluate suppliers, goods, or services.                                                             |
| Initial Pre-opening Training for Additional Persons | Currently, \$500 per day per person, plus costs and expenses                                                                                                             | As incurred                                           | Training for one person is included in the Initial Franchise Fee. (Note 3).                                                                                                                                         |
| Additional Training                                 | Currently \$500, but variable, plus our costs and expenses                                                                                                               | As incurred prior to beginning of additional training | If you request or require, or if we require, additional training, we have the right to charge you an additional training fee. You are also responsible for the travel, living expenses, and wages for the trainees. |
| Legal fees and expenses                             | Costs and expenses, including but not limited to attorneys' fees for any failure to pay amounts when due or failure to comply in any way with the Franchise Agreement    | As incurred                                           | You will pay our costs to enforce the Franchise Agreement. Loser pays winner's fees and costs to discourage meritless litigation. We could have to pay your fees.                                                   |
| Indemnification                                     | Any and all types of damages, liabilities, losses, costs, and expenses we incur as a result of third parties claims or from your ownership and operations of your Studio | As incurred                                           | You, your owners, and your guarantors must indemnify us and related parties for a broad range of claims related to your actions, omissions, ownership, and operations of the Studio.                                |
| Early termination damages                           | Our damages, costs, and expenses                                                                                                                                         | As incurred                                           | If the Franchise Agreement is terminated early, we have the right to seek damages from you.                                                                                                                         |

| <b>Name of Fee<sup>1</sup></b>               | <b>Amount</b>                                                                                                                                                        | <b>Due Date</b> | <b>Remarks</b>                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Post-Termination or Post-Expiration Expenses | Costs and expenses                                                                                                                                                   | As incurred     | You must pay all costs and expenses related to de-identifying the Studio or otherwise complying with your post-termination or post-expiration obligations.                                                                                                                                                      |
| Default Damages                              | Damages, costs, losses, and expenses                                                                                                                                 | As incurred     | You must reimburse us for our damages, costs, losses, and expenses incurred because of your defaults under the Franchise Agreement.                                                                                                                                                                             |
| Fines                                        | \$1,000 per occurrence                                                                                                                                               | As incurred     | Fines can be levied for each instance where you fail to obtain prior written approval for advertisements, fail to attend required training or franchisor sponsored conventions, offer unauthorized merchandise or services, late reporting, or otherwise fails to comply with our system's operating standards. |
| Re-inspection Costs                          | Costs and expenses                                                                                                                                                   | As incurred     | If you fail an inspection or are in default and we must inspect or re-inspect your business, you must reimburse us for our costs to do so.                                                                                                                                                                      |
| Refurbishment Fee                            | Our costs, plus an administrative fee of 15% of the expenses we incur                                                                                                | As incurred     | Due in connection with any refurbishing, remodeling, or updating work we do on your Premises or Studio on your behalf.                                                                                                                                                                                          |
| Continuing Operation Fee                     | Greater of \$1,000 or 150% of the Royalty due for the same month for every month of month-to-month operations after termination or expiration of Franchise Agreement | As incurred     | This is applicable only if you continue to operate as a THE LOOK SALON SUITES franchisee after the termination or expiration of the Franchise Agreement. This fee in no way limits our rights to obtain other damages we may recover under the Franchise Agreement.                                             |

| <b>Name of Fee<sup>1</sup></b>                                       | <b>Amount</b>                                              | <b>Due Date</b>                     | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inspection of Franchise Business and Premises / Right to Information | Costs and expenses                                         | As incurred                         | Payments made to us and/or third parties as required.                                                                                                                                                                                                                                                                                                                                                        |
| Convention                                                           | Then-current fee (currently \$3,000 per person)            | As incurred prior to the convention | Currently, we do not host an annual convention, but reserve the right to do so. If we do host an annual convention, we reserve the right to charge you are then-current fee for attendance and reserve the right to require attendance. You will be responsible for all of the expenses of the people you send to the convention, including travel, lodging, and food. The fee can change from time to time. |
| System Modifications                                                 | All costs and expenses associated with System modification | As required                         | If we make changes to the System, you must adapt your business to confirm to the changes. By way of example only, such changes may include new equipment, software, or construction materials. These may be paid to us, our affiliates, or a third-party supplier we designate.                                                                                                                              |
| Insurance Reimbursement                                              | Costs plus administrative fee of 10% of costs              | As incurred                         | If you fail to obtain the required insurance and we must obtain it on your behalf, you will reimburse us for our costs along with an administrative fee.                                                                                                                                                                                                                                                     |

Note 1: All fees and expenses described in this Item 6 are non-refundable and, unless otherwise indicated, are imposed uniformly by, collected by, and are payable to, us. Unless we have noted differently, we may increase these amounts based upon changes in market conditions or our cost of providing services and future policy changes, but we have no present plans to increase any fees. All of the fees were uniformly applied in our last fiscal year.

Note 2: “Gross Revenues” means the total of gross revenue that you derive from the operation of the Studio, including, but not limited to, revenue from services rendered by the Studio, whether from sales for cash or credit and regardless of the collection thereof. Gross Revenues does not include sales taxes or gift card redemptions. Royalties on gift cards are assessed when the gift card is sold, not redeemed.



Note 3: The initial pre-opening training for you or if you are an entity, your designated manager, is included in the Initial Franchise Fee. Additional fees are only applied if you choose to train more than one person. Training fees may be increased or decreased by us at any time within our sole discretion.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

**TABLE 7A: SINGLE STUDIO**

| TYPE OF EXPENDITURE                                  | AMOUNT    |           | METHOD OF PAYMENT | WHEN DUE                          | TO WHOM PAYMENT IS MADE                 |
|------------------------------------------------------|-----------|-----------|-------------------|-----------------------------------|-----------------------------------------|
|                                                      | LOW       | HIGH      |                   |                                   |                                         |
| PRE-OPENING COSTS                                    |           |           |                   |                                   |                                         |
| Initial Franchise Fee <sup>1</sup>                   | \$45,000  | \$45,000  | Lump sum          | At signing of Franchise Agreement | The Initial Franchise Fee is paid to us |
| Site Selection Fee <sup>2</sup>                      | \$2,750   | \$2,750   | Lump sum          | At singing of Franchise Agreement | Paid to us                              |
| Construction and Leasehold Improvements <sup>3</sup> | \$692,858 | \$918,610 | As incurred       | Before opening                    | Contractor/Third-party providers        |
| Initial Floor Plan Layout <sup>4</sup>               | \$1,500   | \$1,500   | As incurred       | Before opening                    | Designated Designer                     |
| Design and Architect Fees <sup>5</sup>               | \$21,944  | \$28,000  | As incurred       | Before opening                    | Contractor/Third-party providers        |
| Furniture, and Fixtures <sup>6</sup>                 | \$107,136 | \$124,540 | As incurred       | Before opening                    | Contractor/Third-party providers        |
| Signage (interior and exterior) <sup>7</sup>         | \$6,825   | \$6,900   | As incurred       | Before opening                    | Third-party providers                   |
| Security System <sup>8</sup>                         | \$5,211   | \$5,211   | Lump sum          | Before opening                    | Third-party providers                   |
| Rent Deposits <sup>9</sup>                           | \$10,000  | \$11,000  | As incurred       | Before opening                    | Landlord                                |

| TYPE OF EXPENDITURE                                   | AMOUNT           |                    | METHOD OF PAYMENT | WHEN DUE         | TO WHOM PAYMENT IS MADE                                         |
|-------------------------------------------------------|------------------|--------------------|-------------------|------------------|-----------------------------------------------------------------|
|                                                       | LOW              | HIGH               |                   |                  |                                                                 |
| Insurance <sup>10</sup>                               | \$2,500          | \$3,000            | As arranged       | Before opening   | Insurance company                                               |
| Utility Deposits <sup>11</sup>                        | \$1,000          | \$2,000            | As arranged       | Before opening   | Utility Providers                                               |
| Pre-opening Travel and Training Expense <sup>12</sup> | \$4,000          | \$4,000            | As incurred       | Before Opening   | Airline, hotel, restaurants                                     |
| Computer Equipment and Software <sup>13</sup>         | \$11,269         | \$11,269           | As incurred       | Before Opening   | Outside suppliers for equipment; third-party software providers |
| Grand Opening Advertising <sup>14</sup>               | \$5,000          | \$5,000            | As incurred       | Prior to opening | Third-party providers                                           |
| Business Permits and Licenses <sup>15</sup>           | \$3,500          | \$3,500            | As incurred       | Before opening   | Licensing Authorities                                           |
| Additional Funds <sup>16</sup>                        | \$20,000         | \$20,000           | As incurred       | Before opening   | Various                                                         |
| <b>TOTAL<sup>17</sup></b>                             | <b>\$940,493</b> | <b>\$1,192,280</b> |                   |                  |                                                                 |

All fees and payments are non-refundable unless otherwise noted or allowed by third-party vendors. The above table represents your estimated initial investment through the third month of operation of your business. Neither we nor our affiliate offer direct or indirect financing for your initial franchise fee or for any other payments you must make or costs you must incur in starting and operating your business.

Note 1: The Initial Franchise Fee is the same for all similarly situated franchisees. We offer a reduced initial franchise fee of \$45,000, a \$10,000 discount, for the first 10 franchisees. Additionally, we offer a \$10,000 discount to qualified veterans of the U.S. Armed Forces or First Responders.

Note 2. You will be required to pay us a site selection assistance fee of \$2,750 ("Site Selection Assistance Fee"). For the Site Selection Assistance Fee, we will provide you with three on-site

visits to conduct an evaluation for a proposed location for your Studio. However, if you request us to visit more than three on-site locations, then you will be required to pay us \$500 per each additional on-site visit plus our costs and expenses, inclusive but not limited to travel, meals, and living expenses.

Note 3. You must lease or provide a suitable facility for the operations of THE LOOK SALON SUITES Studio. These estimates assume you will be improving an inline space in “vanilla box” condition of approximately 4,350 square feet to 5,744 square feet. This also assumes that the space will come with an HVAC system already installed in the space. The difference in the estimates is attributable to market conditions. If you choose to purchase or lease a stand-alone building, you will likely incur greater costs. You must lease or provide a suitable facility for the operations of the franchised THE LOOK SALON SUITES Studio. You may choose a larger facility, but it will increase your operating costs. Your cost to lease or purchase space is difficult to quantify because there are factors that will impact what you pay. These factors include THE LOOK SALON SUITES Studio’s location, its square footage, cost-per-square foot, renovation costs, whether it is a cold shell building or second-generation building, and any required maintenance fees. Your landlord, developer, or builder may refund your security deposit or other fees paid, but most will not refund rental payments or other payments made. You should ask your leasing agent or landlord about their refund policy before you sign a lease agreement.

Note 4. You will be required to use our in-house designated designer who will design your interior space. This may include space planning, drywalls, dimensions, furniture, fixtures, and shampoo bowls. The designer will develop a PDF and CAD file of your interior space that can be sent to the approved architect and utilized for marketing.

Note 5. You are required to construct and renovate the premises in a manner consistent with our specifications. You will be required to retain the services of our in-house interior floor plan designer. The extent to which you will be required to incur costs associated with designing the premises is dependent on the size and the previous usage of the premises. You will be required to use an architect that we have designated or approved.

Note 6. This estimate is dependent on the size of the premises and the type of furniture required to sufficiently and appropriately furnish the premises in accordance with the franchise system. The furniture you will need to purchase may include shampoo bowls, hair styling chairs, floor mats, cabinets and mirrors. You may be required to add fixtures to the premises to sufficiently outfit the premises in accordance with the franchise system. This estimate depends on the type and nature of the required fixtures. You are required to equip the premises in a manner consistent with our specifications.

Note 7. Your costs for signage will vary depending on the size of your façade and the size of your space. Our estimate on the low range assumes one sign for the exterior of the building, and interior signage for individual businesses. The high range assumes two exterior signs and additional interior individual business signs for the increase square footage of larger space.

Note 8. You are required to install entrance and motion detectors on the premises. This estimate depends on the size of the premises and the types of security system or hardware installed.

Note 9. Rent costs will vary based upon, among other things, the square footage of the business premises leased, the cost per square foot, and required maintenance costs. This estimate assumes that you will have to pay the first month's rent at the execution of the lease. Any amounts that you actually pay under such a lease are typically non-refundable; however, in certain circumstances the security deposit may be refundable. You may not use your home or other residential property as your Studio. Your final location must be accepted by us in writing, prior to signing a lease. We must review and consent to the physical layout of each Studio.

Note 10. You must purchase the type and amount of insurance we specify, in addition to any other insurance that may be required by any applicable law or third party. This estimate assumes that you will make payments in respect of your insurance policy on an annual basis.

Note 11. You may be required to register new account(s) with certain utility providers for the provision of utilities services which may include electric, telephone, gas and water services. You may be required to pay deposits in connection with any such services. The cost of any such deposits will vary depending upon the policy of the particular utility company engaged.

Note 12. The cost of training for the attendance of one person is included in the initial franchise fee, however, you are responsible for costs associated with training, including but not limited to transportation, lodging and food, if any such costs are incurred. Additionally, if you choose to bring more than one person to the pre-opening training you will incur additional costs, currently \$500 per day per person, plus costs and expenses. You are required to travel to a location we specify to participate in training, currently located in Raleigh, North Carolina. This estimate is highly dependent on your proximity to the specified training location and the mode of transportation required. These estimates do not include any labor costs.

Note 13. You are required to purchase or license computer equipment and software for the operation of your THE LOOK SALON SUITES Studio, including, but limited to, a sublicense from our required third-party salon suite management software. You will be required to obtain a personal laptop, Wi-Fi, highspeed internet access, and certain required third-party software subscriptions, such as, but not limited to Microsoft Office 360, QuickBooks, anti-virus software, CRM and billing management software, and third-party remote site access software. While we do not require any specific vendor for computers, internet, and communications equipment, we require that you meet certain minimum standards established periodically in the Brand Standards Manual. You will also be required to purchase an approved TV monitor to be installed in the lobby at each location and provide a directory of the salon professionals at the location. We assume you will be purchasing, not leasing, your equipment.

Note 14. You are required to spend at least \$5,000 on grand opening advertising and marketing during the time period that begins 60 days before you open for business and ends 60 days after. We may require you to spend the money with third parties that we approve, or we may require you to remit the money to us and we will spend it on your behalf. We must approve your uses of the grand opening advertising money. You may choose to spend more money. Your expenditures on grand opening marketing will be counted towards your local advertising requirements.

Note 15. The licenses you are required to obtain include a local business license and building permits. You may need to obtain other licenses and permits, and you are responsible for determining whether you need to do so. The actual cost of obtaining licenses and permits may vary based on the requirements of the applicable government agencies.

Note 16. You should have a 3-month cash reserve to cover the operations of THE LOOK SALON SUITES Studio. Our estimates for the cash reserve you should have on hand include our estimates of the amount needed to cover your expenses for the initial three-month start-up phase of your Studio. Our estimates do not include any other charges or expenses, including finance charges, interest or debt service obligations or any other expenses. Your costs, and the amount you should have in reserve, will be affected by factors in the local market, your technical, marketing and general business skills, local economic conditions, local competition, local cost factors and where your Studio is located. You may need to have additional working capital to cover lower than estimated sales or higher than estimated operating costs. You should speak with a financial advisor to get a more accurate estimate of the amount you should have in reserve. The operating costs for which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. The payments made to third parties may be refundable depending on the terms offered by each third party. The amounts shown in these and all other estimates in Item 7 are based on the experience of our affiliate in operating a Studio. Our affiliate's Studio was developed from a cold shell building, and therefore our affiliate's actual expense was less, due to receipt of increase tenant improvement funds. If you develop a second generation building, you may need to have more or less money in your cash reserve than what we have estimated.

Note 17. This is an estimate of your initial start-up expenses for one (1) Studio. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise Business. Additionally, you may be able to, depending on the landlord, lease, and the degree of development at the approved location collect tenant improvement ("TI") credit for the development of your Studio at the approved location, which may help offset your build-out costs.

**TABLE 7B: RIGHT FOR THREE STUDIOS UNDER AREA DEVELOPMENT AGREEMENT**

| Type of Expenditure                            | Low Amount               | High Amount                | Method of Payment    | When Due             | To Whom Payment is to be Made |
|------------------------------------------------|--------------------------|----------------------------|----------------------|----------------------|-------------------------------|
| Development Fee for Three Studios <sup>2</sup> | \$99,500,89,500          | \$99,500,89,500            | As agreed            | Upon execution       | Us                            |
| Costs to Develop One Studio (From Table 7A)    | \$895,493                | 1,147,280                  | Varies; See Table 7A | Varies; See Table 7A | Varies; See Table 7A          |
| <b>TOTAL</b>                                   | <b>\$994,993,984,993</b> | <b>\$1,246,780,236,780</b> |                      |                      |                               |

Note 1: Table 7B is based on the development of one Studio and the purchase of area development rights for three Studios. This Table 7B assumes you are signing a Franchise Agreement for the right to open one location and an Area Development Agreement to open two additional locations. This Item 7 disclosure covers the cost from the date the Area Development Agreement is signed until the third month of operating for the first Studio.

Note 2: If you execute an Area Development Agreement for three units, you will pay a reduced development fee of ~~\$99,500~~\$89,500 for the right to develop three Studios, a \$10,000 discount, for the first 10 franchisees. Additionally, The Development Fee will be credited toward the initial franchise fee for each unit you open under the Area Development Agreement. At the time you execute the Area Development Agreement, you must also sign your first Franchise Agreement. We may negotiate different payment schedules for qualified prospects.

## **ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Required Vendors, Products, and Services. You must purchase all goods, services, merchandise, accessories, supplies, computer hardware and software, and equipment you use or sell in the Studio from the vendors we approve or designate, which may include us or our affiliates, in strict conformance with our confidential Brand Standards Manuals, proprietary guidelines, standards, and specifications. We reserve the right to modify the standards and specifications for all the goods, services, merchandise, accessories, supplies, computer hardware and software, and equipment you use in or sell from your Studio. Such standards, specifications, and modifications, and any changes to them, will be provided to you in the Brand Standards Manuals or in other written communication from us. If we alter the approved suppliers or products and services, and we will generally provide you with at least 30 days' notice. We reserve the right to revoke approval for any good, service, or supplier for any reason and you must cease to use that good, service, or supplier.

Where we have designated an approved supplier, you must use that supplier. Not purchasing your business's merchandise, accessories, supplies, equipment, computer hardware and software, or any other items where we have designated an approved supplier would put you in violation of the Franchise Agreement. You must purchase, install, maintain in sufficient supply, and use, only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Franchise Brand Standards Manuals.

You are required to obtain the services of our in-house designated designer who will design the initial floor plan layout of your interior space. The interior design plans may include drywalls, dimensions, furniture, fixtures, and shampoo bowl placement. The designer will provide you with digital files of your interior space design. You will also be required to obtain an architect, general contractor, and cabinet maker that is designated or approved by us.

We or our affiliate will be the exclusive supplier of any propriety software if we develop. In the event that proprietary software is developed, you will be required to use our propriety software and pay us then-current monthly Technology Fee.

Otherwise, currently neither we nor our affiliate are the designated or exclusive supplier of any other goods or services for your Studio. We reserve all rights to become, or designate our affiliates to become, suppliers of goods and services to you in the future.

You are required to use and purchase certain computer hardware and software from an approved vendor which meets our specifications. We reserve the right to change the hardware and software requirements and approved vendors and reserve the right to designate an exclusive supplier. You may be required to use additional proprietary technologies. As described below, you will need to purchase our required third-party suite access control system. You will be required to purchase one laptop, high speed internet and Wi-Fi. You will also be required to purchase one TV monitor that meets our specifications for your lobby that will list a directory of salon professionals at your Studio outlined in more detail in Item 11. You will also need to subscribe to or purchase general, Non-THE LOOK SALON SUITES software for your business operations, including includes CRM and billing management software, ACH credit card processing, Microsoft Office 360, QuickBooks, anti-virus software, and all other required software disclosed in our Brand Standards Manual.

Location. If you do not own your business premises, we must accept the lease of your THE LOOK SALON SUITES space. It is your responsibility to select your own location and we must accept it. We have the right to require you and your landlord to provide in the lease that we shall have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease or should your franchise terminate or not be renewed for any reason. You are not allowed to relocate the business premises without our prior written approval.

Insurance. You are obligated to obtain and maintain at your own expense the types and amounts of insurance that we designate in our Brand Standards Manual or otherwise in writing. In addition to any other insurances that may be required by applicable law or by your landlord, you must procure the minimum coverage amounts specified below:

1. Occurrence Limit: \$1,000,000
2. General aggregate Limit: \$2,000,000
3. Products/Completed Operations Aggregate Limit: \$2,000,000
4. Personal and Advertising Injury Limited: \$1,000,000
5. Damage to Premises Rented by You: \$500,000

Workers' Compensation:

6. Workers' Compensation: Statutory

Umbrella Liability:

7. Commercial Umbrella: \$2,000,000 per occurrence  
\$2,000,000 aggregate

All policies must be underwritten by companies having an A.M. Best rating of A or higher. We require you to use a designated insurance provider. The Franchise Agreement also outlines the



types, amounts, terms and conditions of insurance coverage required for your Studio, including, but not limited to, our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend a claim; and similar matters relating to insured and uninsured claims. If a lease or any other contract you enter into requires more insurance than listed above, you must purchase and maintain such additional insurance, but you must never have less insurance than that listed above. We have the right to change the required types and minimum coverage levels of your insurance and you must comply with the changes. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payments and your history. All insurance policies must name us as an additional insured party, must expressly protect both you and us on a primary and non-contributory basis, must require the insurer to defend both you and us in any action while reserving our right to involve counsel of our own choosing in protection of our own and system wide interests, and all shall contain a waiver of all subrogation rights in favor of us and our successors and assigns. At least 10 days prior to the time any insurance is first required to be carried by you, you will deliver to us Certificates of Insurance evidencing the proper coverage. Insurance may not be canceled or non-renewed without at least 30 days' notice to us (which notice period is also subject to state law).

Method of Approving Suppliers and Vendors. If you want to use goods, services, supplies, fixtures, equipment, inventory, or computer systems or suppliers that we have not approved, you must first submit to us certain information, including product or service specifications, product or service components, product or service performance history, product samples, supplier information, and any other relevant information. We will evaluate the proposed good, service, or supplier based upon certain criteria and determine if you are approved to use the alternate good, service, or supplier. We do not make the criteria available to you. We do inform you that we generally evaluate technical and performance properties of the good, service, or supplier, including design, appearance, product reliability, durability, the manufacturer's warranties, quality control methods, financial ability of the product's producers and distributors, supplier history and reputation, and supplier capacity. Our review is generally completed in 90 days. If we do not approve of the supplier, good, or service within 120 days, then that good, service, or supplier is deemed not approved and you must not use that supplier, good, or service. If we do approve, then you may use that supplier, good, or service. We will advise you in writing of our decision. We impose these restrictions to safeguard the integrity of both the System and our Marks. We reserve the right to revoke approval for any good, service, or supplier for any reason, and you must cease to use the good, service, or supplier upon 30 days' notice from us. Revocation of approval will be made in writing. If you request that we evaluate an good, service, or supplier, you will pay all fees and costs incurred by us to obtain the necessary information and to conduct the evaluation.

Required Purchase Percent of Revenue. The cost of the goods or services that you must purchase from us, our affiliates or from suppliers designated by us represents between 20% and 30% of your total purchases in connection with the establishment of your business. The cost of the goods or services that you must purchase from us, our affiliates or from suppliers designated by us represents between 20% and 30% of your total purchases in operating your business.



Revenue Derived. Neither we nor our affiliates derived any revenue from franchise purchases or leases of required goods or services in our last fiscal year. However, in the future we will. We and our affiliates reserve all rights to receive any form of revenue, rebates, commissions, discounts, royalties, or other benefits from the products and services you are required to purchase or lease from vendors and suppliers in the future.

Interest in Suppliers. We do not, nor do any of our affiliates, officers, or owners own any interest in any approved supplier of goods or services to our franchisees. We reserve the right to become, or approve our affiliates to become, approved suppliers in the future or receive benefits from required purchases, such as rebates or discounts, that we do not currently receive.

Purchasing or Distribution Cooperatives. Currently you are not required to participate in a purchasing or distribution cooperative, but we have the right to require you to participate in one on the future. We also have the right to require you to participate in a local advertising purchasing cooperative in the future.

Miscellaneous. We may negotiate purchase agreements with suppliers, including price terms, for the benefit of the franchisees; however, we are not required to do so. We do not provide franchisees with any material benefits based upon a franchisee's use of approved suppliers.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

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

| OBLIGATION                                             | SECTION IN AGREEMENT                                                                                                                                            | DISCLOSURE DOCUMENT ITEM |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| a. Site selection and acquisition/lease                | Franchise Agreement: §§ 1, 2(b)(ix), 2(c), 4(a)(ii), 6, and 10; Lease Rider; Collateral Assignment of Lease.<br><br>Area development Agreement: §§ 3, 5, and 6. | Items 7, 8, and 11       |
| b. Pre-opening purchases/leases                        | Franchise Agreement: §§ 4, 6, 10, 11(s), and 12; Lease Rider; Collateral Assignment of Lease.<br><br>Area development Agreement: Not Applicable.                | Item 5, 8, and 11        |
| c. Site development and other pre-opening requirements | Franchise Agreement: §§ 6, 7, 8(a)(i), 8(e), 9, 10, 11(a), 11(c), 11(s), 12(a), and Attachment 2 (Lease Rider).<br><br>Area development Agreement: §§ 3 and 5.  | Items 7, 8, and 11       |

| <b>OBLIGATION</b>                                                | <b>SECTION IN AGREEMENT</b>                                                                                                                                          | <b>DISCLOSURE DOCUMENT ITEM</b>    |
|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| d. Initial and ongoing training                                  | Franchise Agreement: §§ 4(a)(iii), (iv), (v), 11(a) and (c).<br><br>Area development Agreement: Not Applicable.                                                      | Items 6, 7, 11                     |
| e. Opening                                                       | Franchise Agreement: §§ 1, 6, 8(a)(i), and 10.<br><br>Area development Agreement: Not Applicable.                                                                    | Items 5, 7, 11                     |
| f. Fees                                                          | Franchise Agreement: §§ 2(b)(vi), 2(d), 3, 8, 11, 13(d)(vii), 13(e), 23(o), Attachment 1 (Franchise Rider) and Attachment 4.<br><br>Area development Agreement: § 4. | Items 5, 6, 7, and 17              |
| g. Compliance with standards and policies/Brand Standards Manual | Franchise Agreement: §§ 11(b), (d), (i), 17, and Brand Standards Manual.<br><br>Area development Agreement: Not Applicable.                                          | Items 8, 11, 13, 14, 15, 16 and 17 |
| h. Trademarks and proprietary information                        | Franchise Agreement §§ 7, 11(i), 15, Brand Standards Manual<br><br>Area development Agreement: § 7.                                                                  | Items 13 and 14                    |
| i. Restrictions on products/services offered                     | Franchise Agreement: §§ 11(b), (d), and 12.<br><br>Area development Agreement: Not Applicable.                                                                       | Items 8 and 16                     |
| j. Warranty and customer service requirements                    | Franchise Agreement: §§ 11(m) and (x), and 17(c)(ix), (xii).<br><br>Area development Agreement: Not Applicable.                                                      | Item 15                            |
| k. Territorial development and sales quotas                      | Franchise Agreement: Not Applicable; Franchise Rider.<br><br>Area development Agreement: § 3.                                                                        | Item 12                            |
| l. Ongoing product/service purchases                             | Franchise Agreement: §§ 11(b), (d), 12.<br><br>Area development Agreement: Not Applicable.                                                                           | Items 8 and 16                     |

| <b>OBLIGATION</b>                                      | <b>SECTION IN AGREEMENT</b>                                                                                                           | <b>DISCLOSURE DOCUMENT ITEM</b> |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| m. Maintenance, appearance and remodeling requirements | Franchise Agreement: §§ 2(b)(viii), 2(c), 10, 11(b), (d).<br><br>Area development Agreement: Not Applicable.                          | Items 8 and 11                  |
| n. Insurance                                           | Franchise Agreement: § 16.<br><br>Area development Agreement: Not Applicable.                                                         | Item 8                          |
| o. Advertising                                         | Franchise Agreement: § 8.<br><br>Area development Agreement: Not Applicable.                                                          | Items 6, 7, 8, and 11           |
| p. Indemnification                                     | Franchise Agreement: § 19(b).<br><br>Area development Agreement: § 12.2.                                                              | Item 6                          |
| q. Owner's participation/management/staffing           | Franchise Agreement: § 11(a)-(h).<br><br>Area development Agreement: Not Applicable.                                                  | Item 15                         |
| r. Records/reports                                     | Franchise Agreement: § 11(q).<br><br>Area development Agreement: Not Applicable.                                                      | Items 6 and 17                  |
| s. Inspections/audits                                  | Franchise Agreement: §§ 6(vi), 11(q)(iv), 11(r), and 11(u)(vi).<br><br>Area development Agreement: Not Applicable.                    | Items 6 and 11                  |
| t. Transfer                                            | Franchise Agreement: § 13.<br><br>Area development Agreement: § 6.                                                                    | Items 6 and 17                  |
| u. Renewal                                             | Franchise Agreement: § 2(b) - (d).<br><br>Area development Agreement: Not Applicable.                                                 | Item 17                         |
| v. Post-termination obligations                        | Franchise Agreement: §§ 7(d), 14(c)-(d), 15, 18, 19, and Attachment 2, 3, 4 and 5.<br><br>Area development Agreement: Not Applicable. | Item 17                         |

| OBLIGATION                   | SECTION IN AGREEMENT                                                                                           | DISCLOSURE DOCUMENT ITEM |
|------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------|
| w. Non-competition covenants | Franchise Agreement: §§ 14, 15, Attachment 5, and Attachment 6.<br><br>Area development Agreement: §§ 7 and 8. | Item 17                  |
| x. Dispute resolution        | Franchise Agreement: § 21.<br><br>Area development Agreement: § 11.                                            | Items 6 and 17           |

## ITEM 10. FINANCING

Neither we nor any of our affiliates offer direct or indirect financing. Neither we nor any of our affiliates will guarantee your lease, note, or other obligations.

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

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

Pre-Opening Assistance:

After you sign your Franchise Agreement, but before you open your business:

1. Initial Training. We will offer you a training program as described in more detail below. (Franchise Agreement Section 4(a)(iii))

2. Brand Standards Manual. We will lend you a set of our Brand Standards Manual. (Franchise Agreement Section 11(i))

3. Site Selection. It is your responsibility to select and outfit your own location. We are not required to provide or assist you in locating a site, negotiating a lease, or obtaining your business premises. However, if requested, we will advise you on recommended locations, remodeling of the premises, and the purchase or lease of equipment, signs, and fixtures. You must submit your site to us for acceptance within 90 days after signing the Franchise Agreement. Additionally, you must enter into a lease agreement for the approved site within six months after signing the Franchise Agreement. We must approve the site location and the lease if you do not own the premises. We do not own the sites or lease them to you. Our determination to approve or not approve a site may be based on various criteria, including but not limited to business count, traffic count, accessibility, parking, visibility, competition, and license availability. Generally, we accept or reject a site within 30 days of receiving the request. In the event we do not accept a proposed site within said 30 days such site shall be deemed not approved by us. It is your sole responsibility to ensure that your premises conforms to local ordinances and building codes as well as obtain any required permits. We will also provide you with a prototypical floor plan for a Studio. It is your responsibility to construct or remodel, equip, and decorate the premises in

accordance with our standards. We may also require you to use our designated or approved architect, general contractor, and cabinet maker. If you fail to execute a lease or purchase contract for the site within a reasonable amount of time after our approval of the site, we reserve the right to refer it to another franchise applicant or develop it as a company-owned business. If you fail to select a site that we approve and begin operations within 12 months, we will be able to terminate your franchise, and you will not be entitled to a refund if the agreement is terminated. (Franchise Agreement Sections 1, 4(i), (ii), 6, and 10.)

4. List of Approved Vendors and Suppliers. Before you open your location and to the extent we have standards, specifications, or designated suppliers, we will provide you with a copy of our list of approved vendors and suppliers and standards and specifications for required or recommended fixtures, furnishings, merchandise, equipment, signage, décor and other goods and services. We do not deliver or install these items. (Franchise Agreement Section 4(a)(i)).

5. Other Advice. We are not required to provide you other supervision, assistance or services prior to the opening of the Studio. (Franchise Agreement Section 4.) However, if requested, we will advise on additional topics related to the opening of your Studio. We do not hire or train your employees.

During the operation of the Studio under your Franchise Agreement:

1. Advice. We will provide advice and consultation services to you, including advice regarding how to resolve operating problems you encounter. We have established administrative, bookkeeping, and accounting procedures and you will be required to follow them. We do not assist you in hiring your employees. If you request a level of assistance greater than what we provide to other franchisees, we have the right to charge you our then-current additional training fee. (Franchise Agreement Sections 4(a)(iv) & (v)).

2. System Improvements. We will make available to you from time to time all improvements and additions to the franchise System to the same extent and in the same manner as they are made available to THE LOOK SALON SUITES franchisees generally. These improvements may include opportunities to offer new goods and services. There is no limit to the maximum amount required to be spent on improvements. These improvements are in addition to the regular maintenance you must undertake and the implementation of new goods and services we require. (Franchise Agreement Section 4(a)(vi)).

3. Computer System. You must obtain and use the required Computer Systems (defined below) we require from time to time. If we develop proprietary software, you will be required to use that proprietary software and pay us our then-current priority software fee. (Franchise Agreement Section 11(s)).

4. Development Schedule. You must submit your first site to us for approval within 90 days after signing the Franchise Agreement. Additionally, you must enter into a lease agreement for the approved site within six months after signing the Franchise Agreement. We expect you to open within 12 months of signing the Franchise Agreement and have the right to terminate the Franchise Agreement, without providing you with any refund, if you fail to open

within 12 months after you sign the Franchise Agreement. The factors that affect your opening timeline include the amount of time and effort you commit to the site selection process and the construction of your Studio; the availability of acceptable sites within the geographical area you choose; your ability to obtain a lease, financing and building permits; your credit and personal financials; and zoning and licensing requirements. Delays or a lack of effort by you, your contractors, or your prospective landlord will increase these time periods.

5. Franchise Advisory Council. Currently, we have not established a Franchise Advisory Council ("FAC"), we reserve the right to establish and maintain a FAC. The FAC would provide advice to us on various matters, including advertising. The FAC would serve in an advisory capacity only and would have no operational or decision-making power. We would appoint the members of the FAC and have the power to change or dissolve it at any time. (Franchise Agreement Section 11(x)).

6. Pricing. Generally, you will have the right to set prices for the goods and services you offer and sell at your Studio. We will offer you our recommendation and advice about setting prices for your goods and services. If the law in your jurisdiction permits us to do so, we reserve the right to establish minimum or maximum prices, to implement system wide promotional pricing, and to establish specific prices for goods and services.

At any time that you or any of your affiliates are in breach of the obligations under the Franchise Agreement (for example, your failure to pay for the equipment or inventory when required), or any other agreement with us or any of our affiliates, we or our affiliate may defer the performance of our obligations under the Franchise Agreement (for example, our obligation to approve your site in a timely manner) or such other agreement, or defer the opening of your Studio, until you (or your affiliate's) breach has been cured. Our (or our affiliate's) exercise of that right will not constitute a waiver of our rights under the Franchise Agreement or such other agreement, including, without limitation, our (or our affiliate's) right to terminate the Franchise Agreement or such other agreement.

#### Optional Assistance:

1. Advertising. We may make available to you from time-to-time advertising materials we prepare for use by THE LOOK SALON SUITES franchisees generally. (Franchise Agreement Section 8(f)).

2. Additional Training. During the term of your Franchise Agreement, we may offer additional training as we see fit or as you request. We will charge you our then-current additional training fee, currently \$500 per day per trainee plus costs and expenses. You must pay for it at the time of the training, unless alternative billing arrangements are agreed to. Also, you bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals and other living expenses you and your designee incur. While most additional training is optional, you may be required to attend the additional training and pay our associated fee. Some of the additional training requirements we might require include online and in-person training sessions. (Franchise Agreement Section 4(a)(v)).

3. Conferences and Conventions. While we are not required to do so, from time to time we may offer conferences and other training courses relating to our industry and to the conduct of the Studio. Franchisees are required to attend all conferences and other required training courses. These courses may be conducted by our employees and/or by other trainers and will address various aspects of our business and other topics of interest to franchisees. We have the right to charge you a tuition fee for each attendee, whether or not the attendee is required to attend. Additionally, you will be responsible for all transportation, lodging, food and other costs incurred by any of your attendees in attending such seminar. (Franchise Agreement Sections 11(c) & 4(a)(v)).

4. Online Presence. We may maintain a website in order to promote the Marks, or any or all of the Studios within the System. We may also develop and maintain any other type of online, internet, virtual, or digital presence (each an “Online Presence”) as we see fit. (Franchise Agreement Section 8(h)). An Online Presence includes but is not limited to (1) the website, other webpages, or domain names; (2) accounts, pages, or profiles on social media sites; social networking sites; news sites and groups; online, internet, or digital directories; video, audio, photography, and messaging services; blogs; or forums; (3) e-commerce sites or accounts; (4) digital or online advertising and marketing content and services; (5) mobile applications; (6) virtual reality platforms; (7) any identifiers of an Online Presence; or (8) a presence on any other type of online, internet, virtual, or digital tool, good, or service that may be developed. We will have the sole right to control all aspects of each Online Presence, including its design, content, functionality, links to any other Online Presence, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of any Online Presence at any time without notice to you. You may not establish or operate an Online Presence (including a website, webpage, domain name, Internet address, social media account, blog, forum, advertisement, or e-commerce site) that in any way concerns, discusses or alludes to us, the System or your Studio without our written consent. The Marks may not be used as part of, in conjunction with, to establish, or to operate any Online Presence, except as specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post any information on an Online Presence that relating to us, the System, the Marks, or the Studio that (a) does not comply with our brand, social media, or Online Presence guidelines described in the Brand Standards Manuals, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Subject to the terms of the Franchise agreement and Brand Standards Manual, we may make available for the benefit of your Studio a location-specific webpage (“Subpage”). We may, at any time, modify the Subpage program or cease to make the Subpage available to you or the public. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, we will not upload content for you, you may not use the Subpage and we may cease to make the Subpage available to you.

For any Online Presence or email address you are approved to create, use, or maintain, we reserve the right to be exercised at our option to have the Online Presence or email address directly owned by us or to require it to be transferred to us after the expiration or termination of the Franchise Agreement. We have the right to require that any Online Presence or email address we permit you to use, create or maintain be registered in our name. Upon request, you must



provide us with any login credentials for any Online Presence or email address you are authorized to use. We have the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of our policies and we may take ownership of any Online Presence upon expiration or termination of the Franchise Agreement or during the term of the Franchise Agreement and operate it as we see fit.

## INITIAL TRAINING PROGRAM

We will provide an initial training program for up to one person for the initial franchise fee. You, (or at least one of your owners if you are a corporation or partnership) or Operations Manager (as defined below), must attend. All training must be completed prior to opening your Studio and to our satisfaction. The initial training programs will be provided at our affiliate's location(s) near Raleigh, North Carolina or another location we designate. Currently the program is held on an as-needed basis. You are responsible for all of your attendees' associated travel, lodging, food, per diem expenses, and compensation during the period that they attend training. The training materials include the Brand Standards Manual, presentations, demonstrations, and hands-on experience. If you would like additional persons to attend the initial training program you must pay \$500 per day per person if more than one person attends training.

## TRAINING PROGRAM

| Subject                               | Hours of Classroom Training | Hours of On-The Job Training | Location                 |
|---------------------------------------|-----------------------------|------------------------------|--------------------------|
| Launch Session                        | .5                          | 0                            | Virtual                  |
| Site Selection                        | 1                           | 0                            | Virtual                  |
| Launch Schedule Review                | .5                          | 0                            | Virtual                  |
| Sales and Marketing                   | 1                           | 0                            | Zoom with Marketing Firm |
| Social Media                          | 1                           | 0                            | Zoom with marketing firm |
| Launch Planning and Pricing           | 1                           | 0                            | Virtual                  |
| Operational Reports                   | 1                           | 0                            | Virtual                  |
| Introduction to The Look Salon Suites | .5                          | 0                            | Raleigh, NC              |
| Location maintenance/appearance       | 1                           | 0                            | Raleigh, NC              |
| Location Operations                   | 2                           | 0                            | Raleigh, NC              |
| Basic Maintenance                     | 2                           | 0                            | Raleigh, NC              |
| QuickBooks                            | 1                           | 0                            | Raleigh, NC              |
| Cash Handling                         | 1                           | 0                            | Raleigh, NC              |

|                        |          |         |                                    |
|------------------------|----------|---------|------------------------------------|
| Accounting & Reporting | 1        | 0       | Raleigh, NC                        |
| Questions and Answers  | 1.5      | 0       | Raleigh, NC                        |
| On The Job Training    | 6        | 0       | Raleigh, NC or Franchisee Location |
| TOTALS                 | 22 Hours | 0 Hours |                                    |

The training program is provided primarily under the direction of Hardik Raval and/or Prasad Naik or member of our management team will oversee the training. All trainers will have a minimum of 1 year and 8 months experience with THE LOOK SALON SUITES business managing sales, operations, marketing and finance, and at least 8 years of experience in the real estate industry.

The instructional material for the training program may include on-line courses and material, PowerPoint presentations, pamphlets on specific subjects, handouts, and online manuals are utilized in the training program.

The initial training program must be successfully completed by all required attendees prior to opening your Studio for business. Attendees must complete the “Launch Session” and “Site Selection” portions of the initial training program within 30 days of signing the franchise agreement. The remaining initial training program shall be successfully completed after the signing of your Studio lease, but no later than 30 days prior to opening your Studio for business. Failure to successfully complete any phase of the initial training program could lead to the need to retrain on certain aspects of the initial training program at your expense and delay of your opening. Failure by you (or at least one of your owners if you are a corporation or partnership) to complete the initial training program to our satisfaction is a material breach of the Franchise Agreement and provides us with grounds to terminate the Franchise Agreement.

We do not currently, require additional training programs or refresher courses, but we have the right to do so in the future. You (or at least one of your owners if you are a corporation or partnership) Operations Manager must attend such programs, and you are responsible for the reasonable costs of such programs and for travel, lodging, and living expenses and any other costs incurred during these programs.

At least one of our representatives will spend up to one day assisting and training you at the approved Studio location before you open. For your second or subsequent Studios, we may reduce the amount of onsite training provided, in our sole discretion.

## **BRAND STANDARDS MANUAL**

The Brand Standards Manual contains mandatory and suggested specifications, standards, and procedures. It is confidential and remains our property. Your employees are to see it only on a need to know basis, subject to confidentiality agreements. We may modify this material from time to time and its modified terms are binding on you. The Brand Standards Manual currently contains a total of 83 pages. The table of contents for our Brand Standards Manual is in Exhibit L. (Franchise Agreement Section 11(i)).

We may periodically amend, update or replace the contents of the Brand Standards Manual. Beginning on the 30<sup>th</sup> day (or any longer time we specify) after our delivery of written notice, you will comply with each amended, updated, or replaced provision. Revision to the Brand Standards Manual will be made in our sole discretion.

## **ADVERTISING**

You must use only advertising materials we have approved for your use. (Franchise Agreement Section 8(d)-(e)). You may develop marketing materials for your own use at your own cost. We encourage the sharing by franchisees of marketing ideas and materials. We require you to submit marketing and promotional materials to us in advance and to obtain our approval before using them. If we do not approve of your marketing materials within 20 days after you submit them to us, then they are deemed disapproved, and you may not use such materials. You can only advertise your Studio on websites approved in advance by us. You are required to follow our instructions in connection with any marketing or promotional materials we provide for your use. (Franchise Agreement Section 8(d).)

**Brand Development Fund.** We will establish a fund to pay for a brand development program when: (i) 10 franchise units are open or (ii) on June 30, 2027, whichever occurs earlier. Such brand development fund fee will be 2% of Gross Revenues per month. We reserve the right to require you to pay up to 3% of your Gross Revenues. (Franchise Agreement Section 8(a)(ii)(A) and 8(b)).

We have the sole discretion to determine where the Brand Development Fund contributions will be spent to promote, enhance, or further the growth of THE LOOK SALON SUITES brand, studios, and System, including, but not limited to: research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, technology companies, or in-house personnel to assist in developing the THE LOOK SALON SUITES brand name; developing, evaluating, or using technologies that we believe may benefit the brand, the customers, the franchisees, or the brand's reputation; developing new curricula and new franchisee revenue sources; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; expenses incurred in developing and maintaining non-franchise sales portion of any Online Presence; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. While we do not anticipate that any part of contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Brand Development Fund for public relations or recognition of THE LOOK SALON SUITES brand, for the creation and maintenance of a website or Online Presence, a portion of which can

be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating “Franchises Available” or similar language.

We are not required to make expenditures for you that are equivalent or proportionate to your Brand Development Fund contributions or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising.

Since we have yet to establish our brand development fund, we have not collect or expended any funds from the Brand Development Fund as of our last fiscal year of operations. Our company-owned outlets are not required to contribute to the Brand Development Fund on the same basis as you. Other franchisees’ Brand Development Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay Brand Development Fund fees. We have the sole discretion to settle or forgive any accrued and unpaid Brand Development Fund contributions owed by a franchisee. Currently, the Brand Development Fund contributions are payable to us. We reserve the right to establish in the future a nonprofit corporation or other business entity to collect Brand Development Fund contributions from our franchisees. The Brand Development Fund is administered by our personnel under our direction. Unless required by state law, we are not required to provide you with any accounting of or financial statements relating to the expenditures of the Brand Development Fund. The Brand Development Fund is not audited.

Brand Development Fund monies not spent in the fiscal year in which they accrue are carried forward to cover marketing expenses in future years. Although the Brand Development Fund is intended to be perpetual, we may terminate it at any time. We will not terminate the Brand Development Fund, however, until all money in the Brand Development Fund has been spent for marketing purposes, promotional purposes, student technology purposes, or returned to the contributors of the Brand Development Fund on the basis of their respective contributions. We may have the Brand Development Fund borrow from us or other lenders to cover any Brand Development Fund deficits. We may have the Brand Development Fund invest any surplus for the Brand Development Fund’s future use.

Other Advertising by Franchisor. We may use our own funds from time to time to conduct advertising. We have no obligation to advertise the System, the brand, or your Studio. If we do undertake any advertising, we will have the sole discretion to determine products, source of advertising, and geographical markets to be included, and the medium employed. We do not have any obligation to supply you with any advertising or promotional materials produced by or for us at our sole expense.

Advisory Council. We currently do not have an advisory council composed of franchisees that advises us on advertising policies. If we form or approve an advisory council, you must participate. Any advisory council would not have decision-making power. It would be advisory only. We have the right to form, change or dissolve any advisory council.

Local Advertising Requirement. We require that you spend at least \$1,000 per month on local advertisement, until such time as at least 90% of the suites are occupied. At such time that the occupancy drops below 90% occupancy, you will be required to resume spending the minimum

required Local Advertising amount. This requirement begins the date your Studio opens. We will require that you submit documentation at least quarterly to us to verify to us that you are meeting this requirement. In the event that you spend less than \$1,000 on local advertisement, we will require that you pay the Brand Development Fund the difference between the required \$1,000 local advertising requirement and the amount you actually spent on local advertising. (Franchise Agreement Section 8(a)(ii)(B))

Grand Opening Advertising. You must spend at least \$5,000 on grand opening advertising, marketing, and promotional items during the time period that begins 60 days before you open for business and ends 60 days after. This amount will not count toward your required Local Advertising Requirements that you must spend on local advertising per month. We must approve your uses of the grand opening advertising money. You may choose to spend more money. (Franchise Agreement Section 8(a)(i)).

Local Advertising Cooperatives. While we have not yet established any local advertising cooperatives, we have the right to require that advertising cooperatives be formed, changed, dissolved, or merged. If a cooperative is formed for the region you are in (with the region being determined by us in our sole discretion), you must participate. Each local advertising cooperative would be required to adopt written governing documents. Each cooperative would determine its own voting procedures; however, each franchisee and each company-owned THE LOOK SALON SUITES Studio would be entitled to one vote in any local advertising cooperative. All members of the cooperative would contribute on the basis established by the rules and votes of the cooperative. If a Studio owned by us or our affiliates is in the cooperative, that Studio would participate on the same basis as similarly situated franchisees. The members and their elected officials would be responsible for administration of the cooperative. Advertising cooperatives would be required to prepare quarterly and annual financial statements prepared by an independent CPA which would be required to be made available to all franchisees in the advertising cooperative. Any cooperative formed is not a trust fund. We would have no fiduciary duty to you or any franchisee in connection with the collection or use of the cooperative monies or any aspect of the operation of the cooperative. The local advertising cooperative has the right to determine its own fees; however, the maximum fee that could be imposed by the local advertising cooperative is 3% of Gross Revenues. (Franchise Agreement Section 8(c)).

## **COMPUTER SYSTEMS**

You must obtain and use the Computer Systems we require from time to time. “Computer Systems” means hardware; electronics; computer systems; mobile devices; applications; software, online services, and cloud-based systems; communications links, systems, providers, and applications; robotics; automation and other technologies available now or developed in the future. We may modify specifications for and components of the Computer Systems. Our modification of specifications for the Computer Systems might require you to purchase, lease, and/or license new or modified Computer Systems and to obtain service and support for the Computer Systems. There are no limitations on the frequency or cost of your obligations to change, upgrade, and update your Computer Systems. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer Systems.

Currently, the required equipment consists of one laptop, Wi-Fi, high speed internet access, a TV monitor with our designated specifications, our approved billing management software, QuickBooks subscriptions, anti-virus subscription, Microsoft Office 360 subscription, and our designated third-part remote site access software. We estimate the initial investment for the required Computer Systems to be between \$3,000 and \$4,000 in start-up costs. We estimate that it will cost \$5,000 per year to maintain the current Computer Systems, although we do not currently require any specific maintenance program. The data generated and stored on these Computer Systems includes customer data, customer appointments and employee schedules, financial and accounting information, marketing information, business operational data, and payment information.

We will provide you with an email address so that we can send you notice and otherwise communicate via this method. As stated within Item 6, you are required to pay us an annual fee of \$120 per year, on January 1<sup>st</sup>, for this email address in order to defray our costs.

We may develop proprietary or non-proprietary Computer Systems. Accordingly, we may require that you enter into a license agreement with us or our affiliate, which may require you to pay us commercially reasonable fees and/or enter into license agreements directly with vendors. Additionally, if we enter into a license agreement with a vendor and sublicense the Computer Systems to you, we may charge you for all amounts we pay to the vendor based on your use, plus a reasonable amount to compensate us for the services that we or our affiliate provide.

Despite the fact that you must buy, use, and maintain the Computer Systems according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer Systems; (2) the manner in which your Computer Systems interface with our and any third party's computer system; and (3) any and all consequences if the Computer Systems are not properly operated, maintained, and upgraded.

We recommend that you back up your data locally, which may require you to purchase a "back-up" subscription service. We are not responsible under any circumstances for any malfunction or "crash" of the Computer Systems we require, recommend, provide, or approve, including for any Studio data lost as a result of that malfunction or "crash."

You will grant us and we will have access to the information collected by your Computer Systems. There are no other contractual limitations on our right to access your Computer Systems for this information and data. You must disclose to us any passwords or codes associated with the Computer Systems. We have the free and unfettered right to independently retrieve any data and information from your Computer Systems as we, in our sole discretion, deem appropriate.



## ITEM 12. TERRITORY

Franchise Agreement: We will grant to you a protected territory that we designate in the Franchise Rider (Attachment 1 to the Franchise Agreement) (“Territory”). Typically, that Territory will consist of the following: (i) if the estimated population within the Surrounding Area is 100,000 or less, the Territory is a two and one-half (2-1/2) mile radius from the Approved Location; (ii) if the estimated population within the Surrounding Area is more than 100,000 but less than 200,000, the Territory is a two (2) mile radius from the Approved Location; (iii) if the estimated population within the Surrounding Area is 200,000 or more but less than 300,000, the Territory is a one and one-half (1-1/2) mile radius from the Approved Location; (iv) if the estimated population within the Surrounding Area is 300,000 or more but less than 400,000, the Territory is a one (1) mile radius from the Approved Location; (v) if the estimated population within the Surrounding Area is 400,000 but less than 500,000, the Territory is a one-half (1/2) mile radius from the Approved Location; (vi) and if the estimated population within the Surrounding Area is 500,000 or more, the Territory is a one-quarter (1/4) mile radius from the Approved Location.

You will operate your Studio at an accepted location within your Territory. We reserve the right to grant you a Territory with a smaller or greater population, as mutually agreed upon by you and us. Your Territory is protected only to the extent that we will not establish, operate, or license any other person to establish or operate a brick-and-mortar THE LOOK SALON SUITES-branded Studio within your Territory, as long as you are not in default under your Franchise Agreement. If you are in default of the Franchise Agreement, among other rights we reserve, we reserve the right to modify your Territory.

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

Area Development Agreement: If you enter into the Area Development Agreement, you will receive a geographical territory as your Development Area. Your Development Area will be designated in the Area Development Agreement and is negotiated on a case-by-case basis and is based on market conditions in that geographic area. You will propose sites within the Development Area to us for your studios and we will accept or reject them in accordance with our then-current site selection standards. Under an Area Development Agreement, you will be required to open a certain number of studios in your Development Area within a specific timeframe. Your Development Area is protected only to the extent that we will not establish or operate, or license any other person to establish or operate a brick-and-mortar THE LOOK SALON SUITES-branded Studio within your Development Area.

If you fail to open the required number of studios in your Development Area within the specified timeframe, we reserve the right to offer THE LOOK SALON SUITES franchises within the Development Area. We have the right to accept the locations of all future sites under the Area Development Agreement and designate the territory associated with each site applying our then-current standards for site selection and territory designation.



Continuation of your rights as described above does not depend upon achievement of certain sales volume, market penetration or other contingency, except that if you fail to open studios in accordance with the Development Schedule in the Area Development Agreement, we may terminate the Area Development Agreement and offer the Development Area and develop or license to others the right to develop studios within the Development Area.

Your right is to operate a brick-and-mortar Studio in which you offer the services and sell products on-site. You do not have any rights to offer products and services through any other channel of distribution. Other channels of distribution include, without limitation, mail order, catalog sales, wholesaling, computer, telemarketing, other retail locations or events, kiosks, traveling carts or trucks, mobile application, social media, and/or internet marketing.

We retain the right to control all online sales. You may not advertise or market outside your Territory unless we give you prior written permission. You may not advertise or market in the territory of another THE LOOK SALON SUITES location. If you obtain our prior written permission to engage in any off-premises or out-of-Territory activities, you must follow our policies regarding them. If we grant you permission to sell goods and services outside of your Territory or off-premises, you do not gain any territory or exclusivity rights. We have the right to terminate or suspend your approval to conduct any out-of-Territory or off-premises activities.

Rights Reserved by Us: Regardless of either proximity to your Territory or your Studio, or any actual or threatened impact on sales of your Studio, we retain the right all rights not expressly granted to you, including, among others, to: (a) use the Marks and System in connection with establishing and operating THE LOOK SALON SUITES businesses at any location outside the Territory; (b) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise or product) or services anywhere in the world (including within the Territory), whether or not you also offer them, through channels of distribution other than a brick-and-mortar THE LOOK SALON SUITES-branded Studio, including, for example, mobile applications, kiosks, carts, catalogs, mail order, or the Internet or other electronic means and at limited-time events at locations within the Territory; (c) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory); and (d) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory). Although we do not presently sell products, services, or franchises other than under the trademarks, we have the right to do so. If we decide in the future to exercise any of these rights, we will not be obligated to compensate you for such sales made inside your Territory.

Miscellaneous: You may not establish more than one THE LOOK SALON SUITES business in your Territory without entering into a separate Franchise Agreement. Except as provided in your Area Development Agreement, you will have no right to acquire additional franchises or rights of first refusal. You may not relocate the business premises without our written approval, which shall be in our sole discretion. Except in cases of emergency, you must occupy the new premises and open your business in the new premises before vacating your original premises. If we do grant you the right to relocate the business premises, you will be required to pay us all costs we incur as a result of evaluating and approving or rejecting your relocate proposal. Your rights to the Territory granted under the Franchise Agreement or the Area Development Agreement are

not contingent upon achieving a certain sales volume, market penetration, nor any other contingency and cannot be altered.

### ITEM 13. TRADEMARKS

Operating Co. owns all of the trademarks used by our franchisees. By a license agreement, Operating Co. has granted TLSS FRANCHISE SYSTEM, LLC a license to use and sublicense to our franchisees all of Operating Co.'s trademarks and service marks that are or may be associated with the System ("Trademark License Agreement"). The trademarks and service marks listed below and any additional trademarks and service marks are referred to herein as the "Marks." The Trademark License Agreement grants us the right to sublicense the Marks to franchise locations. The Trademark License Agreement is perpetual unless terminated due to breach of the terms, if we decide to terminate it, or if we and Operating Co. cease to be affiliates. All rights in and goodwill from the use of our Marks ultimately accrue to Operating Co. as the trademark owner. If the Trademark License Agreement is terminated, the sublicenses with our franchisees will remain until the termination or expiration of their franchise agreements or renewal agreements. Additionally, all franchise agreements shall automatically be assigned to Operating Co. There are no other agreements currently in effect that significantly limit our rights to use or license the use to franchisees of the trademarks in any manner material to you.

Upon execution of our Franchise Agreement, we will sublicense to you the limited right to use the following Marks in the operation of your franchised business, which we have applied for registration on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

| SERIAL NO. | REGISTRATION DATE | MARK                                                                                                                                                                                                                                                                                                |
|------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 97428271   | May 25, 2022      |  The logo for The Look Salon Suites, featuring a stylized circular icon to the left of the text "THE LOOK" in a large, bold, sans-serif font, with "SALON SUITES" in a smaller, bold, sans-serif font below it. |

We do not have a federal registration for our principal trademark. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All necessary affidavits of use and renewal applications will be timely filed when they become due. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court; nor are there any pending infringement, opposition, or cancellation proceedings or material litigation, involving the above Marks. We are not aware of any superior uses or infringing uses of the Marks. If you find any similar names or marks, you must immediately notify us. Any action to be taken in that event is strictly within our discretion.

Your right to use the Marks is derived solely from Franchise Agreements entered into between you and us for the purpose of operating a THE LOOK SALON SUITES business. You must follow our rules and regulations with respect to the use of the Marks. You may not use any Proprietary Mark in connection with any business or activity, other than the business conducted by you pursuant to franchise agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us. You cannot use any of the Marks or any other marks, names, or indicia of origin that are or may be confusingly similar to the Marks as part of a corporate name or other legal name. All usage of the Marks by you and any goodwill established from this usage is to our exclusive benefit. After the termination, non-renewal, transfer, or expiration of the Franchise Agreement, you may not, except with respect to Studio businesses operated by you according to Franchise Agreements granted by us, at any time or in any manner identify yourself or any business as a franchisee or former franchisee of, or otherwise associated with, us or use in any manner or for any purpose any Proprietary Mark or other distinguishing signs of our Studios or any colorable imitation of same.

You must promptly notify us of any unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. You must promptly notify us of any claim of apparent infringement or claim of any person to rights in a similar trade name, trademark, or service Mark. We have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks or challenge your use of the Marks or make claims about unfair competition arising out of your use of the Marks. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim.

We reserve the right to substitute different Marks for use in identifying the System and the business operating under it if we, in our sole discretion, determine that substitution of different marks as Marks will be beneficial to the System. You must comply with such change, revision, or substitution and bear all expenses associated with them.

#### **ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

You do not receive the right to use an item covered by a patent, patent application or copyright registration, but you can use the proprietary information we license to you. Although we have filed no applications for a copyright registration for the Brand Standards Manuals or for our curriculum or any code, we claim a copyright and the information is proprietary.

You must strictly limit your employees' access to the trade secrets, proprietary information, and confidential information (collectively, "Confidential Information"). You must share Confidential Information with them only to the extent they have a "need to know" to perform their jobs. All persons to whom you grant access to the Brand Standards Brand Standards Manual or any other Confidential Information, any person who attends any training program we conduct must sign our form of confidentiality agreement. If you are a partnership, limited liability company or corporation, all of your owners, officers, or directors and any of these individuals' spouses will sign a form of the confidentiality provisions. You must use the Confidential Information only in

the manner required by us. You must fully and strictly comply with all security measures required by us for maintaining the confidentiality of the Confidential Information.

If you or your owners, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, formulas, products, packaging or other concepts and features relating to THE LOOK SALON SUITES business operations, business practices or the training (“Innovations”), you (or they) will be deemed to have assigned all of your (or other) rights, title and interests in the Innovations, including any intellectual property rights, to us. You and your owners, officers, managers and employees also must cooperate with us in connection with protecting the Innovations, including executing any and all instruments and do any and all acts necessary to establish our ownership of the Innovations.

If you reproduce any items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use the Confidential Information only in the manner required by us and in no other manner. This information is strictly confidential, and you may not disclose to any person, or use any of that information for any purposes, except disclosure to a person who has signed and delivered to us a confidentiality agreement and only as necessary in connection with the operation of your Studio. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets.

You will not have the exclusive right to use the Innovations or any of our patents or patent applications, copyrights or Confidential Information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the Confidential Information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the Confidential Information is limited and temporary. Upon expiration, non-renewal, transfer, or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights or the Confidential Information in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the Confidential Information. We or our affiliate will decide, with sole discretion, whether to institute any action in connection with infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the Confidential Information, and will control any proceedings and litigation. Neither we nor our affiliate are required to protect your right to use the Innovations, the patents or patent applications, the copyrights or the Confidential Information. We will not indemnify you for losses arising out of your use misuse of the Innovations, patents or patent applications, copyrights, or Confidential Information. There are no material determinations of any administrative body or court, no pending proceedings in any administrative body or court, nor any agreements that limit our ability to license any patents or copyrights to you. We do not know of any patent or copyright infringement that could materially affect you.

We or our affiliate may, with sole discretion, modify or discontinue use of the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the Confidential Information and/or use other information and/or rights in their place. If we decide to do so, you must do so also, at your expense.

During the term of the Franchise Agreement, you must maintain, to the extent collected, a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers who supply you this information ("Customer List"). You must provide the Customer List to us upon request. The Customer List will be our property at all times, and you must not disclose the Customer List to any person or entity other than us, or sell the Customer List (or any portion of it) to any person or entity without our express written consent.

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

You must act as the general manager of the Business with responsibility for direct, on-premises supervision of the Business. You (or your managing owner) must devote full time and efforts to the management and supervision of the Business. You may, however, delegate the day-to-day operation of your Studio to a manager ("Operations Manager"). We must approve your Operations Manager and your Operations Manager must successfully complete our initial training program before assuming any managerial responsibility. The Operations Manager must execute a confidentiality and non-competition agreement similar to the one you will execute if you purchase a franchise from us. Your Studio must, at all times, be staffed with at least one individual who has successfully completed our initial training program. In the event that you operate more than one Studio, you must have a properly trained Operations Manager who has been approved by us at each location. You must keep us informed at all times of the identity of any employees acting as Operations Managers of a Studio, and any change in their employment status. We do not require that your Operations Manager have any equity in the franchisee entity or receive any percentage of your revenues or profits.

If you are a legal or business entity, each individual who has any ownership interest in your business, directly or indirectly, must sign the guaranty and the nondisclosure and noncompetition Agreement. Additionally, your spouse, or, if you are a legal or business entity, the spouses of your owners must sign the guaranty and nondisclosure and noncompetition agreement. By signing both the nondisclosure and noncompetition agreement and the guaranty, you (or each of your owners) agree to be bound by the restrictive covenants, the confidentiality provisions and certain other provisions contained in the Franchise Agreement.

All personnel employed by you in connection with the operation of your THE LOOK SALON SUITES Studio must maintain the professional standards we require. All personnel must wear uniforms or other clothing approved by us.

You are responsible for ensuring that your employees comply with the brand standards. The people you retain to work in your Studio will be your agents and employees. They are not our agents or employees and we are not a joint employer of such persons. You will be solely responsible for recruiting and hiring the persons you employ to operate the Studio and must

determine whom to hire, how many people to hire, retain, and train, and how you will compensate such persons. You are responsible for your employees' and agents' training, wages, taxes, benefits, safety, schedules, work condition, assignments, discipline, and termination. You must comply with all applicable employment laws. We will not operate your Studio, direct your employees, or oversee your employment policies or practices.

You must keep your THE LOOK SALON SUITES Studio open to the public during the hours we designate in the Brand Standards Manual.

You, if the Franchisee is an individual, or the shareholders, officers, directors, partners, and members, if the Franchisee is a legal entity, and all such persons' spouses, must sign our form of non-competition and non-disclosure agreements, as well as personal guarantees of performance in which they will guarantee the performance of the Studio's obligations to us. We may also require that your Operations Manager sign non-competition and non-disclosure agreements in the form we require. All of your employees, contractors, or agents who have access to our confidential information must sign non-disclosure agreements in the form we require.

All owners, officers, and owners' spouses must sign our form of non-competition, non-solicit, and non-disclosure agreements. Owners and spouses will sign personal guarantees.

#### **ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

Under the Franchise Agreement, you will offer to license salon studio spaces, rooms, or studios to salon professionals for only those services that are authorized and approved by us. You must offer and sell all and only services and products we require, as we periodically revise at our sole discretion. This also prohibits you from offering any other services or products, as periodically revised, without first obtaining our written permission. You may not lease studios to massage parlors, CBD or vape shops, or any other business activity other than salon suites or goods and services that we authorize. We impose these requirements to control the quality and uniformity of the services and goods you and other franchisees may offer through use of our trade name and trademarks. We have the right to add and delete items from the list of approved products and services. There are no limits on our right to make these changes. We reserve the right to charge you a fine up to \$1,000 per occurrence if you sell unapproved services or products, or if you fail to follow our system standards. We reserve the right to establish maximum prices which may be charged based on an analysis of the market and to facilitate advertising and competitive strategies.

THE LOOK SALON SUITES franchise relates to the retail operation of leasing luxury turnkey salon studio spaces to salon professionals under our unique Marks and trade dress at a specified approved brick and mortar location. You do not have any rights to offer products and services through any other channel of distribution. Other channels of distribution include, without limitation, mail order, catalog sales, wholesaling, computer, telemarketing, other retail locations or events, kiosks, traveling carts or trucks, mobile application, social media, and/or internet marketing.

You must participate in any and all membership programs that we create, offer or advertise. Participation will involve honor the terms and conditions, including prices, we may set. Through



the membership program, customers may be entitled to a discount on products and services. You will not be entitled to receive payment or be reimbursed for any discounts on products or services offered through the membership program.

You will be obligated to offer and sell those new services and products, and to participate in all local, regional, and promotional program initiatives and campaigns, including membership programs and loyalty programs, adopted by us in which we require you to participate. There is no limit on the number of promotions you may be required to offer during a year or on the amount you would be required to spend. You will not receive any credits or offsets for campaign participation. We have the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or services or to participate in those programs, initiatives and campaigns.

*[Remainder of this page is intentionally left blank]*

## **ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**This table lists certain important provisions of the franchise, and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

### **THE FRANCHISE RELATIONSHIP**

**TABLE 17A: FRANCHISE AGREEMENT**

| <b>PROVISION</b>                    | <b>SECTION IN AGREEMENT</b>      | <b>SUMMARY</b>                                                                 |
|-------------------------------------|----------------------------------|--------------------------------------------------------------------------------|
| a. Length of the franchise term     | Franchise Agreement § 2(a)       | Initial term is 10 years from the date that you sign your Franchise Agreement. |
| b. Renewal or extension of the term | Franchise Agreement § 2(b) - (d) | One 10-year renewal term provided you remain a franchisee in good standing.    |



| PROVISION                                         | SECTION IN AGREEMENT                           | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| c. Requirements for franchisee to renew or extend | Franchise Agreement §§ 2(b) & (c)              | You must be in good standing and exercise your option within a window of time. You must provide notice of intention to renew at least nine months prior to the expiration of each term. You must agree to the terms of the Franchise Agreement then being offered, make required upgrades to your Studio, secure a sufficiently long lease term, sign a release, attend training, and pay your renewal fee of \$10,000. Upon each renewal, you may be asked to sign a contract with materially different terms and conditions than your original contract. The royalty rate and protected Territory could be different.  |
| d. Termination by franchisee                      | Franchise Agreement §§ 2(d) and 17(e)          | For cause, if we breach a material provision of the contract and fail to cure 90 days after written notice then you can terminate with 30 days' notice if you are compliant with the terms of your agreement.                                                                                                                                                                                                                                                                                                                                                                                                            |
| e. Termination by franchisor without cause        | Not Applicable                                 | We cannot terminate except for cause.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| f. Termination by franchisor with cause           | Franchise Agreement §§ 17(a), 17(b), and 17(c) | <p>Section 17(a) describes cause for automatic termination. Section 17(b) describes cause for termination upon notice. Section 17(c) describes causes for termination if you fail to cure the default after receiving notice.</p> <p>A default under any Franchise Agreement will be a default under all Franchise Agreements with us.</p> <p>The laws of your state may provide additional rights to you concerning termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control. Upon termination with cause, we will have a step-in right.</p> |

| PROVISION                                      | SECTION IN AGREEMENT                   | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| g. “Cause” defined—defaults which can be cured | Franchise Agreement § 17(c)            | <p>Noncompliance; failure to timely open, obtain lease, or identify a site; non-payment; unauthorized transfers; threats to public health, safety or sanitation law violations; misuse of the System or Marks; evidence of crime; under-reporting; failure to maintain a good credit rating; failure to provide service in compliance with standards; failure to have sufficient funds in account; failure to maintain at least 80% occupancy of studios after the first 12 months of commencement of your franchised business.</p> <p>Unless we have been through this 2 times already within 12 months or 3 times in a 3-year period, you have 15 days to totally cure after we deliver you a notice of default.</p> <p>A default under any Franchise Agreement will be a default under all Franchise Agreements with us.</p>                                                                                                                                                                                                                                                                                                                                                                    |
| h. “Cause” defined non-curable defaults        | Franchise Agreement §§ 17(a) and 17(b) | <p>Abandonment; loss of right to the premises or to do business; unauthorized transfers; criminal convictions; failure to transfer upon death or disability; 2 defaults within 12 months or 3 defaults in 3 years; material misrepresentations; failure to comply with covenants; false records or submissions; impair the value of the Chain, Marks, or System; liability for discrimination; dishonest dealings with employees; repeated defaults within 6 months; failures of Franchisee and the Operations Manager to satisfy pre-opening obligations; loss of a required license; commencing operations without our approval; operating under unapproved trademarks; bankruptcy, receivership, attachment and the like. A provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, U. S. Code Section 101; unauthorized leasing of studios to massage parlors, CBD or vape shops, or any unauthorized leasing of studios for services and goods that are not approved or authorized by us.</p> <p>A default under any Franchise Agreement will be a default under all Franchise Agreements with us.</p> |

| PROVISION                                              | SECTION IN AGREEMENT                  | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. Franchisee's obligations on termination/non-renewal | Franchise Agreement §§ 14, 15, and 18 | Cease operations; cease using the System, Marks, and proprietary information; return our property; cancel assumed names; cooperate with our lease assignment rights; pay all sums owed to us; pay damages and costs associated with the termination; if we exercise our rights under a Collateral Assignment of Lease, take all necessary steps to assign the lease and all rights, interest, and title under the lease; cooperate with our purchase rights; assign us phone numbers and other accounts; comply with the covenants against unfair competition and protect our trade secrets.                                                                                                                                                                                                                    |
| j. Assignment of contract by franchisor                | Franchise Agreement § 13(a)           | We may freely assign our rights and duties under the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| k. "Transfer" by franchisee -definition                | Franchise Agreement § 13(b)           | The definition of transfer includes issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation share exchange, and transfer by operation of law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| l. Franchisor's approval of transfer by franchisee     | Franchise Agreement § 13(c)(ii)       | Our prior written approval is required for all transfers. The franchise can be terminated for non-compliance. We will not unreasonably withhold approval.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| m. Conditions for Franchisor's approval of transfer    | Franchise Agreement § 13(d)           | Transferee must attend and successfully complete our training and execute the Franchise Agreement and collateral agreements in the then-current form. Transferee must refurbish the Studio to our then-current specifications and provide required information. You must release us of all claims. Guarantees and share restriction agreements are required if transfer is to a corporation or LLC. You must offer us a 45 day right of first refusal. You must pay us a transfer fee of \$15,000 plus any broker fees. A purchaser must have a credit rating, moral character, reputation and business qualifications satisfactory to us, and must meet all then current requirements of new franchisees. Exiting owners and franchisees must continue to comply with covenants under the franchise agreement. |

| PROVISION                                                               | SECTION IN AGREEMENT             | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| n. Franchisor's right of first refusal to acquire franchisee's business | Franchise Agreement § 13(c)(i)   | 45 days. We may assign it to another. We may substitute value for cash.                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| o. Franchisor's option to purchase franchisee's business                | Franchise Agreement: § 18(j)-(l) | We have a 45-day option to purchase your assets upon termination or expiration of the Franchise Agreement for book value.<br><br>Upon termination you may have to assign your lease and phone numbers to us without compensation.                                                                                                                                                                                                                                                                             |
| p. Franchisee's death or disability                                     | Franchise Agreement § 13(g)      | Your interest must be transferred to an approved transferee within 6 months after your death or disability.                                                                                                                                                                                                                                                                                                                                                                                                   |
| q. Non-competition covenants during the term of the franchise           | Franchise Agreement § 14(a)      | You must not own or otherwise engage in any business that derives 25% or more of its gross revenue from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business. You will be required to get your managerial staff to agree to follow this same covenant, including non-solicit covenants.                                                                                                                              |
| r. Non-competition covenants after the franchise is terminated/ expires | Franchise Agreement § 14(b)      | For 2 years after termination or expiration of the Franchise Agreement, you must not own or engage in any business that derives 25% or more of its gross revenue from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business within 20 miles of your Studio or any THE LOOK SALON SUITES location. You will be required to get your managerial staff to enter into the same covenant, including non-solicit covenants. |
| s. Modification of the agreement                                        | Franchise Agreement § 23(e), (q) | We reserve the right to amend the Franchise Agreement if a Franchise Agreement change is agreed to by 70% of the then-current franchisees. Otherwise no modifications to the Franchise Agreement other than in writing.                                                                                                                                                                                                                                                                                       |

| PROVISION                                         | SECTION IN AGREEMENT                   | SUMMARY                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| t. Integration/<br>merger clause                  | Franchise Agreement § 23(c)            | Only the terms of the Franchise Agreement, as applicable, are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.<br><br>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 | Franchise Agreement § 21(a)            | Except for certain claims, all disputes not first settled informally or by mediation must be arbitrated in Raleigh, North Carolina, under rules of the American Arbitration Association.                                                                                                                                                                                                                                    |
| v. Choice of forum                                | Franchise Agreement §§ 21(a), (b), (h) | Arbitration in Raleigh, North Carolina; North Carolina courts (if any), which provision is subject to the subjectivity of individual state laws.                                                                                                                                                                                                                                                                            |
| w. Choice of law                                  | Franchise Agreement § 21(h)            | North Carolina law, except federal Lanham Act and federal Arbitration Act, which choice of law is subject to the subjectivity of individual state laws.                                                                                                                                                                                                                                                                     |

**TABLE 17B: AREA DEVELOPMENT AGREEMENT**

| Provision                                         | Section in Area Development Agreement | Summary                                                                                                 |
|---------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------|
| (a) Length of the Area Development Agreement term | Section 1                             | The term of the Area Development Agreement varies based on the number of Studios you desire to develop. |
| (b) Renewal or extension of the term              | Not applicable                        | Not applicable.                                                                                         |
| (c) Requirements for you to renew or extend       | Not applicable                        | Not applicable.                                                                                         |
| (d) Termination by you                            | Not applicable                        | Not applicable.                                                                                         |
| (e) Termination by us without cause               | Not applicable                        | We cannot terminate except for cause.                                                                   |

| Provision                                                 | Section in Area Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (f) Termination by us with cause                          | Section 9                             | We may terminate your Area Development Agreement for the causes listed in these sections. Termination under the Area Development Agreement will constitute a termination under any Franchise Agreement if the basis for such termination under the Area Development Agreement is also a basis for termination under the terms of the Franchise Agreement. Termination of a Franchise Agreement will result in the termination of your Area Development Agreement.                                                                                                                                                                                                                                                                                                                                                                        |
| (g) “Cause” defined – curable defaults which can be cured | Section 9.2                           | We can terminate if you have failed to cure any material breach of the Area Development Agreement within 15 days after receiving notice of that breach from us; Failure to comply with all federal, state, and local laws, rules or regulations; You attempt to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under the Area Development Agreement; You are in default of any Franchise Agreement between you and us. Termination under the Area Development Agreement will constitute a termination under any Franchise Agreement if the basis for such termination under the Area Development Agreement is also a basis for termination under the terms of the Franchise Agreement. Termination of a Franchise Agreement will result in the termination of your Area Development Agreement. |

| Provision                                       | Section in Area Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (h) “Cause” defined – non-curable defaults      | Section 9.1                           | <p>The Area Development Agreement automatically terminates for certain causes, including, but not limited to, a bankruptcy judgment against you, the commencement of an involuntary bankruptcy filing against you, or the termination of substantially all of your business operations. We have the right to terminate the Area Development Agreement upon notice to you for certain causes, including, but not limited to, your failure to open and operate the Studios in accordance with the Area Development Agreement, your attempt to assign the agreement without our consent; material misrepresentations; and our termination of a Franchise Agreement.</p> <p>Termination under the Area Development Agreement will constitute a termination under any Franchise Agreement if the basis for such termination under the Area Development Agreement is also a basis for termination under the terms of the Franchise Agreement. Termination of a Franchise Agreement will result in the termination of your Area Development Agreement.</p> |
| (i) Your obligations on termination/non-renewal | Section 9.4                           | Upon termination, your rights under the area development agreement are extinguished, and we can operate or permit others to operate Studios in your Territory.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| (j) Assignment of franchise agreement by us     | Section 6.1                           | No restrictions on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| (k) “Transfer” by you – defined                 | Section 6.2                           | Your assignment or transfer of the Area Development Agreement or any of your rights under Area Development Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| (l) Our approval of transfer by you             | Section 6.2                           | We have the right to approve any transfer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| (m) Conditions for our approval of transfer     | Section 6.2                           | You must obtain prior written approval from us and the proposed transferee must meet all of our then-current requirements for our Franchise Agreement and agree to be bound by your obligations under the Franchise and Area Development Agreements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |



| Provision                                                                  | Section in Area Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (n) Our right of first refusal to acquire your business                    | Not applicable.                       | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| (o) Our option to purchase your business                                   | Not applicable.                       | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| (p) Your death or disability                                               | Not applicable.                       | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| (q) Non-competition covenants during the term of the franchise             | 7.1                                   | You must not own or otherwise engage in any business that derives 25% or more of its gross revenue from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business. You will be required to get your managerial staff to agree to follow this same covenant, including non-solicit covenants.                                                                                                                                                                                                                                      |
| (r) Non-competition covenants after the franchise is terminated or expires | 7.2                                   | For 2 years after termination or expiration of the Area Development Agreement, you must not own or engage in any business that derives 25% or more of its gross revenue from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business in the Development Area and the territories or development area of other franchisees, Franchisor or Franchisor's affiliates operate any THE LOOK SALON SUITES studios. You will be required to get your managerial staff to enter into the same covenant, including non-solicit covenants. |
| (s) Modification of the agreement                                          | Not applicable.                       | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| (t) Integration/merger clause                                              | Section 12.7                          | Only the terms of the Franchise Agreement and Area Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document, Franchise Agreement and Area Development Agreement may not be enforceable.<br><br>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 Area Development Agreement | Summary                                                                                                                                                                                  |
|----------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (u) Dispute resolution by arbitration or mediation | Section 11                            | Except for certain claims, all disputes not first settled informally or by mediation must be arbitrated in Raleigh, North Carolina, under rules of the American Arbitration Association. |
| (v) Choice of forum                                | Section 11                            | Arbitration in Raleigh, North Carolina; North Carolina courts (if any), which provision is subject to the subjectivity of individual state laws.                                         |
| (w) Choice of law                                  | Section 12.6                          | North Carolina law, except federal Lanham Act and federal Arbitration Act, which choice of law is subject to the subjectivity of individual state laws.                                  |

Refer to the state law addendums in Exhibit D for information specific to the laws of your state.

## **ITEM 18. PUBLIC FIGURES**

We use no public figures to promote the franchise.

## **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This Item sets forth certain actual historical information regarding the performance of the affiliate-owned THE LOOK SALON SUITES studio operated in Raleigh, North Carolina (“Representative Studio”) which began limited operations in January 2023, but officially commenced operation full-time upon opening on February 1, 2023. The Representative Studio is owned solely by our affiliate Operating Co. and has been open and operating as a business focused on leasing salon suites to salon professionals. The affiliate-owned and operated THE LOOK SALON SUITES studio included in this financial performance representation is substantially similar to THE LOOK SALON SUITES Studio for which we are offering franchises in this disclosure document. The Representative Studio is comprised of 18 suites (16 single suites and 2 double suites).

## **FINANCIAL RESULTS**

The following Table 1 shows the profit and loss statement by month of the Representative Studio from January 1, 2023 – April 30, 2024.

**Table 1**

| <b>Profit and Loss by Month from January 2023 – April 2024</b> |                |                  |                |                 |                |                      |                |                    |                             |                               |
|----------------------------------------------------------------|----------------|------------------|----------------|-----------------|----------------|----------------------|----------------|--------------------|-----------------------------|-------------------------------|
|                                                                | Gross Sales    | Rent             | Marketing      | Other Expenses  | Insurance      | Supplies & Materials | Technology     | Royalty Fee (5.5%) | Brand Development Fund (2%) | Adjusted Discretionary Income |
| <b>Jan 2023</b>                                                | 335            | (1,369)          | (1,197)        | (330)           | (181)          | (210)                | (71)           | (18)               | (7)                         | (3,048)                       |
| <b>Feb 2023</b>                                                | 10,932         | (1,369)          | (892)          | (1,400)         | (181)          | (627)                | (84)           | (601)              | (219)                       | 4,724                         |
| <b>Mar 2023</b>                                                | 26,617         | (8,639)          | (429)          | (1,322)         | (181)          | (117)                | (653)          | (1,464)            | (532)                       | 12,582                        |
| <b>Apr 2023</b>                                                | 24,203         | -                | (436)          | (1,664)         | (181)          | (34)                 | (21)           | (1,331)            | (484)                       | 19,380                        |
| <b>May 2023</b>                                                | 27,794         | (10,038)         | (285)          | (2,423)         | (181)          | (353)                | (31)           | (1,529)            | (556)                       | 12,258                        |
| <b>Jun 2023</b>                                                | 28,897         | (10,038)         | (363)          | (1,731)         | (181)          | (501)                | (52)           | (1,589)            | (578)                       | 13,073                        |
| <b>Jul 2023</b>                                                | 24,080         | (10,038)         | (481)          | (2,178)         | (213)          | (212)                | (214)          | (1,324)            | (482)                       | 8,601                         |
| <b>Aug 2023</b>                                                | 25,965         | (10,038)         | (28)           | (1,823)         | (213)          | (126)                | (609)          | (1,428)            | (519)                       | 11,053                        |
| <b>Sep 2023</b>                                                | 24,960         | (10,038)         | (537)          | (2,544)         | (213)          | 66                   | (103)          | (1,373)            | (499)                       | 9,201                         |
| <b>Oct 2023</b>                                                | 26,037         | (10,038)         | (203)          | (1,552)         | (184)          | (75)                 | (64)           | (1,432)            | (521)                       | 11,871                        |
| <b>Nov 2023</b>                                                | 23,614         | (10,038)         | (207)          | (1,825)         | (184)          | (41)                 | (668)          | (1,299)            | (472)                       | 8,814                         |
| <b>Dec 2023</b>                                                | 23,774         | (10,038)         | (298)          | (2,074)         | (184)          | (141)                | (65)           | (1,308)            | (475)                       | 9,062                         |
| <b>FY 2023</b>                                                 | <b>267,209</b> | <b>(91,677)</b>  | <b>(5,355)</b> | <b>(20,864)</b> | <b>(2,277)</b> | <b>(2,372)</b>       | <b>(2,634)</b> | <b>(14,697)</b>    | <b>(5,344)</b>              | <b>117,571</b>                |
| <b>Jan 2024</b>                                                | 29,357         | (10,038)         | (466)          | (1,961)         | (184)          | (38)                 | (147)          | (1,615)            | (587)                       | 13,752                        |
| <b>Feb 2024</b>                                                | 27,332         | (10,038)         | (359)          | (1,030)         | (184)          | -                    | (95)           | (1,503)            | (547)                       | 13,277                        |
| <b>Mar 2024</b>                                                | 27,669         | (9,537)          | (513)          | (2,029)         | (184)          | (106)                | (65)           | (1,522)            | (553)                       | 13,093                        |
| <b>Apr 2024</b>                                                | 27,732         | (10,450)         | (651)          | (1,459)         | (184)          | (7)                  | (72)           | (1,525)            | (555)                       | 12,610                        |
| <b>YTD 2024</b>                                                | <b>112,090</b> | <b>(40,062)</b>  | <b>(1,989)</b> | <b>(8,860)</b>  | <b>(735)</b>   | <b>(150)</b>         | <b>(5,879)</b> | <b>(6,165)</b>     | <b>(2,242)</b>              | <b>44,852</b>                 |
| <b>Last 12 Months</b>                                          | <b>317,213</b> | <b>(120,362)</b> | <b>(4,390)</b> | <b>(25,998)</b> | <b>(2,288)</b> | <b>(1,533)</b>       | <b>(2,184)</b> | <b>(17,447)</b>    | <b>(6,344)</b>              | <b>136,666</b>                |

Notes to Table 1:

1. Gross Sales: For purposes of this chart “Gross Sales” means total revenue derived from the operation of the Studio, including, but not limited to, revenue from services rendered by the Studio and products sold by the Studio, whether from sales for cash or credit and regardless of the collection thereof. Gross Sales does not include sales taxes.

2. Expenses: You must consider your franchised business's required Royalty Fees, Brand Fund contributions, and other required spending as part of its expected operating expenses. Under the Franchise Agreement, you are required to pay us a Royalty Fee in the amount the greater of 5.5% of Gross Revenue or \$1,000, contribute to the Brand Fund in the amount of 2% of Gross Revenues (currently the Brand Fund has not been established, we serve the right to establish the Brand Fund once 10 units are open or by June 30, 2027, whichever occurs first), and spend at least \$1,000 per month on local advertising until you have reached 90% occupancy of your studios. The Representative Studio has imputed the Royalty Fee at 5.5% Gross Revenues and the Brand Development Fund at 2% of Gross revenues but does not make these or other fees payments that you may be required to spend on behalf of your franchised business.
3. Rent: Rent for April 2023, was paid in advance during 2022, therefore rent has been listed as \$0 for the month of April 2023. The Representative Studio was developed from a cold shell building, and therefore the Representative Studio's actual expense was less, due to receipt of increase tenant improvement funds. If you develop a second generation building, your rent costs may be more or less than the Representative Studio's rent costs.
4. Other Expenses: Other expenses include cleaning fees, utilities, repairs & maintenance, miscellaneous costs, and facility management.
5. Insurance: Insurance is paid annually in the amount of \$2,300 and has been divided by 12 and listed in equal amounts for each month.

The following Table 2 provides information regarding the Representative Studio's square footage, average revenue per square foot, number of suites, average monthly revenue per suite, and the occupancy rate by month from January 1, 2023 – April 30, 2024.

**Table 2**

| <b>The Representative Studio Location Metrics</b> |                   |                                  |                         |                                      |                       |
|---------------------------------------------------|-------------------|----------------------------------|-------------------------|--------------------------------------|-----------------------|
|                                                   | <b>Square Ft.</b> | <b>Avg Revenue per Square Ft</b> | <b>Number of Suites</b> | <b>Avg Monthly Revenue per Suite</b> | <b>Occupancy Rate</b> |
| <b>Jan 2023</b>                                   | 3,650             | \$0                              | 18                      | \$19                                 | 0%                    |
| <b>Feb 2023</b>                                   | 3,650             | \$3                              | 18                      | \$607                                | 76%                   |
| <b>Mar 2023</b>                                   | 3,650             | \$7                              | 18                      | \$1,479                              | 90%                   |
| <b>Apr 2023</b>                                   | 3,650             | \$7                              | 18                      | \$1,345                              | 100%                  |
| <b>May 2023</b>                                   | 3,650             | \$8                              | 18                      | \$1,544                              | 100%                  |
| <b>Jun 2023</b>                                   | 3,650             | \$8                              | 18                      | \$1,605                              | 100%                  |
| <b>Jul 2023</b>                                   | 3,650             | \$7                              | 18                      | \$1,338                              | 100%                  |
| <b>Aug 2023</b>                                   | 3,650             | \$7                              | 18                      | \$1,443                              | 90%                   |
| <b>Sep 2023</b>                                   | 3,650             | \$7                              | 18                      | \$1,387                              | 100%                  |
| <b>Oct 2023</b>                                   | 3,650             | \$7                              | 18                      | \$1,447                              | 100%                  |
| <b>Nov 2023</b>                                   | 3,650             | \$6                              | 18                      | \$1,312                              | 100%                  |
| <b>Dec 2023</b>                                   | 3,650             | \$7                              | 18                      | \$1,321                              | 94%                   |
| <b>FY 2023</b>                                    | <b>3,650</b>      | <b>\$73</b>                      | <b>18</b>               | <b>\$14,845</b>                      | <b>96%</b>            |
| <b>Jan 2024</b>                                   | 3,650             | \$8                              | 18                      | \$1,631                              | 94%                   |
| <b>Feb 2024</b>                                   | 3,650             | \$7                              | 18                      | \$1,518                              | 94%                   |
| <b>Mar 2024</b>                                   | 3,650             | \$8                              | 18                      | \$1,537                              | 100%                  |
| <b>Apr 2024</b>                                   | 3,650             | \$8                              | 18                      | \$1,541                              | 100%                  |
| <b>YTD 2024</b>                                   | <b>3,650</b>      | <b>\$31</b>                      | <b>18</b>               | <b>\$6,227</b>                       | <b>97%</b>            |
| <b>Last 12 Months</b>                             | <b>3,650</b>      | <b>\$87</b>                      | <b>18</b>               | <b>\$17,623</b>                      | <b>98%</b>            |

Notes to Table 2:

1. Square Feet: the square feet disclosed above is 3,650 for the Representative Studio, we recommend that your studio is between 4,350 square feet and 5,744 square feet, the Representative Studio is otherwise similar.
2. Average Revenue per Square Foot: is calculated by dividing the Gross Sales of the Representative Studio by the square feet of the Representative Business.
3. Average Monthly Revenue Per Suite: is calculated by dividing the monthly Gross Sales by the Number of Suites of the Representative Studio.

4. Occupancy: is calculated by dividing the number of suites occupied by the total number of available suites. Occupancy shown is based on reported occupancy as of June 30, 2023.

**Some outlets have sold or earned this amount. Your individual results may differ. There is no assurance you will sell or earn as much. Written substantiation for the financial performance representation will be made available to you upon request.**

Other than the preceding financial performance representations, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our CEO, in writing at 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For Years 2022 to 2024 \*\*\***

| <b>OUTLET TYPE</b>   | <b>YEAR</b> | <b>OUTLETS AT THE START OF THE YEAR</b> | <b>OUTLETS AT THE END OF THE YEAR</b> | <b>NET CHANGE</b> |
|----------------------|-------------|-----------------------------------------|---------------------------------------|-------------------|
| <b>Franchised</b>    | 2022        | 0                                       | 0                                     | 0                 |
|                      | 2023        | 0                                       | 0                                     | 0                 |
|                      | 2024        | 0                                       | 1                                     | +1                |
| <b>Company Owned</b> | 2022        | 0                                       | 0                                     | 0                 |
|                      | 2023        | 0                                       | 1                                     | +1                |
|                      | 2024        | 0                                       | 1                                     | 0                 |
| <b>Total Outlets</b> | 2022        | 0                                       | 0                                     | 0                 |
|                      | 2023        | 0                                       | 1                                     | +1                |
|                      | 2024        | 1                                       | 2                                     | +1                |

\*\*\* Our fiscal year is July 1 to June 30. The years referenced in each table reflect the periods from July 2021 to June 2022; July 2022 to June 2023; and July 2023 to June 2024.



**Table 2**  
**Transfers from Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2022, 2023, and 2024**

| STATE          | YEAR | NUMBER OF TRANSFERS |
|----------------|------|---------------------|
| North Carolina | 2022 | 0                   |
|                | 2023 | 0                   |
|                | 2024 | 0                   |
| Totals         | 2022 | 0                   |
|                | 2023 | 0                   |
|                | 2024 | 0                   |

**Table 3**  
**Status of Franchised Outlets**  
**For Years 2022 to 2024**

| STATE          | YEAR | OUTLETS AT START OF YEAR | OUTLETS OPENED | TERM-IN ATIONS | NON-RENE WALS | OUTLETS REACQUIRED BY FRANCHISOR | CEASED OPERATIONS— OTHER REASONS | OUTLETS AT END OF THE YEAR |
|----------------|------|--------------------------|----------------|----------------|---------------|----------------------------------|----------------------------------|----------------------------|
| North Carolina | 2022 | 0                        | 0              | 0              | 0             | 0                                | 0                                | 0                          |
|                | 2023 | 0                        | 0              | 0              | 0             | 0                                | 0                                | 0                          |
|                | 2024 | 0                        | 1              | 0              | 0             | 0                                | 0                                | 1                          |
| Totals         | 2022 | 0                        | 0              | 0              | 0             | 0                                | 0                                | 0                          |
|                | 2023 | 0                        | 0              | 0              | 0             | 0                                | 0                                | 0                          |
|                | 2024 | 0                        | 1              | 0              | 0             | 0                                | 0                                | 1                          |

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2022 to 2024**

| STATE          | YEAR | OUTLETS AT START OF YEAR | OUTLETS OPENED | OUTLETS REACQUIRED FROM FRANCHISEE | OUTLETS CLOSED | OUTLETS SOLD TO FRANCHISEE | OUTLETS AT END OF THE YEAR |
|----------------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| North Carolina | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|                | 2023 | 0                        | 1              | 0                                  | 0              | 0                          | 1                          |
|                | 2024 | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
| Totals         | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|                | 2023 | 0                        | 1              | 0                                  | 0              | 0                          | 1                          |
|                | 2024 | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |

**Table 5**  
**Projected Openings as of June 30, 2024**  
**For the Fiscal Year Beginning July 1, 2024**

| STATE          | FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED | PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR | PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR |
|----------------|---------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| Florida        | 0                                                 | 1                                                        | 0                                                           |
| Massachusetts  | 0                                                 | 1                                                        | 0                                                           |
| North Carolina | 1                                                 | 2                                                        | 2                                                           |
| Ohio           | 0                                                 | 1                                                        | 0                                                           |
| <b>TOTALS</b>  | <b>1</b>                                          | <b>5</b>                                                 | <b>2</b>                                                    |

Among the attached Exhibits you will find:

Exhibit B-1 STUDIO DIRECTORY/Listing of Current Franchisees lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of the Effective Date.

Exhibit B-2 LISTING OF CERTAIN PAST FRANCHISEES lists the name, city, state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this FDD. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

Within the past three years, we have not signed any confidentiality agreements with our franchisees limiting their communication with you.

## **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit C are our audited financial reports for the period ending June 30, 2024, and July 24, 2023. Because we have not been franchising for 3 years or more, we do not have 3 years of audited financial statements. Our fiscal year ends June 30.

## **ITEM 22. CONTRACTS**

A copy of the following contracts or documents are also attached as Exhibits hereto:

- Exhibit A THE LOOK SALON SUITES FRANCHISE AGREEMENT with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), Attachment 5 (Nondisclosure and Noncompetition Agreement), and Attachment 6 (Nondisclosure and Non-solicitation Agreement)
- Exhibit F-1 Sample General Release Agreement
- Exhibit F-2 Collateral Assignment of Lease
- Exhibit G ACH Transfer Agreement
- Exhibit H Sample First Addendum to Renewal Franchise Agreement
- Exhibit I Area Development Agreement
- Exhibit J Sample Agreement and Conditional Consent to Transfer

### **ITEM 23. RECEIPT**

You will find copies of a detachable receipt in Exhibit M at the very end of this disclosure document. Please sign both acknowledging receipt of this disclosure document and return one of them to us for our files.

**EXHIBIT A**  
**FRANCHISE AGREEMENT**



## TABLE OF CONTENTS

|                                                                    | PAGE |
|--------------------------------------------------------------------|------|
| RECITALS .....                                                     | 1    |
| 1. Grant .....                                                     | 1    |
| 2. Term, Expiration, and Additional License Period .....           | 2    |
| 3. Required Franchise Fees and Payment .....                       | 5    |
| 4. Franchisor Services .....                                       | 8    |
| 5. Territorial Provisions .....                                    | 10   |
| 6. Premises .....                                                  | 11   |
| 7. Proprietary System and Marks .....                              | 14   |
| 8. Advertising .....                                               | 17   |
| 9. Telephone Number .....                                          | 23   |
| 10. Construction, Design and Appearance: Equipment .....           | 24   |
| 11. Operations, Standards of Quality, Inspections .....            | 25   |
| 12. Supplies, Products and Services .....                          | 36   |
| 13. Transfer; Franchisor's Right of First Refusal .....            | 38   |
| 14. Covenant Against Unfair Competition .....                      | 42   |
| 15. Trade Secrets and Confidential Information .....               | 46   |
| 16. Insurance .....                                                | 47   |
| 17. Termination .....                                              | 48   |
| 18. Obligations upon Termination, Expiration, or Non-Renewal ..... | 54   |
| 19. Independent Contractor; Indemnification .....                  | 57   |
| 20. Franchisee Representations .....                               | 59   |
| 21. Governing law, Jurisdiction and Venue .....                    | 62   |
| 22. Notices .....                                                  | 65   |
| 23. Miscellaneous .....                                            | 66   |

Attachment 1 -- Franchise Rider

Attachment 2 -- Lease Rider

Attachment 3 -- Internet, Social Media, and Telephone Assignment

Attachment 4 -- Guaranty

Attachment 5 – Nondisclosure and Noncompetition Agreement

Attachment 6 – Nondisclosure and Non-Solicitation Agreement

**TLSS FRANCHISE SYSTEM, LLC  
FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (“Agreement”) is made and entered into as of \_\_\_\_\_ by and between TLSS FRANCHISE SYSTEM, LLC, a Delaware limited liability company (“Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_, (“Franchisee”). If the Franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners (“Owners”).

**RECITALS:**

**A.** Franchisor has expended time, money and effort to develop a unique system for operating a turn key salon suite studios that will license contemporary luxury suites to independent salons, and other salon professionals (The methods of operation, know how, experience and form of operation acquired, devised and/or established by Franchisor are referred to herein as the “System”; the chain of current and future THE LOOK SALON SUITES Studios are referred to herein as the “Chain.”)

**B.** The distinguishing characteristics of the System include the name “THE LOOK SALON SUITES”, a robust training and unique methods and procedures, specially designed premises with distinctive décor, equipment, layouts, interior and exterior accessories, color schemes, products, services, Marks, information, the Brand Standards Manual (defined below), methods of operation, management programs, training and assistance, and advertising and promotional programs, all of which Franchisor may improve, amend, and further develop from time to time.

**C.** Franchisor has the right to license certain service marks, trade names and trademarks, including, but not limited to, the “THE LOOK SALON SUITES” trademark as well as certain other trademarks, service marks, slogans, logos and emblems which have been and which may hereafter be designated by Franchisor for use in connection with the System (“Marks”).

**D.** Franchisee desires to obtain a license from Franchisor for use of the Marks and the System solely for the operation of a business at the location listed below (“Studio”), and Franchisee desires to use the Marks, the System, other benefits derived from this franchise relationship strictly in accordance with the provisions set forth below.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

**1. Grant.**

Franchisor hereby grants to Franchisee, on the terms and conditions contained in this Agreement, and Franchisee accepts from Franchisor, a license (“License”) to establish, own, and operate under the System, one (1) Studio at the location (“Location”) specified in the Franchise



Rider (“Franchise Rider”) attached hereto as Attachment 1. Franchisee agrees to identify the Studio and all of the items and services Franchisee sells or offers for sale only by the Marks. Franchisee has no right to use the System or the Marks for any purpose other than as expressly provided herein.

Pursuant to this grant, Franchisee, at its own expense, shall construct or remodel, and equip, staff, open and operate the Studio at the Location, in accordance with this Agreement. Unless otherwise agreed in a writing executed by Franchisor, Franchisee shall commence operating the Studio within one (1) year after the execution of this Agreement, and shall diligently operate such business in accordance with this Agreement for the Initial Term stated herein. Failure to timely open the Studio shall constitute an event of default under the Agreement. In such foregoing event to timely open the Studio, Franchisor in its sole discretion may: (i) allow more time; or (ii) terminate this Agreement without any refund to Franchisee.

Franchisee shall always operate the Studio in accordance with the terms of this Agreement, which terms expressly require compliance with the Brand Standards Manual (as defined in Section 11(i)) and Franchisor’s standards and specifications. Franchisee covenants that during the Initial Term and any applicable Renewal Term, it will at all times faithfully, honestly, and diligently perform its obligations under this Agreement, and that it will continuously exert its best efforts to promote and enhance the business of the Studio.

Franchisor and Franchisor’s affiliates reserve any and all rights not expressly granted to Franchisee under this Agreement, including, without limitation, the right to sell anywhere (including within the protected Territory) products and services (including to Franchisee’s customers) under the “THE LOOK SALON SUITES” name, or under any other name, through any channel of distribution other than a brick-and-mortar Studio in the protected Territory. For the purposes of this Agreement, the use of the term “affiliate” shall mean an entity’s subsidiary or parent and an entity controlled by, controlling, or under common control with, another entity.

## **2. Term, Expiration, and Additional License Period.**

**(a) Initial Term.** The initial term of this Agreement shall commence upon the execution of this Agreement, and shall expire at midnight on the day preceding the tenth (10<sup>th</sup>) annual anniversary date of the execution of this Agreement (“Initial Term”), unless this Agreement has been sooner terminated in accordance with the terms and conditions herein.

**(b) First Additional License Period.** Upon expiration of the Initial Term, Franchisee will have the right to be granted a renewal of the License for one (1) additional consecutive period of ten (10) years from the date of expiration of the Initial Term (“First Renewal Term”), provided the following conditions have been met prior to the expiration of the Initial Term:

**(i) Notice.** Franchisee has given Franchisor written notice of its intent to renew the License not less than nine (9) months nor more than twelve (12) months prior to the expiration of the Initial Term;

(ii) **Compliance.** Franchisee is not in default of any of the provisions of this Agreement or any other agreement between Franchisee and Franchisor or its affiliates, both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this Section 2(b) and at the commencement of the First Renewal Term;

(iii) **Debts Current.** All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Brand Development Fund (as defined herein) and each Cooperative (as defined herein) of which Franchisee is a member;

(iv) **Notice of Default.** Franchisee has not received more than two (2) notices of default during any consecutive twelve (12) month period during the Initial Term;

(v) **Renewal Agreement.** Franchisee, its Owners, and its guarantors execute and deliver to Franchisor, within thirty (30) days after delivery to Franchisee, the then-current form of THE LOOK SALON SUITES franchise agreement and ancillary agreements, which agreements shall supersede this Agreement in all respects, and the terms, conditions, obligations, rights, and other provisions of which may be substantially and materially different from those spelled out in this Agreement (including for example, different performance standards, fees structures, increased fees, and/or reduced territory protections;

(vi) **Renewal Fee.** Franchisee has paid to Franchisor a renewal fee of Ten Thousand Dollars (\$10,000), which fee shall be due in immediately available funds upon the execution of the new franchise agreement;

(vii) **Release.** Franchisee; Owners; guarantors of the Franchisee; for themselves and on behalf of their respective predecessors, affiliates, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns (collectively, "Releasers") execute and deliver to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Releasers may have against Franchisor; Franchisor's predecessors, and, affiliates; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities;

(viii) **Renovating.** Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation, upgrading, and re-equipping of the Studio as Franchisor may require, including, without limitation, renovation, upgrading, or replacement of signs, equipment, furnishings, technology, Computer Systems (as defined in Section 11 below), fixtures, colors, and decor, to reflect the then-current standards and image of the System;

(ix) **Maintain Possession.** Franchisee presents satisfactory evidence that Franchisee has the right to remain in possession of the Location for the duration of the

First Renewal Term, unless Franchisor determines that the location of Franchisee's business is no longer viable for the operation of Franchisee's Studio, in which case Franchisor may condition Franchisee's right to renew on Franchisee's obtaining a new site for Franchisee's Studio that Franchisor accepts; and

(x) **Current Training.** Franchisee complies with Franchisor's then-current training requirements.

If Franchisee fails to perform any of the acts set forth in paragraphs (i) through (x) of this subsection in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a renewal franchise agreement, and will cause Franchisee's right to enter into a renewal franchise agreement to expire without further notice or action by Franchisor.

(c) **Expiration.** Renewal of the License after the Initial Term shall not constitute a renewal or extension of this Agreement, but shall be conditioned upon satisfaction of the above provisions and shall, upon expiration of the Initial Term, be governed by the Franchise Agreement then executed by Franchisee. If Franchisee fails to meet any of the conditions under this Section 2 with respect to renewal of the License, then the License shall automatically expire at the end of the Initial Term, as applicable. Subject to the requirements of this Section 2, Franchisee may only be granted a maximum of one (1) Renewal Terms. Franchisee will have no further rights to operate the Studio following the expiration of the final Renewal Term unless Franchisor grants Franchisee another franchise or agrees to further renewals, in Franchisor's sole discretion. As necessary, the renewal franchise agreement may be amended to reflect this provision. If this Agreement is a renewal agreement, the renewal provisions in Franchisee's original franchise agreement will dictate the length of the term of this Agreement as well as Franchisee's remaining renewal rights, if any.

(d) **Continued Operation Following Expiration.** Unless Franchisee exercises its option to renew the License granted under this agreement in accordance with this Section 2, Franchisee has no right to continue to operate the Studio after the expiration date. If Franchisor permits Franchisee to continue to operate the Studio after the expiration date, but before the execution by Franchisee of a renewal franchise agreement for a new term as required by Section 2(b) above, then the temporary continuation of the operations Studio will be on a month-to-month extension of this Agreement and all of its terms, and will be terminable at Franchisor's will by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If Franchisor allows Franchisee to continue to operate on a month-to-month continuation of the Studio and associated extension of this Agreement and all of its terms, after termination, non-renewal, or expiration of this Agreement for any reason, then Franchisee must pay to Franchisor weekly an additional fee equal to the greater of One Thousand Dollars (\$1,000) or one hundred fifty percent (150%) of the Royalty due for the same week for every week of month-to-month operation after the Expiration Date, up to Franchisor's then-current initial franchise fee, which fee shall be in addition to Royalty, Brand Development Fund contributions, and any other payments due to Franchisor under this Agreement. If applicable law requires a longer notice period, the thirty (30)-day period will be deemed modified to be the shortest notice period required by such laws.

### **3. Required Franchise Fees and Payments.**

(a) **Initial Franchise Fee and Royalties.** In consideration of Franchisor's execution of this Agreement and the services that Franchisor will perform, Franchisee agrees to pay to Franchisor the following fees in such manner as Franchisor may from time to time designate and on the due dates specified below, in the Franchise Rider, or as otherwise designated by Franchisor (each a "Due Date"):

(i) **Initial Franchise Fee.** Franchisee agrees to pay an initial franchise fee in the amount set forth on Attachment 1 hereto ("Initial Franchise Fee"). The Initial Franchise Fee shall compensate Franchisor for Franchisor's pre-opening obligations under this Agreement, which include, but are not limited to, assistance in site selection, training of Franchisee in operating the Studio, establishment of vendor relationships, providing Franchisee with a copy of Franchisor's Brand Standards Manual, and other consulting and support associated with pre-opening services ("Pre-Opening Services"). The parties recognize the value of the Initial Franchise Fee approximates the market value of the pre-opening services. The Initial Franchise Fee shall be deemed fully earned upon conclusion of the Pre-Opening Services. The Initial Franchise Fee shall not be refundable in any circumstance.

(ii) **Royalty.** In further consideration of the grant of the License and in consideration of Franchisor's ongoing services to Franchisee, Franchisee agrees to pay to Franchisor a monthly continuing royalty fee ("Royalty"), as set forth on Attachment 1 attached hereto. The Royalty is due and payable in monthly installments on or before the fifth (5<sup>th</sup>) day of each month for the sales occurring during the preceding calendar month, or on such other Due Date Franchisor designates with thirty (30) days' advanced written notice to Franchisee. The Royalty shall commence on the earliest of the following dates: (1) the first (1<sup>st</sup>) day of the twelfth (12<sup>th</sup>) month following the execution of this Agreement; (2) the day the Studio begins earning revenue; or (3) the day the Premises opens for business.

(iii) **Technology Fee.** On each Due Date, Franchisee will be required to pay Franchisor's then-current fee for the development and, implementation, and maintenance of technologies for use at the Studio ("Technology Fee"). The Technology Fee shall be, three Hundred Dollars (\$300) per month due in the same manner and time as set forth in Section 3(a)(ii). Franchisor reserves the right to modify, amend, delete, or add to the technologies, goods, and services provided for the Technology Fee. Franchisor has the right to increase the Technology Fee with thirty (30) days' notice to Franchisee based on supplier pricing increases, modification to or upgrades of the technology used in the System, and introduction of new technology.

(iv) **Supplier Fees.** If Franchisor or its affiliate is the designated supplier for any required product or service for the Studio (including but not limited to Computer

Systems or marketing or website services), Franchisee shall pay Franchisor's or its affiliate's then-current rates for such products or services.

(v) **Shared Fees.** Franchisor reserves the right to have suppliers bill it or an affiliate for goods and services that benefit the system of THE LOOK SALON SUITES franchisees. Franchisee agrees to pay Franchisor its pro rata share of these goods and services costs and fees.

(vi) **Email Service Fee.** Franchisee shall pay Franchisor One Hundred and Twenty Dollars (\$120) annually, to be paid on January 1<sup>st</sup>, beginning on the first full year following Franchisee's execution of this Agreement to cover the costs for one (1) email account for Franchisee provided by Franchisor. In Franchisor's sole discretion, Franchisor may increase, modify, or cancel this service fee with Thirty (30) day written notice to Franchisee.

(vii) **Site Selection Assistance Fee.** Franchisee shall pay to Franchisor Two Thousand Seven Hundred and Fifty Dollars (\$2,750) for Franchisor's assistance selecting a Location, whereby Franchisor shall provide Franchisee up to three (3) on-site location visits ("Site Selection Assistance Fee"). If Franchisee shall request or require additional on-site visits, Franchisee shall pay Franchisor Five Hundred Dollars (\$500) plus cost and expenses for each additional on-site visit.

(viii) **Design Services Fee.** Franchisee is required to pay to Franchisor One Thousand and Five Hundred Dollars (\$1,500) for the services of Franchisor's in-house designated designer who will design the initial floor plan layout of Franchisee's interior space of the Studio. The interior design plans may include drywalls, dimensions, furniture, fixtures, and shampoo bowl placement.

(b) **Franchisee's Account.** On each Due Date, Franchisee must pay Franchisor the fees set forth above, as well as any other amounts due to Franchisor under this Agreement or any other agreement between Franchisor and Franchisee. Franchisor may instead transfer these amounts due from the Franchisee's bank operating account ("Account"). Franchisee's sales report, in the form designated by Franchisor, shall be submitted to Franchisor on or before the fifth day of each month or such other date determined by Franchisor with thirty (30) days' advanced written notice to Franchisee. If a transfer from Franchisee's Account is refused, an administrative fee of Two Hundred and Fifty Dollars (\$250) will be assessed, as well as reimbursement to Franchisor of any fee its bank charges for uncollected deposit funds. If Franchisee has not reported Gross Revenues to Franchisor for any fiscal period, Franchisor may transfer from the Account an amount calculated in accordance with Franchisor's estimate of the Gross Revenues during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Gross Revenues, or underpaid the Royalty or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor may initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after Franchisor and Franchisee determine that such credit is due. Alternatively, Franchisor shall have the right in lieu of the Royalty report

submission procedure outlined above to obtain the Gross Revenues directly by accessing Franchisee's Computer Systems or requiring Franchisee to submit reports to Franchisor from Franchisee's Computer Systems.

Franchisor may, but is not obligated to, require Franchisee to remit payment of the Royalty and other fees by electronic funds transfer ("EFT"). In connection with payment of the Royalty by EFT, Franchisee shall: (1) comply with procedures specified by Franchisor in the Brand Standards Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section 3; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty and other amounts payable under this Agreement, including any interest charges; (4) make sufficient funds available in the Account for withdrawal by EFT no later than the Due Date for payment thereof; and (5) maintain a single bank account to make all payments required by this Agreement. Franchisee must advise Franchisor at least fifteen (15) business days prior to any change in Franchisee's bank account or financial institution; no such change will be permitted without the prior written authorization of Franchisor. To ensure the orderly electronic transfer of the Royalties and all other fees as outlined in this Section 3, Franchisee will enter into and maintain a banking agreement with the financial institution which will be responsible for the transfer and payment of the fees owed by Franchisee to Franchisor, and a copy of that agreement will be submitted to Franchisor prior to the effective date of this Agreement. Franchisee shall not withhold any payments required to be made under this Agreement on any grounds, including any allegations of Franchisor's non-performance.

Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as hereinafter set forth. If Franchisee is delinquent in the payment of any obligation to Franchisor, its affiliates or designees, then Franchisor (or such affiliates or designees), will have the right to apply any payment from Franchisee to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to such application. For the avoidance of doubt, Franchisor has the right to offset the payments owed to or amounts collected on behalf of Franchisee.

**(c) Inflation Adjustments.** Franchisor and its affiliates reserve the right to increase the amount of any flat fee provided for hereunder, including, without limitation, the Royalty or Brand Development Fund payments, due Franchisor or an affiliate under this Agreement or a related agreement ("Inflation Adjustment"). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment ("COLA") using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by Franchisor. Franchisor will notify Franchisee of the amount or percentage adjustment thirty (30) days prior to their effective date.

**(d) No Offset or Retention of Funds.** Franchisee may not offset or withhold payments owed to Franchisor or any of its affiliates for amounts purportedly due to Franchisee as a result of any dispute of any nature or otherwise, but will pay such amounts to Franchisor or its



affiliates and only thereafter seek reimbursement. Franchisor and its affiliates will have the right to offset any amounts due to Franchisor or its affiliates from amounts that Franchisor or its affiliates may owe Franchisee.

(e) **Late Fees and Interest.** If Franchisee fails to pay the full amount of any fee due to Franchisor under this Agreement on the Due Date of such fee, Franchisee shall pay a late fee equal to ten percent (10%) of each payment that is overdue and interest on the amount due and unpaid at an interest rate equal to the lower of Two Percent (2 %) or the maximum interest rate allowed by law. Additionally, if Franchisee has insufficient funds to cover the electronic transfer when initiated by Franchisor, Franchisee shall pay an administrative fee of Two Hundred and Fifty Dollars (\$250).

#### **4. Franchisor Services.**

(a) **Franchisor Services.** During the Initial Term, Franchisor agrees to provide to Franchisee the following services:

(i) **Specifications, Standards, and Approved Suppliers.** To the extent Franchisor has specifications, approved suppliers, or designated suppliers, Franchisor shall provide Franchisee with specifications and/or a list of required or approved suppliers for any required or recommended goods or services to be used in connection with the Studio; provided that Franchisor reserves the right to amend and/or modify such specifications or supplier lists at any time. To the extent Franchisor has standards and specifications for them, Franchisor shall provide Franchisee with standards and specifications for all goods and services to be provided at the Studio;

(ii) **Design.** Franchisor shall provide Franchisee with specifications for the design of the Studio;

(iii) **Initial Training Program.** Franchisor shall provide Franchisee with a pre-opening training program for one person, the owner (or at least one of your owners if Franchisee is a corporation or limited liability company) or Operations Manager (as defined in Section 11(a)), and such other persons as Franchisor may reasonably designate, and such other training for employees of Franchisee at the locations and for such periods as may be designated by Franchisor from time to time; provided that Franchisee shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all cost of travel, lodging, meals and wages. Unless this is Franchisee's (or its affiliates') second or subsequent Studio, as part of the initial training program, Franchisor shall provide at least one (1) representative at Franchisee's Location for one (1) day assisting and additional training to the commencement of the Studio. Notwithstanding the foregoing or anything in this Agreement to the contrary, Franchisor shall not be obligated to provide Franchisee with a pre-opening management training program if this Agreement is for the second or subsequent THE LOOK SALON SUITES Studio to be opened by Franchisee (and/or any of its affiliates);

(iv) **Advice.** At Franchisee's reasonable request, Franchisor will promptly provide such advice and information as it considers reasonably appropriate to assist Franchisee with all methods and procedures associated with the System marketing and advertising; management and administration, the use of the System or any changes to it and the use and application of products and services. Franchisee understands and agrees that such advice and information may be rendered by phone, video conference, electronically, through the Brand Standards Manual, training and/or by such other means as Franchisor deems appropriate in its sole discretion. Franchisor may, in its discretion, convene meetings of franchisees as it considers necessary or appropriate, in its discretion. If Franchisee requests advice, information, or assistance at a level greater than what is provided to other franchisees, Franchisor reserves the right to charge Franchisee its then-current training fee;

(v) **Additional Training.** In Franchisor's sole discretion and/or at the request or Franchisee, Franchisor may offer additional or supplemental training, conferences, or conventions. Franchisee shall be responsible for all expenses incurred by such persons in connection with additional or supplemental training, including, without limitation, all cost of travel, lodging, meals and wages. If Franchisee requests or needs additional training or would like to send additional personnel to the pre-opening training program, Franchisee shall be required to pay Franchisor's then-current training fee of Five Hundred Dollars (\$500) per day per person to Franchisor. Franchisor also reserve the right to charge an additional fee and to require attendance at additional trainings, conferences, or conventions;

(vi) **Information.** Franchisor shall communicate to Franchisee information relating to the operation of a THE LOOK SALON SUITES Studio, and to the extent necessary or pertinent to the operation of the Studio, Franchisor's know-how, new developments, techniques and improvements in the areas of Studio management, employee training, marketing and service.

(b) **Legal Expenses.** Franchisor may in certain situations incur legal expenses while providing assistance to Franchisee with respect to, without limitation, lease negotiations, or other legal compliance issues. Such assistance may be at the request of Franchisee or required by Franchisor and may be provided by Franchisor in-house or by outside counsel; provided however, that Franchisor shall have the sole discretion as to whether or not to provide legal assistance. In the event Franchisor does incur legal expenses on behalf of Franchisee, Franchisee shall reimburse Franchisor for such expenses immediately upon notice from Franchisor. Franchisor may, at its option, be reimbursed by EFT.

(c) **Acknowledgement.** FRANCHISEE AGREES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY TRAINING OR ASSISTANCE TO FRANCHISEE'S PARTICULAR LEVEL OF SATISFACTION, BUT AS A FUNCTION OF FRANCHISOR'S EXPERIENCE, KNOWLEDGE AND JUDGMENT. FRANCHISEE ALSO ACKNOWLEDGES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY SERVICES TO FRANCHISEE THAT ARE NOT SET FORTH IN THIS AGREEMENT. IF FRANCHISEE BELIEVES FRANCHISOR HAS FAILED TO ADEQUATELY PROVIDE



ANY PREOPENING SERVICES TO FRANCHISEE, WHETHER WITH RESPECT TO SITE SELECTION, SELECTION AND PURCHASE OF EQUIPMENT AND SUPPLIES, TRAINING, OR ANY OTHER MATTER AFFECTING THE ESTABLISHMENT OF FRANCHISEE'S STUDIO, FRANCHISEE MUST NOTIFY FRANCHISOR IN WRITING WITHIN THIRTY (30) DAYS FOLLOWING THE OPENING OF FRANCHISEE'S STUDIO OR FRANCHISEE WILL BE DEEMED TO CONCLUSIVELY ACKNOWLEDGE THAT ALL PRE-OPENING SERVICES REQUIRED TO BE PROVIDED BY FRANCHISOR WERE SUFFICIENT AND SATISFACTORY IN FRANCHISEE'S JUDGMENT, AND COMPLIANT WITH ALL REPRESENTATIONS MADE TO FRANCHISEE. IF FRANCHISEE FAILS TO SO NOTIFY FRANCHISOR, FRANCHISEE WILL BE DEEMED TO HAVE WAIVED ALL CLAIMS RELATING TO OR ARISING FROM FRANCHISOR'S OBLIGATIONS TO PROVIDE PRE-OPENING ASSISTANCE.

## **5. Territorial Provisions.**

(a) **Territory.** Subject to the provisions of this Section 5, provided Franchisee is in compliance with its obligations under this Agreement, Franchisor agrees that during the Initial Term it will not locate nor license another to locate a THE LOOK SALON SUITES Studio within the territory set forth in the Franchise Rider ("Territory"). Until such time as the Location is identified and agreed upon in the Franchise Rider or in the Site Selection Acceptance Letter (as defined in the Franchise Rider), no Territory will be granted to Franchisee and Franchisor shall have the right to locate other franchises anywhere Franchisor determines without interfering with any territorial rights of Franchisee. Franchisee recognizes and acknowledges that (i) it will compete with other THE LOOK SALON SUITES Studios which are now, or which may in the future be, located near or adjacent to Franchisee's Territory and (ii) that such Studios may be owned by Franchisor, its affiliates, and/or third parties.

(b) **Reservation of Rights.** Franchisor grant franchises and the rights to develop and operate a THE LOOK SALON SUITES Studio only pursuant to the express terms of written agreements and not orally. All rights that are not granted to Franchisee in this Agreement are specifically reserved to Franchisor, and Franchisor will not be restricted in any manner from exercising them nor will Franchisor be required to compensate Franchisee should Franchisor exercise them. This includes the right, directly or through others and regardless of either (a) proximity to Franchisee's Studio or Territory or (b) any actual or threatened impact on sales of Franchisee's Studio to:

(i) use the Marks and System in connection with establishing and operating THE LOOK SALON SUITES Studios at any location outside the Territory;

(ii) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise) or services anywhere in the world (including within the Territory), whether or not Franchisee also offers them, through channels of distribution other than a brick-and-mortar THE LOOK SALON SUITES-branded Studio (including, for example, other permanent or temporary retail locations, mobile applications, limited-time events in the Territory, kiosks, carts, trucks, catalogs, mail order, or the internet or other electronic means);

(iii) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory);

(iv) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory).

(c) **Alternate Channels of Distribution.** Franchisee may offer and sell approved products and services only from the Studio, except as Franchisor otherwise approves in advance, and in such event only in accordance with the requirements of this Agreement and the procedures set forth in the Brand Standards Manual, which approval Franchisor may revoke at any time for any reason. Franchisee may not offer or sell products through any other channels of distribution without Franchisor's prior approval. Other channels of distribution include, without limitation, mail order, catalog sales, wholesaling, computer, telemarketing, other retail locations or events, kiosks, traveling carts or trucks, mobile applications, social media, and/or internet marketing. Franchisee shall only offer or sell products and services to retail customers for their use and consumption and not for resale.

(d) **Soliciting and Marketing and Out-of-Territory or Off-Premises Activities.** Franchisee shall not advertise, market, or solicit outside of the Territory, except as Franchisor otherwise approves in advance, and in such event only in accordance with the requirements of this Agreement and the procedures set forth in the Brand Standards Manual, which approval Franchisor may revoke its approval at any time for any reason. Franchisor does not warrant or represent that no other THE LOOK SALON SUITES Studio will solicit or make any sales within the territory, and Franchisee hereby expressly acknowledges and agrees that such solicitations or sales could occur within the Territory. Franchisor shall have no duty to protect Franchisee from any such sales, solicitations, or attempted sales. Franchisee shall follow all of Franchisor's standards, procedures, and instructions regarding any activities outside of the Territory or off-Premises. If Franchisor grants Franchisee permission to conduct any out-of-Territory or off-Premises activities, Franchisee acknowledges and agrees that Franchisee does not gain any additional territory or exclusivity rights. Franchisor has the right to terminate or suspend Franchisee's approval to conduct any out-of-Territory or off-Premises activities, and Franchisee shall immediately comply and cease operations outside of the Territory or off-Premises. Franchisee shall provide Franchisor with the information for any customers it has serviced outside of the Territory or off-Premises. Such out-of-Territory customers may be serviced by Franchisor, an affiliate of Franchisor, or any of Franchisor's franchisees.

(e) **No Right of First Refusal or Options.** Franchisee has no right of first refusal or other options or rights to open any additional THE LOOK SALON SUITES businesses.

## **6. Premises.**

**(a) Premises.** Franchisee shall obtain Franchisor's acceptance of the Location. Within three (3) months after the Effective Date of this Agreement, Franchisee shall have provided Franchisor with a site to review. Within six (6) months after the Effective Date of this Agreement, Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the operation of the Studio. Failure by Franchisee to acquire or lease a site for the Studio within the time required herein shall constitute a default under this Agreement, and Franchisor, in its sole discretion, may terminate the Franchise Agreement pursuant to the terms of Section 17 of this Agreement. In Franchisor's sole discretion, if Franchisee is using commercially reasonable standards and in good faith and through no fault of Franchisee's own is unable to locate a lease within three (3) months, the Franchisor may offer Franchisee an additional thirty (30) day extension, not to exceed three (3) months. FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT FRANCHISOR'S ACCEPTANCE OF A SITE FOR FRANCHISEE'S STUDIO IS NOT AND SHALL NOT BE CONSTRUED AS A GUARANTEE OR ASSURANCE THAT THE BUSINESS WILL BE PROFITABLE. If Franchisor does not accept of a site proposed by Franchisee within thirty (30) days after receiving the proposal thereof, such site shall be deemed rejected by Franchisor and Franchisee shall not locate its Studio at such site. Franchisee may be required to use the services of a real estate broker that Franchisor approves or designates. The building at the accepted Location that will serve as the headquarters for the Studio ("Premises") is subject to the following:

**(i) Leased Premises.** Within one hundred eighty (180) days after the Effective Date of this Agreement, Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the operation of the Studio. Franchisee shall obtain Franchisor's acceptance of the lease. Failure by Franchisee to acquire or lease a site for the Studio within the time required herein shall constitute a default under this Agreement, and Franchisor, in its sole discretion, may terminate the Franchise Agreement pursuant to the terms of Section 18 of this Agreement. If Franchisee intends to lease the Premises, Franchisee shall submit to Franchisor executed copies of all such leases immediately after execution and at such other times as Franchisor may request. The Initial Term and the Renewal Term of the leases shall together equal or exceed the Term. All leases pertaining to the Premises shall also include an Addendum in the form of Attachment 2 attached hereto, or shall contain terms and conditions substantially similar to those contained in Attachment 2 which Franchisor has accepted in writing. Franchisor shall not represent Franchisee in a legal capacity and advises Franchisee to seek independent legal counsel in the review and negotiation of its lease agreement.

**(ii) Owned Premises.** If Franchisee intends to own the Premises, Franchisee must obtain acceptance of the Premises from Franchisor, which acceptance may be withheld at Franchisor's discretion, and shall furnish Franchisor proof of ownership prior to the date Franchisee commences any construction, build-out or remodeling of the Premises. In the event that Franchisee proposes to lease the Premises from any Owner, affiliate, shareholder, member, manager, partner, director, officer or other principal of

Franchisee, or from any person or entity related to or affiliated with Franchisee or one (1) or more of Franchisee's Owners, affiliate, shareholders, members, guarantors, partners, directors, officers or other principals ("Related Party"), Franchisor may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by Franchisor. Franchisee shall also execute a written lease agreement accepted by Franchisor with the Related Party and deliver a copy to Franchisor. Any such lease shall comply with the terms of Section 6(a)(i) above.

**(iii) Premises Identification.** Subject to Franchisor's post-termination rights described in Section 18 and regardless of whether the Premises are owned or leased, Franchisee shall remove all signs and other items and indicia which serve, directly or indirectly, to identify the Premises as a THE LOOK SALON SUITES Studio within ten (10) days of the expiration, non-renewal, or termination of this Agreement for any reason. In the event Franchisee does not comply with this requirement, Franchisor may enter the Premises, without being guilty of trespass and without incurring any liability to Franchisee, to remove all signs and other items identifying the Premises as a THE LOOK SALON SUITES Studio and to make such other modifications as are reasonably necessary to protect the Marks and THE LOOK SALON SUITES System and to distinguish the Premises from THE LOOK SALON SUITES Studios. Provided, however, that this obligation of Franchisee shall be conditioned upon Franchisor giving Franchisee prior written notice of the modifications to be made and the items to be removed.

**(iv) Suitability of Premises.** Regardless of whether the Premises are owned or leased, it shall be the responsibility of Franchisee to determine that the Premises can be used, under all applicable laws and ordinances, for the purposes provided herein and that the Premises can be constructed or remodeled in accordance with the terms of this Agreement. Franchisee shall obtain all permits and licenses that may be required to construct, remodel and operate the Studio. Franchisee agrees that the Premises will not be used for any purpose other than the operation of the Studio in compliance with this Agreement. Franchisee is responsible for constructing, renovating or up fitting or causing to be constructed, renovated or up fitted, the Studio. FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT FRANCHISOR'S ACCEPTANCE OF A SITE FOR FRANCHISEE'S STUDIO IS NOT AND SHALL NOT BE CONSTRUED AS A GUARANTEE OR ASSURANCE THAT THE BUSINESS WILL BE PROFITABLE. Franchisor's acceptance of a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's acceptance of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site accepted by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and

agrees that its acceptance of a franchise for the operation of the Studio at the site is based on its own independent investigation of the suitability of the site. If Franchisor does not accept a site proposed by Franchisee within thirty (30) days after receiving the proposal thereof, such site shall be deemed not accepted by Franchisor and Franchisee shall not locate its Studio at such site.

(v) **Relocation.** Franchisee shall not, without first obtaining Franchisor's written consent, which is subject to the Franchisor's sole discretion: (i) relocate the Studio; or (ii) renew or significantly alter, amend or modify any lease, or make or allow any transfer, sublease or assignment of its rights pertaining to the Premises. If Franchisee relocates the Premises during the Initial Term, Franchisee shall pay Franchisor all costs Franchisor incurs as a result of evaluating and approving or rejecting Franchisee's relocation proposal.

(vi) **Inspection Rights.** Franchisee hereby grants Franchisor and its agents the right to enter the Premises and/or the Studio at any time prior to occupancy by the Franchisee in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations and the performance of any and all services by Franchisee and/or Franchisee's employees, invitees or agents. Franchisee shall cooperate with Franchisor's representatives during those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview any architect, designer, vendor, contractor, subcontractor or Franchisee employee. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee, at its sole expense, shall take such steps as deemed to be necessary by Franchisor to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies, and requiring Franchisee to desist from the further use of any equipment, designs, advertising materials, products, and/or supplies that do not conform with Franchisor's then-current plans and specifications, standards or requirements.

## **7. Proprietary System and Marks.**

(a) **Ownership; Use by Others.** Franchisor and its affiliates shall have and retain all rights associated with the Marks other than those expressly licensed herein, including, but not limited to the following: (a) to use the Marks in connection with selling products and services; (b) to grant licenses to others to use the Marks, in addition to those licenses already granted to existing franchisees or affiliates; (c) to develop and establish other systems using the Marks, similar Marks, or any other Marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee; and (d) to sell and distribute services, products, merchandise, accessories and other items via alternate distribution channels bearing the Marks. Franchisee acknowledges that any unauthorized use of the System or the Marks is and shall be deemed an infringement of Franchisor's rights. Franchisee shall execute any documents deemed necessary by Franchisor, its affiliates, or their counsel for the protection of the System and the Marks or to maintain their validity or enforceability, or to aid Franchisor or its affiliates in acquiring rights in or in registering any of the System and the Marks or any trademarks, trade names, service marks,



slogans, logos and emblems subsequently adopted by Franchisor. Franchisee shall give notice to Franchisor of any knowledge that Franchisee acquires regarding the use by others of the same or similar names or marks or of any claim or litigation instituted by any person or legal entity against Franchisee involving the System or any of the Marks. Franchisee shall cooperate with Franchisor and its affiliates in any suit, claim or proceeding involving the System or the Marks or their use to protect Franchisor's and its affiliates' rights and interest in the System and the Marks. In the event of any settlement, award or judgment rendered in favor of Franchisor or its affiliates relating to the use or ownership of the System or the Marks, such settlement, award or judgment shall be the sole property of Franchisor, and Franchisee shall not be entitled to or make any claim for all or any part of it. Franchisee is not required to participate in Franchisee's defense or defend Franchisee's rights to use the Marks, but may choose to do so. Provided Franchisee complies at all times with this Section 7 and this Agreement, Franchisor shall indemnify Franchisee against and reimburse Franchisee for damages assessed against Franchisee, if any, based on Franchisee's use of THE LOOK SALON SUITES Mark which is compliant with this Agreement. Otherwise, Franchisor shall not be required to indemnify Franchisee against or reimburse Franchisee for any loss or damages arising out of Franchisee's use or misuse of any Mark. Franchisor shall not indemnify Franchisee for any use or misuse of Franchisor's copyrights, patents, Customer Lists, Franchised Business Data, Confidential Information, Inventions and Ideas, or other proprietary information. Franchisee acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of value of the Marks and the goodwill associated with the Marks and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Franchisee or enter into this Agreement without receiving Franchisee's unrestricted promise to use the Marks only in the manner authorized by Franchisor.

**(b) Use of Marks.** During the Initial Term or thereafter, directly or indirectly, Franchisee shall not commit any act of infringement or contest or aid in contesting the validity or ownership of the System or the Marks, or take any other action to disparage them. Franchisee shall use the Marks only in connection with the operation of the Studio at the Location specified herein, and shall use them only in the manner authorized by Franchisor. Franchisee shall prominently display the Marks in the manner prescribed by Franchisor on all signs, student materials, computer systems, and other supplies and packaging materials designated by Franchisor. Franchisee shall not fail to perform any act required under this Agreement, or commit any act which would impair the value of the Marks or the goodwill associated with the Marks. Franchisee shall not at any time engage in any business or market any products or service under any name or mark which is confusingly or deceptively similar to any of the Marks. Franchisee shall not use any of the Marks as part of its corporate or trade name and shall not use any trademark, trade name, service mark, logo, slogan or emblem in connection with the Studio that has not been authorized by Franchisor. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or applicable state law. Franchisee shall not attempt to register or otherwise obtain any interest in any Online Presence containing or utilizing any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks. Franchisee also acknowledges that its use of the Marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement. Franchisee shall not use any of Franchisor's Marks in connection with employee facing labor and employment materials.

(c) **Designation as Franchisee.** Franchisee shall take such additional action as may be necessary under the laws of the state in which the Studio is operated to make clear to the public that Franchisee is an independent franchisee of Franchisor and not owned by Franchisor. Franchisee shall post in a conspicuous location at the business premises, as well as on invoices, purchase orders, marketing materials, Online Presences, and the like that “This THE LOOK SALON SUITES Franchise is independently owned and operated by [name of franchisee entity] under license from TLSS FRANCHISE SYSTEM, LLC.”

(d) **Discontinuance of Use: Additional Marks.** Franchisor has the right to change, revise, or substitute different Marks for use in identifying the System, the Studio, and the products and services sold or offered for sale through the Studio, if Franchisor, in its sole discretion, determines that change, revision, or substitution of different Marks will be beneficial to the System. In such circumstances, the use of the substitute Marks shall be governed by the terms of this Agreement. Franchisee shall comply with each such change, revision, or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole discretion should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with Franchisor’s directions regarding any such Mark within thirty (30) days after receipt of notice from Franchisor or, if such modification or discontinuance is court-ordered, immediately. Franchisor shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any such modification or discontinuance. Franchisee shall also use such additional or substitute Marks as Franchisor shall direct.

(e) **Changes in Law Affecting Marks.** In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall sign any documents and do such other act and thing as in the opinion of Franchisor may be necessary to effect the intent and purpose of the provisions of this Agreement.

(f) **Copyrights and Patents.** Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future copyrights and patents relating to the System or THE LOOK SALON SUITES concept, including, but not limited to, training curriculum copyrights formulas, designs, electronic code, software, the Brand Standards Manual, construction plans and specifications and marketing materials, belong solely and exclusively to Franchisor. Franchisee has no interest in Franchisor’s copyrights or patents beyond the nonexclusive License granted in this Agreement.

(g) **Ideas and Innovations.** All training curriculum, concepts, inventions, designs, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, techniques, materials, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that Franchisee or any of its Owners, affiliates, guarantors, shareholders, members, partners, directors, officers, or employees any personal guarantors may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Initial Term or any Renewal Term that relate in any way, either directly or indirectly, to the Studio and/or the System (collectively referred to as “Inventions and Ideas”), either in whole or in part during the Initial Term or any



Renewal Term shall be the exclusive property of Franchisor. Franchisee must promptly disclose the existence of any and all Inventions and Ideas to Franchisor. To the extent any Invention or Idea does not qualify as a “work made for hire” for Franchisor, Franchisee, on behalf of itself and all of its Owners, affiliates, guarantors, shareholders, members, partners, directors, officers, employees, and guarantors, hereby assign to Franchisor, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in Franchisor the entire right, title and interest in such Inventions and Ideas. Franchisor may incorporate such Inventions or Ideas into the System. As Franchisor may reasonably request, Franchisee shall, at Franchisor’s expense, take all actions reasonably necessary to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

**(h) Customer and Other Data.** Franchisee shall maintain a current list of the names, addresses, email addresses and telephone numbers of the customers and past customers who have provided such information to the Studio (“Customer List”). Franchisee shall provide the Customer List to the Franchisor upon request. Franchisee shall also use the Computer Systems that Franchisor designates to create, store, maintain, and share the Customer List. The Customer List shall be the property of Franchisor and Franchisor shall have the right to use the Customer List for any purposes, in Franchisor’s sole discretion. Franchisee shall not collect, use, process, store, share, or sell any information from the Customer List to or with any person or entity other than Franchisor without the express written consent of Franchisor. Franchisee shall not delete any information that is in the Customer List without Franchisor’s prior written consent or unless doing so is in accordance with the Data Protection and Security Policies. Likewise, other data collected by Franchisee or Franchisee’s Computer Systems in connection with the Studio (Customer List and the other data collectively referred to herein as “Franchised Business Data”) is deemed to be owned by Franchisor, and Franchisee agrees to furnish the Franchised Business Data to Franchisor at any time that Franchisor requests it. Franchisee shall also use the Computer Systems that Franchisor designates to create, store, maintain, and share the Franchised Business Data. Franchisor hereby grants Franchisee a limited license to use Franchised Business Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the standards, specifications, procedures, and policies that Franchisor establishes periodically and applicable law. Upon termination, non-renewal, transfer, or expiration of this Agreement for any reason, Franchisor shall be the exclusive owner of Franchised Business Data and Franchisee shall not use or disclose the Franchised Business Data in any form or manner. Franchisee shall not be due any compensation based upon Franchisor’s use of the Franchised Business Data. Franchisee may not collect, sell, disclose, share, transfer, or use Franchised Business Data for any purpose other than operating the Studio. The Customer List and Franchised Business Data are expressly subject to the provisions of Section 11(u) and may constitute Personal Information.

## **8. Advertising.**

**(a) Contributions and Expenditures.** Recognizing the value of advertising and the importance of the standardization of advertising to the furtherance of the goodwill and public image of the System, Franchisor and Franchisee agree as follows:

(i) **Grand-Opening Advertising.** Franchisee is required to spend a minimum of Five Thousand Dollars (\$5,000) for grand-opening advertising to publicize the existence and opening of the Studio, which advertising shall be in such form designated by Franchisor and which shall be conducted during the period that begins sixty (60) days prior to the opening of the Studio and ends sixty (60) days after the opening of the Studio. Franchisee may expend additional amounts on such advertising, provided the form and content is approved by Franchisor as provided in Section 8(e).

(ii) **Contributions and Expenditures.** During the Initial Term, Franchisee shall make the following contributions and expenditures for advertising:

(A) **Brand Development Fund.** Franchisor reserves the right to establish a brand development fund at the earlier of: (i) 10 franchise units are open and operational or (ii) June 30, 2027. Once established, each month in which brand development fund (“Brand Development Fund”) has been established, Franchisee shall contribute to the Brand Development Fund such amount as Franchisor may designate from time to time, which amount is currently two percent (2%) of monthly Gross Revenues, but which Franchisor has the right to increase to up to three percent (3%) of the monthly Gross Revenues of the Studio. Franchisor has the sole discretion to settle or forgive any accrued and unpaid Brand Development Fund contribution owed by any franchisee. Franchisee shall make its monthly contribution to the Brand Development Fund on the date and in the manner as Franchisor may designate from time to time. Franchisee agrees to make such contributions by EFT or in such other manner as the Franchisor may require, on or before each Due Date based on Franchisee’s Gross Revenues from the preceding calendar month, or such other date(s) identified by Franchisor with thirty (30) days’ prior written notice. The Brand Development Fund contribution shall commence on the earliest of the following dates: (1) the first (1st) day of the twelfth (12th) month following the execution of this Agreement; (2) the day the Studio begins earning revenue; or (3) the day the Premises opens for business.

(B) **Minimum Local Advertising.** In addition to the grand opening requirements of Section 8(a)(i), Franchisee shall spend at least One Thousand Dollars (\$1,000) per month (“Minimum Local Advertising Spend”) on local advertising in accordance with Franchisor’s standards as set forth in the Brand Standards Manual. Franchisee shall spend the required Minimum Local Advertising Spend until such time that Franchisee’s occupancy reaches ninety percent (90%). If at any time that Franchisee’s occupancy drops below ninety percent (90%) then Franchisee shall be required to resume spending the Minimum Local Advertising Spend. Franchisee shall submit verification of its local advertising expenditures at such times and in such form as may be requested by Franchisor from time to time. In the event that Franchisee fails to meet the Minimum Local Advertising Spend and/or fails to provide Franchisor with verification thereof, Franchisee shall pay to the Brand Development Fund Franchisee’s Minimum Local Advertising Spend, less the amount Franchisee actually paid for local advertising. Franchisor has the right to require Franchisee

to use the Minimum Local Advertising Spend to pay for specific advertising services, from suppliers approved or designated by Franchisor. Franchisor may require Franchisee to remit the Minimum Local Advertising Spend to the Franchisor or its affiliates in exchange for local advertising services the Franchisor or its affiliate will provide to Franchisee. All local advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

**(b) Brand Development Fund.**

**(i) Use.** Franchisor has the sole discretion to determine where the Brand Development Fund contributions will be spent to promote, enhance, or further the growth of THE LOOK SALON SUITES brand, Studios, and System, including, but not limited to: developing and facilitating technologies for Franchisee to use in the operations of the Studio; research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, or technology companies, or paying the salaries of in-house personnel to assist in developing THE LOOK SALON SUITES brand name; developing, evaluating, or using technologies that Franchisor believes may benefit the brand, the customers, the franchisees, or the brand's reputation; developing new curricula and franchisee revenue sources; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; expenses incurred in developing and maintaining non-franchise sales portion of any Online Presence; developing one or more Online Presence; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. Sums paid by Franchisee shall not be used to defray any of Franchisor's expenses, except for such reasonable administrative costs and overhead, if any, that Franchisor may incur in activities reasonably related to the administration or direction of the Brand Development Fund and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing the programs paid for by the Brand Development Fund.

**(ii) Administration.** The Brand Development Fund is not and shall not be an asset of Franchisor or its designee. The Brand Development Fund is administered by Franchisor's accounting, technology, and marketing personnel under Franchisor's direction. The Brand Development Fund is not audited. Unless required by state law, Franchisor has no obligation to provide Franchisee with an accounting of the Brand Development Fund expenditures. At Franchisor's option, Franchisor can create a separate entity to be the recipient of Franchisee's Brand Development Fund contributions and Franchisee agrees, upon Franchisor's request, to tender Brand Development Fund payments to said entity. Franchisor, in Franchisor's sole discretion, may spend in any

fiscal year an amount greater or less than the aggregate contributions to the Brand Development Fund in that year, and the Brand Development Fund may borrow from Franchisor or other lenders to cover deficits of the Brand Development Fund or cause the Brand Development Fund to invest any surplus. Franchisee acknowledges that other franchisees may not be required to contribute to the Brand Development Fund or may be required to contribute at a different rate. Franchisor is not obligated to maintain the Brand Development Fund contributions or income earned in a separate account from other Franchisor funds.

(iii) **Weekly Payment Option.** For administrative convenience and at Franchisor's option, in lieu of collecting the Brand Development Fund percentage designated in Section 8(a)(ii)(A), Franchisor, at its option, may designate an amount certain as a weekly payment, which will be drafted instead of the variable amount. Franchisor will use commercially reasonable efforts to have the amount certain reasonably relate to the anticipated annual Brand Development Fund contribution which would otherwise be due if the exact percentage were calculated. Upon delivery by thirty (30) days' prior written notice by Franchisee to Franchisor, Franchisee can thereafter elect to abandon the sum certain contribution in lieu of the Brand Development Fund contribution percentage designated in Section 8(a)(ii)(A).

(iv) **No Proportionality.** Franchisee agrees and acknowledges that that Franchisor does not undertake any obligation to ensure that expenditures from the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Development Fund by franchisees operating in such geographic area or that Franchisee or the Studio will benefit directly or in proportion to its contribution to the Brand Development Fund.

(v) **Liability.** Neither Franchisor and its affiliates nor any of its respective officers, directors, agents or employees, shall be liable to Franchisee with respect to the maintenance, direction or administration of the Brand Development Fund, including without limitation, with respect to contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct. THE BRAND DEVELOPMENT FUND IS NOT A TRUST FUND. FRANCHISOR AND ITS AFFILIATES SHALL HAVE NO FIDUCIARY DUTY TO FRANCHISEE IN CONNECTION WITH THE COLLECTION OR USE OF THE BRAND DEVELOPMENT FUND MONIES OR ANY ASPECT OF THE OPERATION OF THE BRAND DEVELOPMENT FUND. FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR AND ITS AFFILIATES WILL HAVE NO LIABILITY TO FRANCHISEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED TO THE BRAND DEVELOPMENT FUND, GOODS OR SERVICES PROVIDED THROUGH THE BRAND DEVELOPMENT FUND, OR ANY ADVERTISING PROGRAMS OR FRANCHISOR'S MODIFICATION OR DISCONTINUANCE FOR ANY REASON OF THE BRAND DEVELOPMENT FUND OR ANY MARKETING, BRANDING, OR ADVERTISING PROGRAMS, OR FRANCHISEE'S PARTICIPATION THEREIN.

(c) **Local Cooperative Advertising.** Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate from time to time a geographical area in which the Studio is located for the purpose of establishing an advertising cooperative ("Cooperative"). If a Cooperative has been established applicable to the Studio at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Studio is established at any later time during the Initial Term, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Studio be required to contribute to more than one (1) Cooperative. Franchisor has the sole discretion to create, change, dissolve, or merge a Cooperative. Franchisor also has the sole discretion to determine membership of a Cooperative. The following provisions shall apply to each Cooperative: (i) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing; (ii) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members; (iii) No advertising programs or materials may be used by the Cooperative or furnished to its members, and no advertising or promotional activities may be conducted by the Cooperative, without the prior written approval of Franchisor. All such programs, materials and planned activities shall be submitted to Franchisor for approval in accordance with the procedure set forth in Section 8(e); (iv) Subject to the provisions of Section 8(c) each cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the governing body of the Cooperative; however, in no event shall the contribution exceed two percent (2%) of Gross Revenues; (v) Franchisee shall make its contributions to the Cooperative on the date and in the manner designated by the Cooperative. Franchisee shall also submit such statements and reports as may be designated from time to time by the Cooperative. The Cooperative shall submit to Franchisor such statements and reports as Franchisor may designate from time to time; (vi) Notwithstanding the foregoing, Franchisor, in its sole discretion, may, upon written request of a franchisee stating reasons supporting such request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. Such an exemption may be for any length of time and may apply to one (1) or more Studios owned by such franchisee. If an exemption is granted to a franchisee, such franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. Franchisor, in its sole discretion, may also exempt one (1) or more Studios owned or controlled by Franchisor or its affiliate from the requirement of membership in a Cooperative for such periods as Franchisor deems appropriate; (vii) The Cooperative is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of any Cooperative; (viii) The Cooperative shall prepare written governing documents that shall be available to Franchisee for review. The Cooperative must prepare quarterly and annual unaudited financial statements and these statements must be made available to all franchisees in the Cooperative.

(d) **Supplemental Advertising.** Franchisee shall have the right to conduct, at its separate expense, supplemental advertising in addition to the expenditures specified in this Section 8. All such supplemental advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).



(e) **Approval by Franchisor.** Any and all advertising and promotional materials Franchisee uses must be approved by the Franchisor. Prior to their use by the Cooperative or by Franchisee, all advertising and promotional materials not prepared or previously approved by Franchisor within the ninety (90) day period preceding their intended use shall be submitted to Franchisor for approval. If approval is not received within twenty (20) days from the date of receipt by Franchisor of such materials, the materials shall be deemed disapproved by Franchisor. Franchisor may disapprove of any advertising or promotional materials at any time. Neither the Cooperative nor Franchisee shall use any disapproved advertising or promotional materials regardless of whether any such items had been previously approved by Franchisor.

(f) **Franchisor Advertising.** Franchisor may from time to time expend its own funds to produce such promotional materials and conduct such advertising as it deems necessary or desirable. In any advertising conducted solely by or for Franchisor, Franchisor shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed and Franchisor shall not have any duty or obligation to supply Franchisee with any advertising or promotional materials produced by or for Franchisor at its sole expense. Franchisor may, from time to time, provide Franchisee with such approved advertising and promotional plans and materials as Franchisor deems advisable. Franchisor disclaims and Franchisee hereby acknowledges that Franchisee has not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by Franchisor for use by Franchisee. Further, Franchisee acknowledges and agrees that all advertising and promotional plans and materials created in whole or in part by Franchisor are and remain the exclusive property of Franchisor. Franchisor shall have the right to include promotion of available franchises in all marketing and advertising materials, including, but not limited to, signage in the Studio, an Online Presence, print media, and TV or radio spots.

(g) **Ownership of Advertising.** Franchisor shall be the sole and exclusive owner of all materials and rights which result from advertising and marketing program produced and conducted, whether by Franchisee, Franchisor, the Cooperative or the Brand Development Fund. Any participation by Franchisee in any advertising, whether by monetary contribution or otherwise, shall not vest Franchisee with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including, copyrights, generated by such advertising. If requested by Franchisor, Franchisee shall assign to Franchisor any contractual rights or copyright it acquires in any advertising.

(h) **Online Presence and Email Address.** Franchisee will not, directly or indirectly, establish or operate an Online Presence that in any way concerns, discusses or alludes to the Franchisor, the System or the Franchisee's Studio without Franchisor's written consent, which Franchisor is not obligated to provide. An "Online Presence" includes (1) a website, other webpages, URLs, or domain names, (2) accounts, pages, or profiles on social media sites, social networking sites, news sites and groups, online, internet, or digital directories, video, audio, photography, and messaging services, blogs, or forums, (3) e-commerce sites or accounts, (4) digital or online advertising and marketing content and services, (5) mobile applications, (6) virtual reality platforms, (7) identifiers of any Online Presence, or (8) a presence on any other type of online, internet, or digital tool, good, or service that may be developed. Further, the Marks may not be used as part of, in conjunction with, to establish or to operate any Online

Presence or email address, unless specifically approved by the Franchisor, which approval Franchisor is not obligated to provide. For any Online Presence (and all URLs and other identifiers related to any Online Presence) Franchisee is approved to create or use, Franchisor reserves the right, at its sole option and discretion, to have the Online Presence or email address directly owned by Franchisor or to require any such Online Presence be transferred to Franchisor upon the termination, expiration, or non-renewal of this Agreement for any reason. Franchisor has the right to require that any Online Presence Franchisee is permitted to create, use, or maintain be registered in Franchisor's name. Upon request, Franchisee must provide Franchisor with any login credentials for any Online Presence or email address Franchisee is authorized to create, use, or maintain. Franchisor has the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of Franchisor's policies and Franchisor may take ownership of any Online Presence upon expiration, non-renewal, transfer, or termination of this Agreement and operate it in Franchisor's sole discretion. Franchisee will not post, and will take such steps as necessary to ensure that its employees do not post, any information to an Online Presence relating to the Franchisor, the System, the Marks, or the Studio that (a) does not comply with the Franchisor's then-current brand, social media, or Online Presence guidelines described in the Brand Standards Brand Standards Manuals, (b) is derogatory, disparaging, or critical of the Franchisor, the System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Franchisee shall not establish or permit or aid anyone else to establish any links to any Online Presence which Franchisor may create. Franchisee specifically acknowledges and agrees that any Online Presence will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Agreement. Franchisor alone has the right, but not the obligation, to establish, maintain, modify or discontinue all internet and electronic commerce activities pertaining to the System, including through any Online Presence. Franchisor shall not be liable for downtime that may occur to any such Online Presence or email address, whether such downtime is caused by Franchisor or a third-party. Franchisor alone will be, and at all times remain, the sole owner of the copyrights to all material which appears on any Online Presence, including any and all material Franchisee may furnish to Franchisor for use on an Online Presence. Ownership of all URLs and other identifiers with any such Online Presence shall vest exclusively in Franchisor. Franchisor shall have the right, but not the obligation, to designate one or more webpage(s) or other form of Online Presence to describe Franchisee and/or the Studio, with such webpage(s) or Online Presence to be located within Franchisor's website or another Online Presence. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web page(s) and any other Online Presence; and Franchisor shall have the right to refuse to post and/or discontinue posing any content and/or the operation of any webpage or Online Presence. Franchisee shall not establish a separate website or Online Presence or business email address, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish an Online Presence or email address, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Online Presence. Franchisor shall have the right to modify the provisions of this Section 8(h) relating to any Online Presence as Franchisor shall solely determine is necessary or appropriate. Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any Online Presence or email address of Franchisee, except as permitted by Franchisor's then-current policies. Franchisee agrees not to transmit or cause any other party to



transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

(i) **Directory Advertising.** Franchisee shall arrange for the listing of the Studio's telephone number and email address in any print or online directory designated by Franchisor under the name "THE LOOK SALON SUITES" or such other name as the Franchisor may designate. All advertising and promotion in such media (beyond a simple listing of name, address, and telephone number) shall be subject to Franchisor's approval. Franchisor has the right to arrange for directory listings for franchisees operating franchised businesses under the System and, at Franchisee's expense, for Franchisee; in which case Franchisee shall pay Franchisor as Franchisor may designate. Franchisee's rights to use and benefit from its assigned telephone number, email address, and directory listings are subject to the provisions of Section 18 of this Agreement.

**9. Telephone Number.** Franchisee shall establish a local telephone number for the Studio. Franchisee shall keep Franchisor notified as to the current telephone number for the Studio. In no event shall Franchisee use such number for any other business. Franchisee further covenants that in the event it obtains any additional or substitute telephone service or telephone number at the Studio, it will promptly notify Franchisor and such additional or substitute number shall be subject to the terms of this Section 9. If Franchisee's Owners or employees use personal cellphone numbers in connection with the operations of the Studio, Franchisor has the right to require them to assign the numbers to Franchisor.

**10. Construction, Design and Appearance: Equipment.**

(a) **Construction.** Franchisee agrees that it will construct or remodel the Premises at the accepted Location in accordance with Franchisor's standards and specifications for the construction, remodeling, layout, design, and décor for THE LOOK SALON SUITES businesses ("Construction Standards"). Franchisor will provide Franchisee with a prototypical design plan at no cost to Franchisee. Franchisee shall purchase or lease the equipment, fixtures, and furnishings that conform with Franchisor's Construction Standards. Franchisee is solely responsible for the construction of the Premises. Franchisee shall obtain Franchisor's acceptance of Franchisee's proposed plans for construction, remodeling, layout, design, and décor for the Studio. Franchisee shall be required to use Franchisor's designated or approved architect, general contractor, and cabinet maker for the design and construction of the Premises. Franchisee will commence any required construction promptly after execution of a lease for or closing on the purchase of the Premises. Franchisee shall maintain continuous construction of the Premises until completion. Franchisee will complete construction in accordance with the plans for the Studio Franchisor has accepted. Except as may be required to have the accepted plans changed to comply with the Applicable Law, Franchisee shall not deviate from the accepted plans without the prior approval of Franchisor. Franchisor has no obligation to include the requirements of any Applicable Law in the Construction Standards. Franchisee also acknowledges that the requirements of the Construction Plans may exceed those required under the Applicable Law. "Applicable Law" means any law, rule, regulation, code or requirement applicable to the construction, remodeling, design, layout, building, permitting, and development of the Studio, including, without limitation the Americans With Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. It is solely Franchisee's responsibility to make sure that the design

and construction of the Studio and the Premises are in compliance with all Applicable Laws. Franchisee Indemnifying Parties shall indemnify and hold Franchisor Indemnified Parties harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Premises fail in any way to comply with any Applicable Laws. Franchisor has the right to require Franchisee to use an approved architect, general contractor, construction manager, or other supplier of design, engineering, construction, and related services. Franchisee agrees provide to Franchisor construction progress updates in a form approved by Franchisor at the intervals designated by Franchisor.

**(b) Commencement.** Franchisee acknowledges that time is of the essence with respect to all obligations under this Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Studio and commence business within twelve (12) month of the Effective Date, or Franchisor may terminate this Agreement immediately upon notice to Franchisee, unless Franchisee obtains an extension of such time from Franchisor in writing.

**(c) Signs.** Franchisee shall prominently display, at its own expense, both on the interior and exterior of the Premises, advertising signs in such form, color, number, location and size, and containing such Marks, logos and designs as Franchisor shall designate. Franchisee will be responsible for ordering any required signage, including an exterior signage for the Studio. Franchisee shall obtain all permits and licenses required for such signs and shall also be responsible for ensuring that all signs comply with all laws and ordinances. Franchisee shall not display in or upon the premises any sign or advertising of any kind to which Franchisor objects.

**(d) Remodeling and Re-equipping.** Franchisor reserves the right to require Franchisee to generally refurbish the Studio and/or the Premises at Franchisee's expense, in order to conform to the building design, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for THE LOOK SALON SUITES franchises, which include, without limitation, structural changes, installation of new materials, equipment, technology, and Computer Systems, remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements. Such remodeling and re-equipping may include, without limitation, replacing worn out, obsolete, or dated equipment, technology, and Computer Systems, fixtures, furnishings and signs; structural modifications, redecorating; or purchasing more efficient or improved equipment. Franchisor may require Franchisee to perform remodeling and to purchase equipment at such times as Franchisor, in its sole discretion, deems necessary and reasonable. FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE INITIAL TERM. In the event of Franchisee's delay, refusal, or failure to make repairs or modifications to the Premises as specified by this Section 10(d), Franchisor or its agents may enter the Premises, without further notice and without liability for trespass or other tort and with Franchisee's complete cooperation, and remove, repair, and/or replace, at Franchisee's expense, any items which do not conform to Franchisor's then-current standards and specifications or which are not in conformity with Franchisee's obligation to maintain the Studio and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that Franchisor may have in law or in equity, Franchisee shall reimburse Franchisor for all out-of-pocket expenses

incurred by Franchisor in connection with any refurbishing work performed by Franchisor pursuant to this Section 10(d), plus an administrative fee of fifteen percent (15%) of the total aggregate amount of expenses incurred by Franchisor. These remodeling and refurbishing obligations are in addition to Franchisee's general responsibility to maintain the condition and appearance of the Premises consistent with Franchisor's then-current standards. Franchisee must keep the Premises, including all of its fixtures, furnishings, equipment, materials, and supplies, in the highest degree of cleanliness, orderliness, and repair, as determined by Franchisor.

## **11. Operations, Standards of Quality, Inspections.**

**(a) Operations Manager.** Franchisee shall designate an individual to serve as the "Operations Manager" for the Studio, which may be Franchisee, an Owner of Franchisee or another Franchisee employee. The Operations Manager shall meet the following qualifications:

**(i) Management Responsibility.** The Operations Manager shall devote full time and best efforts to the management, supervision, and conduct of the development and operation of the Studio in order to ensure compliance with this Agreement and to maintain Franchisor's high standards. Management responsibility shall include, without limitation, maintaining the highest standards of service, safety, sanitation, product quality and consistency and supervising employees to ensure that the highest standard of service is provided and to ensure that Franchisee's employees deal with customers, suppliers, Franchisor, and all other persons in a courteous and polite manner. Management responsibility shall include the presence of the Operations Manager, or an assistant manager who has successfully completed any training required by Franchisor before being designated as an Operations Manager or assistant manager at the Studio, during all business hours;

**(ii) Qualifications.** The Operations Manager shall complete Franchisor's initial training requirements, participate in and complete to Franchisor's satisfaction all additional training as may be reasonably required by Franchisor. The Operations Manager shall agree in writing to be bound by non-compete, non-solicit, and confidentiality provisions substantially similar to those contained in Sections 14 and 15 of this Agreement.

**(iii) Change.** If at any time for any reason the Operations Manager no longer qualifies to act as such, Franchisee shall promptly designate another Operations Manager subject to the same qualifications set forth in this Section 11(a). The Franchisor shall receive advanced written notice of any change in the Operations Manager.

**(b) Compliance with Franchisor's Standards.** Franchisee shall operate the Studio through strict adherence to Franchisor's standards, specifications and policies as they now exist, and as they may from time to time be modified. Such standards and policies include, without limitation: (i) specifications related to merchandise, products, and services, including specifications related to the delivery of instruction via virtual methods; (ii) hours of operation as set forth in the Brand Standards Manual; (iii) employee uniform and qualification requirements and specifications; and (iv) use of specified emblems and Marks on products, computer systems,

bags, signs, and other items. Franchisee agrees to follow the instructions of Franchisor as well as Franchisor's employees, agents, and/or Franchisor's area directors or developers.

(c) **Training.** It will be solely Franchisee's responsibility to ensure that all new employees and current employees are trained to perform their duties in a proper manner at the Studio and Franchisee shall implement and maintain an employee training program, at Franchisee's expense. Franchisee shall ensure that all employees have all necessary certifications and credentials as required by applicable state laws and licensing regulations, and that all employees must satisfy all continuing educational training requirements as may be specified by applicable laws and regulations. In the event that Franchisor provides training to Franchisee's employees upon Franchisee's request, Franchisee Indemnifying Parties hereby release, indemnify and hold harmless the Franchisor Indemnified Parties from all claims, causes of action, expenses, costs, debts, fees, liabilities and damages of every kind arising out of or related to the training and/or the continuing education of Franchisee's employees as set forth herein. Franchisor reserves the right to assess a training fee or attendance fee for any conferences, conventions, or other training Franchisor or its approved suppliers provide.

(d) **Compliance with Specifications and Procedures.** Franchisee acknowledges that the Brand Standards Manual is designed to protect Franchisor's Marks, brand image, goodwill, and standards and systems, and not to control the day-to-day operation of the business. Franchisee shall comply with all rules, regulations, and directives specified by Franchisor, as well as all mandatory standards, specifications and procedures contained in the Brand Standards Manual, as amended from time to time.

(e) **Franchisee Control.** Franchisee acknowledges that it is responsible for the day-to-day operation of its Studio, including hiring, setting the conditions of employment, supervision, discipline and termination of all personnel, purchases and maintenance of equipment and supplies, preparing Franchisee's own marketing plans and funding and implementing those marketing plans, maintenance of employment records, and daily maintenance, safety, security and the achievement of compliance with the Brand Standards Manual. Franchisor's ability to approve certain matters, to inspect the Studio and its operations and to enforce its rights exists only to the extent necessary to protect its interest in the System and the Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters that are clearly reserved to Franchisee. Franchisee expressly has control over the following for its employees: wages, benefits, and other compensation; hours or work and scheduling; hiring and discharge; discipline; workplace health and safety; supervision; assignment; and work rules and directions governing the manner, means, or method of work performance.

(f) **Employment Matters.** Franchisee's employees are not Franchisor's agents or employees and Franchisor is not a joint employer of these individuals. Franchisee is solely responsible for performing all administrative functions at the Studio, including payroll and providing workers' compensation insurance. Franchisee acknowledges that it is not economically dependent on Franchisor, and that Franchisor does not provide facilities, equipment, housing or transportation for Franchisee's employees or provide to Franchisee's employees tools or materials required for Franchisee's employees to perform services for Franchisee. Franchisee shall comply with all employment laws and regulations. At all times,

Franchisee shall ensure that Franchisee and Franchisee's employees are in compliance with federal, state, and local tax laws.

**(g) Employer Acknowledgment.** Franchisee shall obtain from each of its employees an acknowledgment signed by such persons providing that such individual understands, acknowledges, and agrees that (i) he or she is an employee of Franchisee and not Franchisor and (ii) he or she shall look solely to Franchisee, and not to Franchisor or its affiliates, agents, or employees, for his or her compensation and for all other employment matters.

**(h) Evidence of Relationship.** Franchisee shall hold itself out to the public as an independent contractor by, without limitation: (i) clearly identifying itself in all dealings with third parties as a franchised, independently owned and operated entity, including on all public records, checks, stationery, contracts, receipts, marketing materials, envelopes, letterhead, business cards, employment applications, and other employment documents, invoices and other communications, electronic or otherwise; and (ii) displaying a sign in the Studio so as to be clearly visible to the general public indicating that the Studio is independently owned and operated as a Studio.

**(i) Brand Standards Manual.** Franchisor will provide Franchisee with one (1) or more Brand Standards Manuals, policy and procedure statements, or other written notice of standards and specifications which shall contain (i) the mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Franchisor and (ii) information relative to other obligations of Franchisee hereunder and the operation of the Studio (collectively the "Brand Standards Manual"). For purposes of this Agreement "Brand Standards Manual" also includes separate manuals and alternative or supplemental communications of the Franchisor such as by bulletins, emails, video, audio, and other electronic or print methods. The Brand Standards Manual shall at all times remain the sole property of Franchisor and shall promptly be returned to Franchisor upon the expiration, non-renewal, transfer or other termination of this Agreement for any reason. Franchisor may, from time to time, revise the contents of the Brand Standards Manual. To the extent that Franchisor shall deem it necessary or appropriate, Franchisor will provide Franchisee with policy and procedure statements or other written notice of specifications standards and procedures, policies, and other standards and specifications contained in the Brand Standards Manual, policy and procedure statements and other written notices as issued from time to time by Franchisor. Franchisee acknowledges and agrees that all information in the Brand Standards Manual, policy and procedure statements and other notices constitute confidential information and trade secrets, and shall not be disclosed at any time by Franchisee. Franchisee shall not copy, disclose, duplicate, record or otherwise reproduce, in whole or in part, for whatever reason, the Brand Standards Manual or any other communication or information provided by Franchisor. Franchisor shall have the right to modify the policies and procedures of the Brand Standards Manual at any time, which modifications shall be binding upon Franchisee.

**(j) Variations in Standards.** Because complete and detailed uniformity under varying conditions may not be possible or practical, Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary standards within the Studio or any other Studio in the Chain based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and



other demographic factors, size of a franchisee's territory, business practices or customs, or any other condition which Franchisor deems to be of importance to the operation of such Studio or the Chain. Franchisee acknowledges that because of these factors and others, there may be variations from standard specifications and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee.

**(k) Franchisee Developments.** Franchisor shall have the right to use and incorporate into the System for the benefit of other franchisees and Franchisor any modifications, ideas or improvements, in whole or in part, developed or discovered by Franchisee or Franchisee's employees or agents, without any liability or obligation to Franchisee or the developer thereof.

**(l) Compliance with Laws.** Franchisee shall at all times during the Initial Term and Renewal Term comply with all laws, ordinances, rules and regulations of all applicable governmental bodies, and pay any and all taxes, assessments, fines and penalties arising out of the operation of the Studio, including state and federal unemployment taxes and sales taxes and data privacy laws.

**(m) Courtesy, Cooperation, Fair Dealing and Ethical Business Practices.** In all dealings with customers, suppliers, Franchisor and others, Franchisee will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct. At all times and under all circumstances, Franchisee and its employees shall treat all customers and other persons, including Franchisor's agents, officers, and employees with the utmost respect and courtesy, and shall fully cooperate with Franchisor and its agents, officers, and employees in all aspects of the franchise relationship. Franchisee will operate Franchisee's business in full compliance with all applicable laws, ordinances and regulations, including all licensing requirements. Franchisee will not engage in any illegal discriminatory practices. Franchisor makes no representations as to what (if any) licenses, permits, authorizations or otherwise will be required in connection with Franchisee's establishment or operation of Franchisee's business. Franchisee is solely responsible for determining what licenses, permits, authorizations or otherwise are required and to obtain them, all at Franchisee's expense. Franchisee will refrain from any practice which may injure the goodwill associated with the Marks. Franchisee will notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, Franchisee, Franchisee's business and/or the Marks.

Franchisee agrees to comply with and/or assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise. Franchisee agrees to comply with and assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to Franchisee's business as may be required by Franchisor or by law. Franchisee confirms that Franchisee is not listed in the Annex to Executive Order 13224 and agrees not to hire any person so listed or have any dealing with a

person so listed (the Annex is currently available at <http://www.treasury.gov>). Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and Franchisee specifically acknowledges and agrees that the Franchisee Indemnifying Parties' indemnification responsibilities as provided in Section 19(b) of this Agreement pertain to Franchisee's obligations hereunder.

(n) **Business Relations.** Franchisee shall at all times operate the Studio in a financially sound, prudent and business-like manner and, without limiting the generality of the foregoing, pay all its bills and accounts promptly when due and shall take no action, or omit to take any action, the result of which would be to tend to disrupt, damage or jeopardize Franchisee's relationship with suppliers or customers, Franchisor's good reputation, or the good reputation of Franchisor's other franchisees. Franchisee will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisee, Franchisor, the Studio, the Marks, the services and/or products sold at the Studio, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

(o) **Crisis Situations.** Franchisee shall notify Franchisor immediately upon the occurrence of any situation that may have a significant negative impact on Franchisee, Franchisor, the Studio, or which could have a deleterious effect on THE LOOK SALON SUITES brand, Marks or System ("Crisis"). Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by Franchisor or as specified in the Brand Standards Manual, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters. A Crisis includes, but is not limited to, any event that occurs at or about the Studio or in connection with the Studio that has or may cause harm or injury to customers or employees. Examples include, but are not limited to, product recalls, injuries to employees or customers, contagious diseases, natural disasters, terrorist acts, shootings, cyber-attacks, or any other circumstance which may damage the System, Marks, or image or reputation of the Studio, the System or Franchisor. Franchisee will cooperate fully with Franchisor with respect to Franchisor's response to the Crisis. In the event of the occurrence of a Crisis, Franchisor may establish emergency procedures which may require Franchisee to temporarily close the Studio to the public, in which event Franchisor shall not be liable to Franchisee for any loss or costs, including consequential damages or lost profits occasioned thereby. Franchisor will have the right to take control of the management of communications if Franchisor determines that the publicity surrounding the event is likely to have a material adverse effect on the reputation or goodwill of the Studio, Marks, System, or Franchisor. Franchisee will obtain Franchisor's consent before any press releases, interviews or public statements are issued by Franchisee, or anyone on its behalf, about events that are likely to receive or are receiving significant negative public attention related to the Studio, Marks, System, or Franchisor.

(p) **Change in Marital Status.** If Franchisee or one (1) of its Owners or guarantors has a change in marital status during the Initial Term, Franchisee shall promptly inform Franchisor of that change and Franchisee agrees that any new spouse will sign Franchisor's form guaranty, non-compete, non-solicit, and confidentiality agreements.



**(q) Books and Records; Financial Reporting.**

**(i) Books and Records.** Franchisee shall maintain during the Initial Term and any Renewal Term and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Franchisee's expense, full, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles. Franchisee shall maintain such records at the Premises, unless otherwise authorized by Franchisor. Franchisee agrees at all times to use the chart of accounts, format for financial statements, and accounting procedures established from time to time by Franchisor. Franchisor has the right to require Franchisee to grant Franchisor unlimited, remote, 24/7 access to Franchisee's books, records, and accounts that are provided through Computer Systems.

**(ii) Submission of Performance Reports.** Franchisee shall submit to Franchisor the following performance reports for review or auditing: (1) Gross Revenues reports and performance reports for the prior month; (2) monthly financial statements, including a balance sheet and income statement; and (3) such forms, reports, records, information, and data as Franchisor may designate, in the form and at the times and places required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Brand Standards Manual or otherwise in writing. Franchisor may require Franchisee to have a certified public accountant review such statements, reports, and information, the expense of which shall be borne entirely by the Franchisee, and then submit such reviews to the Franchisor. Franchisee also shall immediately notify Franchisor in writing when one (1) or more liens or judgments are filed against the Franchisee, the Studio and/or any of the personal guarantors (if any) under this Agreement.

**(iii) Submission of Financial Statements and Tax Returns.** Franchisee shall submit, within forty-five (45) days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement, and cash flow report prepared and certified by a certified public accountant which cover the previous twelve (12) months of operations of the Studio. The fiscal year of the Studio must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the Initial Term or any applicable Renewal Term; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Studio.

**(iv) Audit of Franchisee's Records.** Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of the Studio and remove copies thereof from the Studio premises. Franchisor shall also have the right at any time, at Franchisor's expense, to have an independent audit made of the Studio books, records and accounts. If any inspection or audit reveals that an underpayment exists, Franchisee shall immediately pay to Franchisor the amount owing to Franchisor, as determined by the inspection or audit.

Upon discovery of an understatement of Two Percent (2%) or more, in addition to prompt payment of the underreported amount, Franchisee shall reimburse Franchisor for any and all expense connected with such inspections or audits, including but not limited to reasonable accounting and legal fees as well as interest as provided for in Section 3 of this Agreement. Such payments shall be without prejudice to any other remedies Franchisor may have under this Agreement or otherwise at law. If a discrepancy of less than Two Percent (2%) is revealed, Franchisor will bear the costs of the audit.

(v) **Forms.** Franchisee will use only such forms, including, without limitation, those used in and generated by the required software, as are approved by Franchisor in the Brand Standards Manual or otherwise in writing. Franchisee will obtain all forms specified by Franchisor and/or the required software, at Franchisee's expense, from suppliers approved by Franchisor. Franchisor may maintain and make available to Franchisee all or a portion of such forms electronically in addition to, or in lieu of, providing hard copies to Franchisee.

(vi) **Accounting Service Provider; Payroll Provider.** Franchisor has the right to require Franchisee to use an accounting service provider or payroll service provider mandated by Franchisor.

(r) **Inspections.** Franchisor and its agents have the right to enter Premises, with or without notice, in person or remotely via communications technology, in order to inspect, photograph, and/or videotape on-going construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Studio and/or the Premises or any other operations of the Studio to ensure compliance with all requirements of this Agreement, at all times before or after Franchisee opens the Studio. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance Franchisor may reasonably request, including using communications or audiovisual technology, such as a smartphone, to facilitate the remote inspection by Franchisor or Franchisor's agents and providing the assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as Franchisee's customers and former customers. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, or materials that do not conform to Franchisor's then-current plans and specifications, the Brand Standards Manual, or other standards or requirements, and to repair or replace anything in the Studio that does not so conform. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Studio or its operations comply with applicable laws, codes, ordinances, regulations or governmental standards. Upon reasonable written notification from Franchisor of a scheduled inspection, one (1) of Franchisee's Owners must be present during such inspection. Franchisor may remove samples of inventory and equipment from the Premises during inspections.

(s) **Computer System.** Franchisee, at its expense, shall purchase or lease and thereafter maintain such computer hardware and software, mobile application(s), cloud-based systems and/or software, smartphone(s), tablet, broadband high-speed internet service, active e-mail account, required dedicated telephone and power lines, modem(s) printer(s), point-of-sale systems, scheduling systems, electronics, communications systems, instructional systems, robotics, automation, and other computer-related or technology-related accessories or peripheral equipment as Franchisor specifies ("Computer Systems"). Franchisor's requirements for the Computer Systems will be updated from time to time as deemed necessary by Franchisor in accordance with changing technology and industry standards and may include the requirement to purchase or lease new Computer Systems. Franchisee must periodically update, as required by the Franchisor and/or the Computer Systems' suppliers, all Computer Systems solely at the Franchisee's expense. Franchisee may be required to license proprietary Computer Systems directly from Franchisor or Franchisor's affiliates. Franchisee may be required to enter into license agreement(s) with Franchisor or other suppliers to provide all or part of the Computer Systems. Franchisor and its agents shall have the right to access all information related to the operation of the Studio that is accessed or stored on the Computer Systems, whether in-person or from a remote location, without the need for Franchisee's consent, at the times and in the manner prescribed by Franchisor, which may be unlimited, remote, 24/7 access. Franchisor shall be granted access and may use data from the Computer Systems or from any source utilized by Franchisee which deviates from the Computer Systems in any way it deems fit and Franchisee agrees to furnish such data to Franchisor at any time that Franchisor requests it. Franchisor has the right to require Franchisee to connect to Franchisor's own computer systems. Franchisee shall provide Franchisor with all required passwords or login credentials to access the Computer Systems and shall grant Franchisor any permissions necessary for Franchisor to view and access the data on the Computer Systems. Data relating to the Studio and/or the System that is generated by, stored on, saved to, downloaded or uploaded to, shared with the Computer Systems is part of the Franchised Business Data owned solely by Franchisor. Despite the fact that Franchisee agrees to buy, use, and maintain the Computer Systems according to Franchisor's standards and specifications, Franchisee will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer Systems; (2) the manner in which the Computer Systems interfaces with Franchisor's and any third party's computer system; and (3) any and all consequences if the Computer Systems is not properly operated, maintained, and upgraded. Franchisee may not install any software, other than authorized upgrades, or make any modifications to the Computer Systems that might hamper or interfere with the operation of the Computer Systems in the manner Franchisor requires. Franchisee acknowledges and agrees that Franchisor shall have no responsibility under any circumstances for any malfunction or "crash" of any Computer System provided by or approved by Franchisor, including, but not limited to, for any data lost as a result of such malfunction or "crash."

(t) **Group Buying Services.** Franchisee agrees not to use any group buying services, including, without limitation, Groupon or Living Social, without first obtaining the express written permission of Franchisor. As with all advertising, advertisements placed with a group buying service are subject to Section 8(e) herein.

(u) **Credit Card Processing.** Franchisee agrees to use such credit card processing services approved by Franchisor and to purchase and maintain, at Franchisee's expense, any equipment necessary to permit such credit card processing functionality. Notwithstanding the

credit card processing requirement, Franchisor does not represent, nor does it certify or warrant, to Franchisee or Franchisee's customers that the credit card processing service approved by Franchisor is compliant, whether or not certified as such, with the PCI Data Security Standards.

**(v) Data Protection; Privacy.**

**(i) Definition of Personal Information.** As used in this Agreement, "Personal Information" shall mean (i) any information that can be used to identify, locate, or contact an individual or household, including but not limited to Franchisee's employees and customers and (ii) information that is defined as protected, personal information under any Privacy Law.

**(ii) Data Protection and Security Policies.** Franchisee shall comply with, or, as applicable, adopt policies consistent with the then-current version of Franchisor's data protection and security policies as may be described in the Brand Standards Manual ("Data Protection and Security Policies"). Such policies may govern how Franchised Business Data and Personal Information contained in such data shall be collected, used, store, processed, shared, or destroyed. Franchisor has the right, but not the obligation to create such Data Protection and Security Policies. Franchisee acknowledges that Franchisor may supplement, modify, or amend the Data Protection and Security Policies from time to time in its sole discretion, and that Franchisee shall comply with such modifications or amendments within thirty (30) days of notice from Franchisor. Franchisor may require Franchisee to institute a data privacy policy for its Studio. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

**(iii) Privacy Laws.** Franchisee warrants and represents and covenants that it shall comply with (i) applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council ("PCI-DSS"), (ii) those mandatory Data Protection and Security Policies, if any, and (iii) all applicable international, federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security, management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information, including the Children's Online Privacy Protection Act (collectively, "Privacy Laws").

**(iv) Marketing; Consumer Protection.** Franchisee warrants and represents not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, SMS text message, or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such e-mail, electronic, or SMS text message advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), and to use of automatic dialing systems, SMS text messages, and artificial or prerecorded voice messages, including but

not limited to the Telephone Consumer Protection Act of 1991 (“TCPA”), as amended from time to time. Franchisee must comply with the Fair and Accurate Credit Transactions Act (FACTA) and all other consumer protection laws and regulations.

(v) **Security Breach.** Franchisee shall cooperate with Franchisor in any audit that Franchisor may conduct from time to time of its data storage and management systems and Franchisee’s storage of Personal Information. In addition, if Franchisee becomes aware of any actual or suspected unauthorized access, processing, loss, use, disclosure, alteration, destruction, transfer, or other compromise or acquisition of or access to any Personal Information, whether such information is stored in paper or electronic form, or information that might reasonably expose Franchisor to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into Franchisee’s or Franchisor’s computers, networks, servers, IT resources, or paper files (“Security Breach”), Franchisee shall immediately notify the Franchisor’s President via telephone of such matter and shall thereafter cooperate with Franchisor to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by Franchisee unless Franchisor has authorized the provision of notice and the form of such notice in writing. Franchisee shall reimburse Franchisor for all reasonable Notification and Remediation Related Costs (hereinafter defined) incurred by Franchisor arising out of or in connection with any such Security Breach that is directly or indirectly caused by Franchisee or its personnel. “Notification and Remediation Related Costs” shall include Franchisor’s internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications to affected individuals, regulators and attorneys general; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as Franchisor deems reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) engagement of information technology consultants, public relations and other similar crisis management services; (v) payment of legal and accounting fees and expenses associated with Franchisor’s investigation of and response to the Security Breach; and (vi) payment of costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances. Franchisee Indemnifying Parties agree to hold harmless, defend and indemnify Franchisor Indemnified Parties from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which Franchisor Indemnified Parties shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with a Security Breach or Franchisee’s or Franchisee Indemnifying Parties’ violation of any Privacy Law, Data Protection and Security Policies, consumer protection-related law or regulation, e-mail marketing and other marketing laws and regulations, and the PCI-DSS.

(vi) **Inspection.** Franchisor, through its employees and/or any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee enter upon and inspect the Studio and examine



Franchisee's Computer Systems, databases, business records and other supporting records and documents in order to verify compliance with its Data Protection and Security Policies, and Privacy Laws. Any such inspection shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with the Data Protection and Security Policies, Privacy Laws, this Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation, travel expenses, room and board, and compensation of Franchisor's employees and/or agents.

**(vii) Personal Information Consent and Requests.** Franchisee is responsible for obtaining any required consent to the collection, use, storage, processing, and sharing of Personal Information from its customers, employees, and other parties from which it is required to obtain consent under the Privacy Laws or Data Protection and Security Policies. Franchisee shall retain copies of the consent and store them and share them with Franchisor in the manner Franchisor requires. Franchisee shall fully comply with Data Protection and Security Policies and Privacy Laws as they relate to a person's exercise of his or her rights under the Privacy Laws. If any person contacts Franchisee seeking to exercise any right under law pertaining to Personal Information, Franchisee shall comply with such request in accordance with the terms of this Agreement, including the Data Protection and Security Policies, the Brand Standards Manual, the Privacy Laws, and as otherwise instructed by Franchisor. If requested by Franchisor, Franchisee must cooperate or coordinate with Franchisor to provide information about the way that Franchisee has collected, used, stored, processed, and shared Personal Information.

**(viii) Use of Personal Information.** Franchisee warrants and represents and covenants that it shall not collect, use, store, process, or share Personal Information unless such action is permitted by (i) the terms of this Agreement, (ii) the terms of the Data Protection and Security Policies, (iii) the standards in the Brand Standards Manual, (iv) Privacy Laws, and if, applicable, (v) written approval of Franchisor. Franchisee shall collect, use, store, process, and share Personal Information only for purposes of operating the Studio. Franchisee shall not sell Personal Information. Franchisee shall not re-identify any Personal Information that has been de-identified. If Franchisee engages any vendor that will collect, use, store, process, or share Personal Information, Franchisee must contractually bind the vendor to the data protection obligations that Franchisor requires.

**(w) Secret Shoppers; Toll-Free Number; Etc.** Franchisor may, at its sole discretion, institute various programs for verifying customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including, without limitation, marketing research surveys, a toll-free number, customer comment cards, secret shoppers, or otherwise. Franchisor will share with Franchisee the results of such programs as they pertain to Franchisee's business and Franchisee agrees to reimburse Franchisor for all costs associated with any and all such programs, which cost may be drafted by EFT at the sole discretion of Franchisor.

**(x) Franchise Advisory Council.** Franchisor may, but is not obligated to, form a Franchise Advisory Council selected by Franchisor in Franchisor's sole discretion, which shall

provide Franchisor input as Franchisor may request from time to time ("FAC"). The FAC exists at Franchisor's pleasure, and Franchisor is not obligated or bound by any input provided by the FAC. The FAC will consist of franchisees in full compliance with this Agreement and/or Franchisor's representatives. Franchisor has the right to add or remove members of the FAC in Franchisor's sole discretion.

(y) **Use of Proper Lease/Sublease Agreements.** Franchisee is solely responsible for preparing a form of lease or sublease (whichever is appropriate) for use in connection with leasing/subleasing the individual suites in the Studios facility to third-parties and is solely responsible for ensuring that the form of lease/sublease used fully complies with all landlord-tenant, real estate, leasing and other applicable laws. If required by the lessor of the Location, Franchisee must timely submit the form of sublease to the landlord for approval and otherwise comply with any of landlord's requirements with respect to subleasing portions of the Location facility to third parties. Franchisor may provide Franchisee with its then-current form of "template" lease/sublease for reference purposes only, but Franchisee will be solely responsible for modifying any such form of lease/sublease to ensure that it complies with this Section. Franchisor's provision of such documents, if Franchisor determines to do so in its sole discretion, is not a representation, warranty, or guaranty that such documents comply with the applicable laws discussed in this Section. Franchisee is strongly encouraged to engage independent legal counsel to assist in preparing a form of lease/sublease that complies with this Section.

(z) **No Warranties.** FRANCHISOR, ITS AFFILIATES, AND THEIR REPRESENTATIVES, MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES OR OTHER ITEMS FRANCHISOR, ITS AFFILIATES, AND THEIR REPRESENTATIVES, APPROVE, SUPPLY, OR REQUIRE FRANCHISEE TO PURCHASE OR USE. FRANCHISOR, ITS AFFILIATES, AND THEIR REPRESENTATIVES EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT, SUPPLIES, OR OTHER APPROVED ITEMS.

## **12. Suppliers, Products and Service.**

(a) **Suppliers, Products, and Services.** In the operation of the Studio, Franchisee shall use, sell, and lease only those products, materials, supplies, equipment, Computer Systems, technology, and services that have been specifically designated, approved or required by Franchisor. Franchisee shall sell and lease all goods and services required by Franchisor. To the extent that Franchisor has established designated or approved suppliers, Franchisee shall obtain all products, materials, supplies, equipment, technology, Computer Systems, and services that are used in operation of the Studio from suppliers that Franchisor shall have specifically designated or approved. Franchisee may be required to purchase from Franchisor certain products or services, or Franchisor may designate an affiliate as the designated supplier of any products, materials, supplies, equipment, technology, or services used in the operation of the Studio. Franchisor may designate exclusive suppliers for any products, materials, supplies, equipment and service. Franchisor or its affiliates may receive payments, discounts, or other compensation from suppliers on account of the suppliers' dealings with Franchisor, Franchisee,



or other franchised businesses in the System. Franchisor may use any amounts that it receives from suppliers for any purpose that Franchisor deems appropriate. Franchisor and its affiliates may negotiate supply contracts with its suppliers under which Franchisor is able to purchase products, equipment, supplies, and services at a price lower than that at which franchisees are able to purchase the same items. Franchisor may, from time to time, amend the list of approved products and suppliers, and Franchisee must comply with any such changes within thirty (30) days after receiving notice of the change. Products and services other than those required to be obtained from Franchisor or a designated supplier may be purchased from any source provided that the particular supplier, services, and products have been approved by Franchisor. Franchisor may, from time to time, amend the list of approved products and suppliers. If Franchisee requests that Franchisor review a new or alternate supplier, service, or product, Franchisee shall pay Franchisor's then-current evaluation fee plus any costs and expenses Franchisor incurs as a result of its evaluation. Further if Franchisor and its affiliates sell any goods and services to Franchisee, Franchisor and its affiliates may make a profit. Franchisee hereby agrees that Franchisor and its affiliates are entitled to such profits, payments, discounts, or other compensation.

**(b) Pricing.** Franchisee shall have the right to set prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by Franchisor; and (2) complies with any prices specified by Franchisor; and (3) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by Franchisor. Franchisor retains the right to modify its pricing policies from time to time in its sole discretion. Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary pricing standards and policies within the Studio or any other Studio in the Chain based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of a franchisee's territory, business practices or customs, cost of a franchisee's rent or mortgage payments, or any other condition which Franchisor deems to be of importance to the operation of such Studio or the Chain. Franchisee acknowledges that because of these factors and others, there may be variations from standard pricing policies and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee. Franchisee must provide to Franchisor a price list containing all of the prices charged for the products supplied by the Studio. The price list must be updated and supplied to Franchisor upon request.

**(c) System Changes.** Franchisee acknowledges that the System, the services, and products offered by the Studio may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, products, and services) from time to time by Franchisor; and Franchisee agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications. Franchisee agrees there is no limit to Franchisor's ability to modify the System. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these System changes.

**(d) Technology Changes.** Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology

in the System; and Franchisee agrees that it will abide by those reasonable new standards established by Franchisor, at Franchisee's sole cost and expense. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these changes to technology.

(e) **Promotional Requirements.** Franchisor has the right to require Franchisee to participate in national, regional, and local giveaways and promotions at Franchisee's expense. Franchisee may be required to provide free or discounted items or other free or discounted products or services as a result of such giveaways or promotions. Franchisor is not required to reimburse Franchisee for Franchisee's costs and expenses incurred as a result of these giveaways and promotions.

### **13. Transfer; Franchisor's Right of First Refusal.**

(a) **Transfers by Franchisor.** This Agreement, and any and/or all of Franchisor's rights and/or obligations under it, are fully transferable by Franchisor in Franchisor's sole discretion and will inure to the benefit of any person or entity to whom Franchisor transfers it, or to any other legal successor to Franchisor's interest in this Agreement. If Franchisor transfers this Agreement, or any and/or all of Franchisor's rights and/or obligations under it, all past, current and future obligations of Franchisor to Franchisee will cease and be forever extinguished. Franchisor shall be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment, and Franchisee's obligations and duties shall be and will remain the same notwithstanding any such assignment. Franchisor may be sold and/or Franchisor may sell any or all of its assets to a competitive or other entity; or Franchisor may participate in an initial, or other, public offering or private placement of Franchisor's stock; may merge, acquire other entities and/or assets (competitive or not); may be acquired by a competitive or other entity; and/or may undertake any refinancing, leveraged buy-out and/or other transaction. Franchisee waives any and all claims, demands and/or damages with respect to any transaction or otherwise allowed under this section or otherwise.

(b) **Transfers by Franchisee.** The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee. Franchisee recognizes that Franchisor has granted the License in reliance on the business, financial capacity, personal skill, qualifications and representations of the Owners of Franchisee and in reliance upon Section 13, 14, 15 and 23 of this Agreement and the Owners' agreement to be bound thereby. Therefore, neither Franchisee's interest, rights or privileges in the Agreement, the License, substantially all of the assets of the Studio, or the Studio, nor the Owners' interest in Franchisee or the Owner(s), in whole or in part, voluntarily or involuntarily, by operation of law or otherwise, in any manner, shall be transferred, except as provided in this Section 13. For purposes of this Agreement, the term "transfer" shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance (other than a lien against Franchisee's assets to secure a loan for the construction, remodeling, equipping or operation of the Studio), transfer by bankruptcy, transfer by judicial order, merger, consolidation share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary. Except as provided below, any ownership or structural changes in Franchisee including but not limited to, any merger, reorganization, issuance of additional shares or classes of stock or additional partnership interests, shall constitute and be deemed a transfer and shall be subject to the provisions of Section 13(d).

(c) **Franchisor's Right of First Refusal.**

(i) **Exercise of Right.** If Franchisee or an Owner proposes to transfer this Agreement or its interest herein or in the Studio, in whole or in part, Franchisee must first deliver a statement to Franchisor offering to sell to Franchisor the Franchisee's or Owner's interest in this Agreement and the land, building, equipment, furniture and fixtures and any other assets or leasehold interests used in the operation of the business. If the proposed transfer involves an offer from a third party, then Franchisee must obtain from the third-party offeror and deliver to Franchisor a statement, in writing, signed by the offeror and by Franchisee, of the binding terms of the offer. If the transfer does not involve an offer from a third party, then the purchase price for Franchisor's purchase of assets described above will be the fair market value of the assets, but shall not include the value of any goodwill of the business, as the goodwill of the business is attributable to the Marks and the System. If Franchisee disagrees with the value of the Studio as determined by Franchisor, then Franchisee and Franchisor shall each hire an appraiser (or a single appraiser, if they so agree) to value the assets. If the appraisals are within twenty percent (20%) of each other, then the difference between the two shall be equally divided to establish the price at which Franchisor may exercise its first right and option. If the difference between the appraisals is greater than twenty percent (20%), then the issue of the fair market value of such consideration shall be determined by a third appraiser selected by the other two appraisers and whose decisions shall be final, except that it may not be lower or higher than the lowest appraisal and highest appraisal, respectively, determined by the first two appraisers. Franchisor and Franchisee will each pay one-half of the appraiser's fees and expenses. Franchisor then has forty-five (45) days from its receipt of the statement setting forth the third-party offer or the appraiser's report, as applicable (and all other information requested by Franchisor) to accept the offer by delivering written notice of acceptance to Franchisee. Franchisor will have an additional forty-five (45) days to complete the purchase if Franchisor elects to exercise its right of first refusal. Franchisor's acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to Franchisor; provided, however (and regardless of whether the following are inconsistent with the price and terms set forth in the statement) (1) Franchisor has the right to substitute equivalent cash for any noncash consideration included in the offer, (2) Franchisor will prepare the transaction documents for the transfer, which will be on terms customary for this type of transaction (including representations and warranties, covenants, conditions, and indemnification), and (3) Franchisor's purchase may be limited to any assets related to the business.

(ii) **Approval of Transfers.** If Franchisor decides not to exercise its right of refusal, Franchisor shall have the right to approve or disapprove the proposed transfer; provided, however, Franchisor's consent shall not be unreasonably withheld as provided in Section 13(d). If Franchisor approves the transfer in writing, Franchisee (or Owner, as applicable) may make the proposed transfer on the exact terms and conditions specified in Franchisee's notice to Franchisor within sixty (60) days after the expiration of Franchisor's right of first refusal. If the transfer is not consummated within such sixty (60)-day period, Franchisee may not thereafter transfer such interest without again complying with this Section 13.

(d) **Conditions on Transfer.** Provided Franchisor chooses not to exercise its right of first refusal, Franchisor agrees that it will not unreasonably withhold its consent to a proposed transfer if all the following conditions are satisfied:

(i) **Compliance.** Franchisee, its Owners, and affiliates are in full compliance with this Agreement, with any other agreement with the franchisor's affiliates and, if applicable, any Area Development Agreement signed Franchisee (or its affiliate(s)) and Franchisor, and there are no uncured defaults by Franchisee hereunder, and all debts and financial obligations of Franchisee under this Agreement are current, including Franchisee's obligations to the Brand Development Fund, each Cooperative of which Franchisee is a member, and all vendors, including but not limited to, Franchisor and any affiliate.

(ii) **Agreements.** The proposed transferee executes such documents as Franchisor may reasonably require to evidence that it has assumed the obligations of Franchisee under this Agreement, including, but not limited to, the then current version of the Franchise Agreement, and if required by Franchisor, the proposed transferee executes, and in appropriate circumstances, causes such other parties as Franchisor may require to execute, Franchisor's then-current ancillary agreements to this Agreement, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement. This Agreement between Franchisor and Franchisee will terminate once an approved transfer is completed;

(iii) **Release.** Franchisee; Owners; guarantors of the Franchisee; and their respective predecessors, affiliates, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns execute a general release, in a form prescribed by Franchisor, releasing Franchisor's predecessors, affiliates; and their respective shareholders, members, officers, directors, owners and employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities, from any and all claims, causes of action, demands, debts, liabilities, obligations, fees, costs and expenses, including without limitation, claims and causes of action arising under federal, state and local laws, rules, regulations and ordinances, arising prior to and including the date the transfer becomes effective.

(iv) **Training.** Prior to the date of the proposed transfer, the proposed transferee's principal operator and managers undertake and complete, to the satisfaction of Franchisor, such training and instruction as Franchisor shall deem necessary;

(v) **Qualifications.** Franchisor is satisfied that the proposed transferee, and if the proposed transferee is an entity, all owners of any interest in such entity, meets all of the requirement for Franchisor's new franchisees applicable on the date Franchisor receives notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, management experience, and financial strength and liquidity;

(vi) **Continuing Obligations.** Franchisee and/or Owner(s) transferring an interest in Franchisee acknowledge and agree in writing that it is bound by Sections 14, 15 and 23 of this Agreement;

(vii) **Transfer Fee.** Franchisee or the Owner, as applicable, pays to Franchisor a transfer fee equal to Fifteen Thousand Dollars (\$15,000), which transfer fee must be deposited with Franchisor on a non-refundable basis upon Franchisee's notification to Franchisor of the proposed transfer and prior to Franchisor's undertaking any review, drafting of documents, training or other activities. If Franchisor does not approve the transfer or the transfer is not completed, Franchisee's transfer fee will be returned to Franchisee minus Franchisor's expenses incurred (including legal fees) for review and consideration of the transfer;

(viii) **Required Documents.** The proposed transferee, and all owners of any interest in a transferee that is an entity, provide Franchisor, at least forty-five (45) days prior to the proposed transfer date, with copies of financial statements for the preceding three (3) years, and where applicable, its certificate of incorporation and bylaws (and any amendments or modifications thereof), minutes and resolutions and all other documents, records and information pertaining to the transferee's existence and ownership;

(ix) **Update.** Within the time specified by Franchisor, Franchisee, at its expense, shall refurbish the Studio, as necessary, to conform the Studio to Franchisor's then-current standards and specifications, including, without limitation, specifications regarding, signage, size, color, trade dress, presentation of the Marks, fixtures, flooring, carpeting, and installed equipment; and

(e) **Permitted Transferee.** Notwithstanding the foregoing, provided Franchisee is in compliance with this Agreement, an Owner of less than Fifty One Percent (51%) of Franchisee's business ownership interests may transfer all or a portion of his interest in Franchisee to another Owner or to Franchisee (such person or entity being referred to as a "Permitted Transferee") and such transfer shall not be subject to the restrictions of this Section 13, including but not limited to the transfer fee set forth herein; provided, however, Franchisee shall promptly notify Franchisor of any such transfer and the exiting Owner shall sign Franchisor's form of a general release and termination agreement.

(f) **Transfer to a Wholly Owned Entity.** Notwithstanding anything in this Section 13 to the contrary, if Franchisee consists of one (1) or more individual(s), Franchisee may transfer its interest under this Agreement to a corporation, limited liability company or other legal entity without such a transfer being subject to the restrictions of this Section 13 so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3) Franchisor receives prior written notice of the transfer along with a complete set of the new legal entity's filed, date stamped formation documents; and (4) Franchisee and the new legal entity enter into a written assignment and assumption agreement in a form prescribed by Franchisor



pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement.

**(g) Death and Disability.**

**(i) Transfer Upon Death or Disability.** Upon the death or disability of Franchisee or any Owner of Franchisee, the Franchisee's or any such Owner's executor, administrator, conservator, guardian, or other personal representative must transfer the Franchisee's interest in this Agreement, or the Owner's ownership interest in Franchisee, to a third party (which may be Franchisee's or the Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 13. Failure to transfer Franchisee's interest in this Agreement, or the Owner's ownership interest in Franchisee, within this period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee or the Owner from operating the Studio in the manner required by this Agreement and the Brand Standards Manuals or from performing its, his, or her obligations under this Agreement and the Brand Standards Manuals.

**(ii) Operation upon Death or Disability.** During the period between death or disability of Franchisee or any Owner of Franchisee and the completion of the transfer described in Section 13(h)(i), the Studio still must be operated in accordance with the terms and conditions of this Agreement. Upon the death or disability of Franchisee or any Owner of Franchisee, the Franchisee's or any such Owner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or disability, appoint an Operations Manager (unless Franchisee or the Owner had previously appointed an Operations Manager who remains responsible for the day-to-day operation of the Studio). Any new Operations Manager must complete Franchisor's standard training program at Franchisee's expense, sign Franchisor's then-current form of confidentiality and non-compete agreement, and comply with any of Franchisor's then-current requirements for approval of an Operations Manager.

**(h) Non-Waiver.** Franchisor's consent to a transfer of any interest in Franchisee or the Studio granted through this Agreement will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

**14. Covenant Against Unfair Competition.**

**(a) Franchisee's Covenant Against Unfair Competition – During Term.** Franchisee acknowledges it will receive valuable, specialized training and Confidential Information (as defined in Section 15) regarding the production, services, operational, sales, promotional, and marketing methods of THE LOOK SALON SUITES concept that Franchisor has developed through monetary and other resource expenditures that provide competitive advantages to Franchisor's System. During the Initial Term, Franchisee and its Owners will not,

without Franchisor's prior written consent, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

- (i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, salesperson or consultant for, any Competitive Business (as defined in Section 14(d));

- (ii) offer or grant franchises or licenses for any Competitive Business; or

- (iii) become a franchisee or licensee of any Competitive Business; or

- (iv) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

**(b) Franchisee's Non-Solicitation Covenant – During Term.** Franchisee acknowledges it will receive customer and vendor information that is considered Confidential Information of the Franchisor. During the Initial Term, Franchisee and its Owners will not, without Franchisor's prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

- (i) solicit, divert or attempt to solicit or divert any customer of the Studio at any time during the Initial Term, to any Competitive Business, as Franchisee agrees that all goodwill associated with Franchisee's operation under the Marks and the System, and all customer information associated therewith, inure to Franchisor; or

- (ii) solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Studio to provide supplies, products, equipment, merchandise, or services to a Competitive Business or to cease to provide supplies, products, equipment, merchandise, or services to THE LOOK SALON businesses

**(c) Franchisee's Covenant Against Unfair Competition – Post-Term.** In partial consideration for Franchisor allowing Franchisee to license Franchisor's Marks and Confidential Information, Franchisee and each of the Franchisee's Owners covenant and agree that for a period of two (2) years after the termination, expiration, or non-renewal of this Agreement, regardless of the reason for such termination, expiration, or non-renewal ("Restrictive Period"), Franchisee and its Owners shall not, within the Restricted Territory (as defined in Section 14(e) below) engage in any of the following:

- (i) franchise, license, or own an interest in any Competitive Business, including as franchisor, licensor, franchisee, or licensee, provided that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 14(c) so long as Franchisee does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation; or

- (ii) engage in any Competitive Business as an officer, director, employee, consultant, operator, manager, or independent contractor in any capacity in which



Franchisee or its Owners would be in a position to use or disclose Confidential Information of Franchisor.

**(d) Franchisee's Non-Solicitation Covenant – Post-Term.** In partial consideration for Franchisor allowing Franchisee to license Franchisor's Marks and Confidential Information, Franchisee and each of the Franchisee's Owners covenant and agree that during the Restrictive Period, Franchisee and its Owners shall not, within the Restricted Territory engage in any of the following:

**(i)** solicit, divert, or induce or attempt to solicit, divert, or induce for, or on behalf of, any Competitive Business any person or entity who was an employee of, independent contractor to, consultant to, or other service provider to the Studio as of the date of termination, expiration, or non-renewal of this Agreement or who was an employee of, independent contractor to, consultant to, or other service provider to the Studio during the one (1) year period prior to the date of termination, expiration, or non-renewal of this Agreement, to work for the Competitive Business; or

**(ii)** solicit, divert, induce or attempt to solicit, divert, or induce any person or entity who is an employee of, independent contractor to, consultant to, or other service provider to Franchisor, Franchisor's affiliates, or Franchisor's other franchisees to terminate or alter in any way its, his, or her relationship with Franchisor, Franchisor's affiliates, or Franchisor's other franchisees; or

**(iii)** solicit, divert, or induce or attempt to solicit, divert, or induce any persons who were employees of, independent contractors to, consultants to, or any other service provider to Franchisor, Franchisor's affiliates, or Franchisor's other franchisees at the time of the termination, expiration, or non-renewal of this Agreement for, or on behalf of, any Competitive Business to work for any Competitive Business; or

**(iv)** solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Studio within one (1) year of the Restrictive Period to provide supplies, products, equipment, merchandise, or services to a Competitive Business or to cease to provide supplies, products, equipment, merchandise, or services to THE LOOK SALON businesses; or

**(v)** solicit, divert or attempt to solicit or divert any person or party that was a customer of the Studio during the one (1) year period prior to the expiration, termination, or non-renewal of this Agreement.

**(e) Restricted Territory.** For purposes of this Section 14, the term "Restricted Territory" means the following:

**(i)** An area which is within a 20-mile radius of:

**(A)** The Location of the Studio as of the date of termination, expiration, or non-renewal of this Agreement (including at the Location), or

(B) The location of any other THE LOOK SALON SUITES business owned by Franchisor or its affiliates or franchisees as of the date of termination, expiration, or non-renewal of this Agreement (including at those business locations); or

(ii) Only if the foregoing is determined by a court of law to be too broad, an area which is within a 5-mile radius of:

(A) The Location of the Studio as of the date of termination, expiration, or non-renewal of this Agreement (including at the Location), or

(B) The location of any other THE LOOK SALON SUITES business owned by Franchisor or its affiliates as of the date of termination, expiration, or non-renewal of this Agreement (including at those business locations); or

(iii) Only if the foregoing is determined by a court of law to be too broad, the Territory served by Franchisee as that Territory exists on the date of termination, expiration, or non-renewal of this Agreement (including the Location); or

(iv) Only if the foregoing is determined by a court of law to be too broad, at the Location of the Studio.

(f) **Competitive Business.** For purposes of this Section 14, the term “Competitive Business” means any business or commercial activity that (i) receives twenty-five percent (25%) or more of its gross revenues from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business (ii) provides supplies, curriculum, or training for commercial activity described in (i).

(g) **Reasonableness.** The foregoing in-term and post-termination covenants against unfair competition with respect to similar Competitive Businesses shall apply regardless of how or why the Agreement terminates, expires, or does not renew. The parties agree that the foregoing covenants contained in this Section 14 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Franchisor’s goodwill or Franchisor’s other business interest and its franchisees and the provisions do not prevent Franchisee or its Owners from earning a living. Franchisee agrees that the scope of activities prohibited in this Section 14, and the length of the term and geographical restrictions in this Section 14, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Franchisee’s full, uninhibited, and faithful observance of each of the covenants in this Section 14 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section 14 will not impair Franchisee’s or its Owners’ ability to obtain employment commensurate with Franchisee’s or its Owners’ abilities or on terms fully acceptable to Franchisee or otherwise to obtain income required for the comfortable support of Franchisee and its Owners and their families, and the satisfaction of the needs of all of Franchisee’s and its Owners’ creditors. Franchisee’s and its Owners’ special knowledge of leasing salon studios or salon services (and anyone acquiring this knowledge

through Franchisee or its Owners) is such as it would cause Franchisor serious injury and loss if Franchisee or its Owners (or anyone acquiring this knowledge through Franchisee or its Owners) were to use this knowledge to the benefit of a competitor or were to compete with Franchisor or its franchisees. The covenants in this Section 14 are to be construed as independent of any other covenant or provision of this Agreement. The existence of any claim Franchisee or any of its Owners may have against Franchisor or any of its affiliates (regardless of whether arising under this Agreement) is not a defense to the enforcement of these covenants against Franchisee or its Owners. In the event of any violation of the provisions of this Section 14, the Restrictive Period shall be extended by a period of time equal to the period of the violation. Franchisee and Franchisor agree that the running of the applicable post-termination Restrictive Period shall be tolled during any period of such violation.

**(h) Managerial and Supervisory Employees.** Franchisee covenants that it shall cause all persons who are involved in managerial or supervisory positions with Franchisee to enter into an agreement to be bound by provisions substantially similar to Sections 14 and 15 of this Agreement. Franchisee agrees to provide Franchisor with copies of such executed agreement upon request. If Franchisee has reason to believe that any person has violated any such provisions of this Agreement, Franchisee shall promptly notify Franchisor and cooperate with Franchisor to protect Franchisor against unfair competition, infringement, or other unlawful use of the Marks, trade secrets, curriculum, or System of Franchisor. Franchisee further grants Franchisor the right, but not the obligation, to prosecute any such lawsuits at Franchisor's expense on behalf of Franchisee.

## **15. Trade Secrets and Confidential Information.**

Franchisee understands and agrees that Franchisor has disclosed or will hereafter disclose to Franchisee certain Confidential Information. Except as necessary in connection with the operation of the Studio and as approved by Franchisor, Franchisee shall not, during the Initial Term or at any time after the expiration, non-renewal, transfer, or termination of this Agreement, regardless of the cause thereof, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity Confidential Information. Franchisee shall disclose to its employees only such Confidential Information as is necessary to operate its business hereunder and then only while this Agreement is in effect. Franchisee will require all personnel having access to any Confidential Information from Franchisor to execute an agreement requiring them to maintain the confidentiality of information they receive in connection with their employment at the Studio. Those confidentiality agreements will be in a form satisfactory to Franchisor. "Confidential Information" means the information, not generally known to the public, in any form, relating to the Studio and its operations, including all trade secrets of the Studio; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Studio not generally known to the public; all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Studio (such as all names, addresses, phone numbers, e-mail addresses for customers and suppliers; customer purchase records and mail lists); electronic code, designs, marketing materials, and business, sales, and marketing strategies; all curriculum; software platforms; financial information; databases; training materials; knowledge of the franchise system, and any other data and information that the Franchisor or its affiliates designates as confidential, including all information contained in the Brand Standards Manuals.

## 16. Insurance.

(a) **Types and Extent of Coverage.** Franchisee shall obtain and maintain throughout the Initial Term such insurance coverages with such limits as specified below (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises, or the Brand Standards Manual, which may be amended by us at any time):

- i. Occurrence Limit: \$1,000,000
- ii. General aggregate Limit: \$2,000,000
- iii. Products/Completed Operations Aggregate Limit: \$2,000,000
- iv. Personal and Advertising Injury Limited: \$1,000,000
- v. Damage to Premises Rented by You: \$500,000
- vi. Workers' Compensation: Statutory
- vii. Commercial Umbrella: \$2,000,000 per occurrence  
\$2,000,000 aggregate

(b) **Other Insurance Requirements.** Franchisee shall obtain from a nationally recognized insurance company and at all times during the Initial Term maintain in force and pay the premiums for all types of insurance listed above with complete operations coverage. All policies of insurance required to be maintained hereunder shall: (i) be written as primary policy coverage and not "excess over" or contributory with any other applicable insurance, including Franchisor's insurance; (ii) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer(s)' liability; (iii) shall not contain any special limitations on the scope of coverage afforded to Franchisor; (iv) shall provide that any failure by Franchisee or any of Franchisee's employees, agents, subcontractors, or suppliers, to comply with any notice, reporting, or other similar provisions of such policies shall not affect the coverage provided to Franchisor. From time to time in Franchisor's sole discretion, Franchisor may increase or modify such limits of liability or require additional types of coverage. The insurance policies shall name Franchisor and any affiliates, officers, members, owners, and employees Franchisee designates as an "additional insured" and shall expressly protect both Franchisor and Franchisee (and any other additional insured) on a primary and non-contributory basis and shall require the insurer to defend both Franchisee and Franchisor (and any other additional insured) in any action while reserving Franchisor's right to involve counsel of Franchisor's own choosing in protection of its own and system wide interests. Additionally, Franchisee's insurance policy must waive on behalf of Franchisee's insurer any right of subrogation by the insurance company against Franchisor and Franchisor's officers, shareholders, and employees. Franchisee understands that doing so does not necessarily furnish Franchisee with protection levels adequate to Franchisee's needs and that Franchisee's obligation to indemnify Franchisor as set forth above in this Agreement may exceed the amount of insurance Franchisee is required to obtain or does obtain. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, Franchisee will deliver or caused to be delivered to Franchisor Certificates of Insurance evidencing the proper coverage with limits not less than those required by this Agreement and evidencing that Franchisor is named as an additional insured under such policy on a primary and non-contributory basis as required in this Agreement. At least thirty (30) days prior to expiration of any such policy, Franchisee shall

deliver to Franchisor Certificates of Insurance evidencing that Franchisee has procured proper renewal or replacement coverage with limits not less than those required by this Agreement and reflecting that Franchisor and its affiliates are additional insured under the policy on a primary and non-contributory basis as required herein. All Certificates will expressly provide that at least thirty (30) days' prior written notice will be given to Franchisor in the event of any alteration to, or cancellation of, the coverage evidenced by the Certificates of Insurance. If required by Franchisor, Franchisee will acquire and maintain in force cyber liability insurance coverage with single occurrence limits of not less than as set forth in Franchisor's Brand Standards Manual (it being understood that such policy will be in place within thirty (30) days following the Agreement Effective Date). Franchisor, or its insurer, shall have the right to participate in discussions with Franchisee's insurance company or any claimant (in conjunction with Franchisee's insurance company) regarding any claim of liability, and Franchisee agrees to adopt Franchisor's reasonable recommendations to its insurance carrier regarding the settlement of any such claims. Franchisee Indemnifying Parties' obligations to indemnify Franchisor Indemnified Parties are separate from and in addition to these insurance obligations.

(c) **Failure to Obtain Insurance.** Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, Franchisor will have the right and authority to immediately procure such insurance deemed to be necessary and to charge the amount of the cost to procure and maintain such insurance to Franchisee, along with a reasonable fee for Franchisor's expenses in procuring the insurance, Franchisor is authorized to collect from Franchisee all insurance related expenses paid on behalf of Franchisee through automatic electronic bank transfers as provided for in Section 3 of this Agreement.

## **17. Termination.**

(a) **Automatic Termination.** Franchisee shall be in default under this Agreement, and this Agreement and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee in the event that (i) Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is filed by Franchisee; (ii) a petition in bankruptcy is filed against and not opposed by Franchisee; (iii) Franchisee is adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; (v) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless an appeal or supersedeas bond is filed); (viii) Franchisee is dissolved; (ix) any portion of Franchisee's interest in the Studio becomes subject to an attachment, garnishments, levy or seizure by any credit or any other person claiming against or in the rights of Franchisee; (x) execution is levied against Franchisee's business or property; or (xi) the real or personal property of Franchisee's Studio shall be sold after levy thereupon by any sheriff, marshal, or constable.

(b) **Termination without Opportunity to Cure.** Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted herein, without affording Franchisee any opportunity to cure the default, effective upon the date the notice is

deemed received pursuant to Section 22, and in no event longer than five (5) days after Franchisor sent the notice, upon the occurrence of any of the following events:

(i) Franchisee at any time ceases to operate, or fails to respond to communications, or otherwise abandons the Studio for a period of three (3) days without Franchisor's prior written permission; or

(ii) Franchisee forfeits the right to do or transact business in the jurisdiction where the Studio is located or loses the right to possession of the Premises; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee the Premises are damaged or destroyed, then Franchisee shall have forty-five (45) days after either such event in which to apply for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld), provided, Franchisee shall either relocate or commence and diligently pursue reconstruction of the Studio within sixty (60) days after the event; or

(iii) Except as otherwise permitted in this Agreement, any Owner of more than twenty-five percent (25%) interest in Franchisee transfers all or part of such interest or Franchisee transfers any interest in the Studio or a material portion of the assets of the Studio or Franchisee; or

(iv) Franchisee, the Operations Manager, or any Owner of more than twenty-five percent (25%) of Franchisee is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that is reasonably likely to have an adverse effect on the Chain, the Marks or the goodwill associated therewith; provided, that if the act or conviction involves an Owner of Franchisee, Franchisor will not terminate this Agreement if Franchisee notifies Franchisor promptly after it learns of the event constituting the default, and within fifteen (15) days of the date of the notice, either (a) the person or entity that committed the wrongful act divests his or its entire interest in Franchisee, or (b) Franchisee obtains Franchisor's consent for such Owner to maintain his or its ownership interest; or

(v) An approved transfer is not effected within six (6) months of the death or disability of any individual Franchisee; or the death or disability of any Owner of Franchisee; or

(vi) Twice within a twelve (12) month period or three (3) times within a three (3) year period, Franchisee is given notice of being in default under any of the terms or requirements of this Agreement, whether or not such defaults are timely cured after notice; or

(vii) Franchisee or any Owner fails to comply with any of the covenants of Franchisee or any Owner set forth in this Agreement; or



(viii) Franchisee, an Owner, or an Operations Manager makes any misrepresentation to Franchisor or breaches any warranty of representation made to Franchisor, whether in this Agreement or otherwise; or

(ix) Franchisee knowingly or intentionally maintains false books or records or submits any false records, statement or report to Franchisor; or

(x) Franchisee, an Operations Manager, any Owners, or Franchisee employees, by act or omission, materially impairs the value of, or the goodwill associated with, the Chain, any of the Marks or the System; or

(xi) Franchisee, an Operations Manager, or any Owner takes, withholds, misdirects, or appropriates for Franchisee's own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits, or generally fails to deal fairly and honestly with Franchisee's employees or customers; or

(xii) Franchisee loses or is denied any federal, state or local license that Franchisee must possess in order to operate the Studio; or

(xiii) Franchisee is found liable by any judicial, administrative, or arbitral body for violation of federal, state, or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation, or is found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age, or sexual orientation; or

(xiv) Franchisee, after curing a default pursuant to Section 17 of this Agreement, commits the same act of default again within six (6) months; or

(xv) Any of the following occur prior to the opening of the Studio (1) any representations or warranties of Franchisee and/or the Operations Manager prove to be inaccurate or false, (2) the Operations Manager fails to take or pass any of Franchisor's required training, (3) the Operations Manager and/or Franchisee fails to pass any credit or character check performed by or on behalf of Franchisor, and/or (4) Operations Manager and/or Franchisee fail to timely or diligently perform any duties or obligations during the period prior to the opening date; or

(xvi) Franchisee begins operation of the Studio prior to receiving prior written approval from Franchisor that Franchisee may open for business; or

(xvii) Franchisee operates under any trademark not approved by Franchisor or otherwise uses any trademark not approved by Franchisor in the operation of the Studio; or

(xviii) Franchisee (1) uses unauthorized goods and services, (2) sells unauthorized goods and services, (3) uses an unauthorized supplier, or (4) fails to use an authorized supplier, in connection with the Studio; or



(xix) Franchisee leases studios, suites, or any space of the Studio to unauthorized businesses, including but not limited to CBD shops, vape shops, massage parlors, or any unapproved or unauthorized business other than to authorized salons or salon professionals; or

(xx) Franchisee, the Operations Manager, or any Owner engages in any other act or omission which cannot be cured.

(c) **Termination After Opportunity to Cure.** Except for those defaults provided for under Sections 17(a) or 17(b), Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Brand Standards Manual, policy and procedure statement or other written document provided by Franchisor, or to carry out the terms of this Agreement in good faith. For such defaults, Franchisor will provide Franchisee with written notice and fifteen (15) days to cure or, if a default cannot reasonably be cured within fifteen (15) days, to initiate within that time substantial and continuing action to cure such default and to provide Franchisor with evidence of such actions. If the defaults specified in such notice are not cured within the fifteen (15) day period, if substantial and continuing action to cure has not been initiated, or if the default is not curable, Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. Such defaults shall include, without limitation, the occurrence of any of the following events:

(i) Franchisee fails to construct or remodel the Studio, identify a site for the Premises within the time frame set forth in this Agreement, have the Premises lease timely approved by Franchisor (if applicable), or to commence operating the Studio, all in accordance with this Agreement; or

(ii) Franchisee fails, refuses, or neglects to promptly pay any monies owing to Franchisor, its affiliates or the Brand Development Fund contribution when due or to submit the financial or other information required under this Agreement; or

(iii) Any person or entity owning twenty-five percent (25%) or less of Franchisee makes a transfer of such interest in violation of this Agreement; provided, however, that Franchisee's right to cure such a default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either (a) obtain Franchisor's approval thereof, or (b) if approval is not desired or the transfer or transferee is not approved by Franchisor, to re-acquire the interest so transferred; or

(iv) A threat or danger to public health or safety results from the construction, maintenance, or operation of the Studio; or

(v) Franchisee, its Owners, or employees misuses or makes any unauthorized use of the System or the Marks; or

(vi) Franchisee, an Owner, or an Operations Manager, commits acts of abuse, uses employees who do not meet Franchisor's then-current standards and training

requirements, uses illegal drugs or abuses alcohol, or permits unlawful activities at Franchisee's business; or

(vii) Franchisee submits to Franchisor on two or more separate occasions at any time during the Initial Term or any renewal hereof, any reports or other data, information or supporting records which understate the Gross Revenues of the Studio, the Royalties and/or any other sums owed to Franchisor for any period of, or periods aggregating, two or more weeks, and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error; or

(viii) Franchisee fails to maintain a good credit rating by failing to make prompt payment of undisputed bills, invoices or statements from suppliers of products and services or Franchisee fails to pay undisputed invoice to approved suppliers timely; or

(ix) Franchisee fails to provide services to customers according to Franchisor's standards; or

(x) Franchisee fails to have sufficient funds in the Account; or

(xi) Franchisee appoints an Operations Manager who is not accepted by Franchisor or who fails to meet Franchisor's requirements for the position; or

(xii) Franchisor receives repeated customer complaints about the Studio; or

(xiii) Franchise maintains false books or records or submits any false records, statement or report to Franchisor; or

(xiv) Franchisee fails to maintain at least eighty percent (80%) occupancy of the Studio beginning Twelve (12) months from the commencement of the Studio; or

(xv) Franchisee breaches any agreements associated with the Computer Systems or misuses any Computer Systems.

Franchisee hereby authorizes Franchisor to notify any lender, creditor, customer, supplier or landlord of Franchisee or the Studio upon the occurrence of any default under this Section 17, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under this Section 17, and to otherwise communicate with such lenders, creditors, customers, supplier or landlords with respect to any such default, or any such event or circumstance.

(d) **Relief in Equity.** Franchisee agrees that neither termination of this Agreement nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee, or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Marks or indicia, the trade secrets revealed to Franchisee in confidence pursuant to this Agreement or the obligations of Franchisee and such other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any such breach or default, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at

its option, (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction) to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

(e) **Termination by Franchisee.** If Franchisor fails to perform any material obligation imposed upon it by this Agreement, and such failure is not cured within ninety (90) days after Franchisee delivers written notice of such failure to Franchisor, then, provided Franchisee is otherwise compliant with Franchisee's obligation under this Agreement and any other agreement with Franchisor, Franchisee may terminate this Agreement at any time thereafter by delivering thirty (30) days' written termination notice to Franchisor. If Franchisee terminates this Agreement under this provision, Franchisee must follow the post-termination procedures as set forth in Article 18 for the orderly wind-down of the Studio during the thirty (30) day period.

(f) **Limitation of Services or Benefits; Territory Modification.** Franchisor shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided or required to be provided to Franchisee hereunder in lieu of exercising its right to terminate this Agreement pursuant to the terms hereof, including, without limitation, eliminating Franchisee's right to use any of Franchisor's Online Presence(s), eliminating any website, subpage, or other Online Presence, Franchisor has created for Franchisee, restricting or removing Franchisee's right to purchase products directly or indirectly from Franchisor or its affiliates, limiting Franchisor's advertising and promotional assistance, and restricting or removing Franchisee's right to use any Computer Systems which are provided by or are proprietary to Franchisor or its affiliate. Additionally, if Franchisee defaults under this Agreement, Franchisor has the right to modify Franchisee's Territory and the protections described in Section 5. Nothing in this Section 17(f) constitutes a waiver of any other right or remedy of Franchisor under this Agreement. Franchisee acknowledges that Franchisor's exercise of its rights pursuant to this Section 17(f) shall not be deemed a constructive termination. Any services, Territory protections, or benefits removed or limited pursuant to this Section 17(f) may be reinstated at any time in Franchisor's sole discretion.

(g) **Cross-Defaults.** Any default by Franchisee (or any Owner or affiliate of Franchisee) under this Agreement shall be a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any Owner or affiliate of Franchisee). Any such default under any other agreement or any other obligation between Franchisor (or any affiliate of Franchisor) and Franchisee (or any Owner or affiliate of Franchisee) shall be a default under this Agreement. Any default by Franchisee (or any Owner or affiliate of Franchisee) under any lease, sublease, loan agreement, or security interest may be regarded as a default under this Agreement, regardless of whether or not any such agreements are between Franchisee (or any Owner or affiliate of Franchisee) and Franchisor (or any affiliate of Franchisor).

(h) **Extended Cure Period.** Notwithstanding anything to the contrary in this Agreement, Franchisor reserves the right to grant to Franchisee in Franchisor's sole discretion an extended cure period for any breach. Franchisee acknowledges that Franchisor's decision to grant such an extended cure period shall not operate as a waiver of any of Franchisor's rights and that Franchisor can choose to condition such an extension upon the signing of a general release by Franchisee and its Owners and guarantors and their respective predecessors, affiliates,

shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns. If any law applicable to this Section 17 requires a longer notice period prior to termination of this Agreement than is specified in this Agreement, a different standard of “good cause,” or the taking of some other action not required under this Agreement, the prior notice, “good cause” standard, and/or other action required by such law will be substituted for the comparable provisions in this Agreement

(i) **Noncompliance.** Without waiving Franchisor’s rights that Franchisor may have, and in Franchisor’s sole discretion, Franchisor may elect not to terminate Franchisee’s franchise agreement as a result of a default. In the event a default occurs, Franchisor may elect to give written notification (a “Notice of Noncompliance”) to Franchisee that its Studio is not in compliance with the terms and conditions of this Agreement. Such Notice of Noncompliance shall state a period for Franchisee to cure the noncompliance, which shall be a period not less than thirty (30) days. For a period of six (6) months from and after the date of such Notice of Noncompliance, Franchisee shall reimburse Franchisor for reasonable costs that Franchisor incurs with respect to the Studio, including without limitation the costs of any audit or inspection of the Studio in excess of Franchisor’s normal audit program, any mystery shopping for the Studio during such six (6)-month period in excess of Franchisor’s normal mystery shopping program applied to all franchised businesses, additional training that Franchisor determines is required to bring the Studio up to Franchisor’s standards, and any personnel costs incurred by Franchisor at the Studio to ensure the proper management and operation of the Studio. Nothing in this section shall limit Franchisor’s termination rights as otherwise set forth in this Agreement, which Franchisor reserves the right to exercise at any time.

(j) **Damages.** Franchisee shall promptly reimburse Franchisor upon request for any damages, costs, losses, and expenses, including reasonable attorneys’ fees, incurred by Franchisor as a result of any default under this Agreement.

## **18. Obligations upon Termination, Expiration, or Non-Renewal.**

Upon termination, non-renewal, or expiration of this Agreement for any reason, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have the following obligations with respect to the Studio:

(a) **Cease to Operate.** Franchisee shall immediately cease to operate the business licensed under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as THE LOOK SALON SUITES franchisee with respect to such business.

(b) **Cease to use Information.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, all trade secrets, Confidential Information, methods, procedures and techniques used by or associated with the System, and the Marks THE LOOK SALON SUITES and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the THE LOOK SALON SUITES Chain.

(c) **Cease to use Marks and Trade Dress.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, the Mark “THE LOOK SALON SUITES” and all other Marks and distinctive forms, slogans, signs, symbols, logos, trade dress, décor, branding materials, and devices associated with THE LOOK SALON SUITES Chain and System. If Franchisor does not exercise its rights to purchase, as described in this Section 18, Franchisee shall de-identify the Premises within fifteen (15) days’ notice from Franchisor that Franchisor is not going to exercise its rights, whereby de-identification procedures shall include removing all references to THE LOOK SALON SUITES, complying with Franchisor’s instructions to remove THE LOOK SALON SUITES trade dress and removing any uses of the Marks from the Studio. In the event Franchisee does not comply with this requirement, Franchisor may enter the Premises, without being guilty of trespass and without incurring any liability to Franchisee, to remove all signs and other items identifying the Premises as THE LOOK SALON SUITES Studio and to make such other modifications as are reasonably necessary to protect the Marks and THE LOOK SALON SUITES System and to distinguish the Premises from THE LOOK SALON SUITES studios.

(d) **Return Franchisor’s Property.** Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor, including the Customer Lists, Franchised Business Data, and shall cease to use, and either destroy or convey to Franchisor, all curriculum, designs, signs, advertising materials, displays, stationery, forms and any other materials that bear or display the Marks. Franchisee shall deliver to Franchisor all login credentials associated with any Online Presence, directory, marketing, website, point-of-sale, social media, and all other accounts and systems affiliated with the Studio. Franchisee shall immediately deliver to Franchisor all Brand Standards Manuals, policy and procedure statements, instructions, Brand Standards Manuals, and other materials related to operating the Studio, including, without limitation, Franchised Business Data, curriculum, and other designs, brochures, charts and any other materials provided by Franchisor and all copies thereof, and shall neither retain nor convey to another any copy or record of any of the foregoing.

(e) **Cancel Assumed Names.** Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the mark THE LOOK SALON SUITES or any other Marks of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination, non-renewal, or expiration of this Agreement.

(f) **Pay Amounts Due.** Franchisee shall promptly pay all sums owed to Franchisor upon request. Such sums shall include all damages, costs, losses, and expenses, including reasonable attorneys’ fees, incurred by Franchisor as a result of the default and the termination under this Agreement. Any outstanding obligations to Franchisor shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises on the date this Agreement is terminated, expires, or does not renew.

(g) **Pay Subsequent Amounts Due.** Franchisee shall promptly pay to Franchisor all damages, costs and expenses including reasonable attorneys’ fees, incurred by Franchisor

subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement.

**(h) Cooperate with Franchisor's Rights.** Franchisor shall have the option, to be exercised within thirty (30) days of termination, non-renewal, or expiration of this Agreement, to assume any of Franchisee's Online Presences, assumed name or equivalent registration and business licenses, telephone numbers, telephone directory listings and advertisements (whether in print or part of an Internet directory), and e-mail addresses and/or Internet domain names which contain the Mark of Franchisor or its affiliates, and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination or expiration of this Agreement and the expiration of the option granted herein. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense.

**(i) Comply with Covenants.** Franchisee and its Owners shall comply with the covenants contained in this Agreement, including, but not limited to, the covenants not to compete or solicit and the covenants not to disclose trade secrets or confidential information.

**(j) Cooperate with Premises Rights - Lease.** Franchisee shall, if Franchisor so requests, assign to Franchisor or its designee any interest which Franchisee has in any lease for the Premises or any other agreement related to the Premises. Additionally, Franchisor may exercise, in its sole discretion, the option to assume the lease and any rights, title, and interest under the lease and on the Premises, pursuant to Franchisor's prescribed form of Collateral Assignment of Lease and the lease rider, whereby Franchisee shall arrange for transfer of the lease for the Premises and any sub-lease agreements between Franchisee and any sub-tenant within fifteen (15) calendar days from the termination, non-renewal or expiration of this Agreement. Franchisee will do whatever is necessary to effectuate and complete the assignment.

**(k) Cooperate with Premises Rights – Owned Property.** Franchisee shall, if Franchisor so requests and if Franchisee owns the real property on which the Studio is located, lease the Premises to Franchisor on substantially the same terms and conditions contained in Franchisee's lease for the Premises, or if no lease exists or if the existing lease is not commercially reasonable, then on commercially reasonable terms. The lease shall be for an initial ten (10) year term, with one (1) ten (10) year renewal terms (at Franchisor's option). If the parties cannot agree on the rent to be charged under the lease within thirty (30) days after the expiration, termination, or non-renewal of the Agreement, the rent will be determined by a qualified independent appraiser. Franchisee and Franchisor shall each present their proposed rent, and the independent appraiser will select the most commercially reasonable rent from the two proposals. The independent appraiser's determination will be binding on the parties. If the parties are not able to agree on an independent appraiser within forty-five (45) days of the termination, non-renewal, or expiration of this Agreement, each party will select an independent appraiser. The independent appraisers chosen will then select a third independent appraiser whose determination will be binding on the parties. The parties agree to select their respective



appraisers within fifty-five (55) days after the termination, non-renewal, or expiration of this Agreement and the two appraisers chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party-appointed appraisers is appointed. Franchisor and Franchisee will bear the cost of their own appraisers and share equally the reasonable fees and expenses of the third appraiser. The parties will take reasonable actions to cause the third appraiser to complete his or her appraisal within fifteen (15) days after the third appraiser's appointment. During the period when the parties are determining the rent and having the appraisal, Franchisor shall have the right to occupy the Premises. Promptly after the determination of the rent, Franchisor shall pay the rent due for the time it occupied the Premises while the rent was being determined.

**(l) Cooperate with Purchase Rights.** If Franchisor requests, Franchisee shall sell to Franchisor any assets used in connection with the operation of Franchisee's Studio. Franchisor has the right, but not the obligation, to exercise this right by providing Franchisee written notice of Franchisor's election within sixty (60) calendar days after the termination, non-renewal, or expiration of this Agreement and paying Franchisee the book value for such assets within sixty (60) calendar days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the asset less depreciation (calculated by using the straight-line depreciation method on a ten (10) year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any assets that is subject to a lease or finance agreement, the purchase price of such assets shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to assets or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Studio, or Franchisor may require that Franchisee close the Studio during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Studio. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's assets, including, without limitation, representations and warranties as to ownership and condition of and title to the assets; liens and encumbrances on the assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise. Franchisor may purchase all or only a portion of the assets of the Studio and may exclude from its purchase any assets or cash, for any reason, in Franchisor's sole discretion. Franchisor shall have the right to set off and apply any amounts due to Franchisee pursuant to this subsection against any and all other amounts which may be due from Franchisee to Franchisor.

**(m) Computer Systems.** Franchisee shall comply with Franchisor's instructions relating to the Computer Systems, Franchised Business Data, and the Customer List.

**(n) Tail Insurance.** Franchisee shall acquire tail insurance coverage in the amounts and for the period designated by Franchisor. Franchisor has the right to require that the insurance obtained complies with the requirements in Section 16(b) and other terms in the Brand Standards Manual.



**19. Independent Contractor; Indemnification.**

**(a) Independent Contractor.** It is understood and agreed by the parties that this Agreement creates only a contractual relationship between the parties subject to the normal rule of contract law. This Agreement does not create a fiduciary relationship between the parties and Franchisee is and shall remain an independent contractor. Franchisee agrees to hold itself out to the public as an independent contractor, separate and apart from Franchisor. Franchisee agrees that it shall not make any contract, agreement, warranty, or representation on Franchisor's behalf without Franchisor's prior written consent, and Franchisee agrees that it shall not incur any debt or other obligation in Franchisor's name. This Agreement shall not be deemed to confer any rights or benefits to any person or entity not expressly named herein.

**(b) Indemnification.**

**(i) Franchisee's Obligation to Indemnify.** Franchisee, Owners, and Guarantors ("Franchisee Indemnifying Parties") agree to fully protect, indemnify, defend, reimburse, and hold Franchisor; Franchisor's predecessors, parents, affiliates, and subsidiaries; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities (collectively, "Franchisor Indemnified Parties") harmless from and against all liabilities, losses, obligations, claims, demands, damages (consequential or otherwise), penalties, fines, costs, and expenses (including attorneys' fees) of any nature whatsoever (collectively, "Losses") incurred in connection with any action, suit, proceeding, claim, demand, judgment, investigation, inquiry, assessment, or formal or informal inquiry (regardless if reduced to judgment), or any settlement of the foregoing, of whatsoever nature (collectively, "Action"), or arising from, any of the following: (1) Franchisee Indemnifying Parties' actual or alleged violation of any law, rule, regulation, or ordinance; (2) damage to property; (3) injury to or death or disability of any person; (4) negligence, recklessness, misconduct, or criminal conduct by the Franchisee Indemnifying Parties', the Operating Manager, or any of Franchisee's employees or agents; (5) data breaches; (6) Franchisee Indemnifying Parties' breach of this Agreement or any representations and warranties they make herein; (7) infringement of any intellectual property rights; (8) product and equipment recalls; (9) any failure to warn or give instructions related to any products or services provided by Franchisor Indemnified Parties or by Franchisee; (10) any labor or employment law disputes relating to the Premise or the Studio or claims arising out of Franchisee's employment practices, including claims that any of the Franchisor Indemnified parties are the employer, joint employer, or co-employer of Franchisee or Franchisee's agents, employees, or contractors; (11) third party claim that arises from or is connected that explicitly or implicitly is premised on Franchisor's direct and vicarious liability or arises from Franchisee's employment and personnel decisions, including wrongful termination, wage and hour violations, and employee harassment and discrimination; (12) any acts, errors, or omissions of the Studio, the Franchisee Indemnifying Parties, and their employees, contractors, and agents; (13) any third party claim that arises from or is connected with the ownership, establishment, use, non-use, possession, condition, operation, closure, or maintenance of the Premises; (14) and negligent, misconduct, or criminal conduct by Franchisee Indemnifying Parties' claims or actions in relation to the Studio. Franchisee Indemnifying Parties agree that this obligation to indemnify is regardless of the cause

or concurrent or contributing fault or negligence of the Franchisor Indemnified Parties. Franchisee Indemnifying Parties hereby waive all claims against Franchisor Indemnified Parties arising from any of the foregoing. Franchisor Indemnified Parties shall not be liable for any act or omission of Franchisee Indemnifying Parties or their employees, contractors, or agents connected to or arising from the ownership, establishment, use, non-use, possession, condition, operation, or maintenance of the Premises and the Studio

(ii) **Indemnification Procedures.** Franchisee will also notify Franchisor by telephone of any Action within forty-eight (48) hours after such Action is initiated and in writing within four (4) days after such Action is initiated. Franchisor Indemnified Parties shall have the right, in their sole discretion, and at Franchisee's expense and risk, to: (1) retain counsel of their own choosing to represent them with respect to any claim; and (2) control the response thereto and the defense thereof, including the right to enter into settlements or take any other mitigating, remedial, corrective, or other actions they deem appropriate. Franchisee Indemnifying Parties must reimburse Franchisor Indemnified Parties for all of Franchisor Indemnified Parties' costs, expenses, and all attorneys' fees immediately upon Franchisor Indemnified Parties' request. Franchisee Indemnifying Parties shall not, without the prior written consent of the Franchisor Indemnified Party, (A) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Franchisor Indemnified Parties, or (B) settle or compromise any claim in any manner that may adversely affect the Franchisor Indemnified Parties. Franchisee Indemnifying Parties agree to give their full cooperation to Franchisor Indemnified Parties in assisting with the defense of any such claim. Franchisor Indemnified Parties' undertaking of defense and/or settlement will in no way diminish Franchisee Indemnifying Parties' obligations to indemnify Franchisor Indemnified Parties and to hold Franchisor Indemnified Parties harmless. Under no circumstance will Franchisor Indemnified Parties be required to seek recovery from any insurer or other third party or otherwise mitigate Franchisor Indemnified Parties' or the third parties' losses to maintain a claim for indemnification against Franchisee Indemnifying Parties. Franchisee Indemnifying Parties agree that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by Franchisor Indemnified Parties from Franchisee.

(iii) **Survival.** Any and all of the Franchisee Indemnifying Parties' indemnification obligations under this Agreement shall survive the expiration, non-renewal, or sooner termination of this Agreement.

(c) **Payment of Taxes.** Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on Royalties, any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor's affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license, or lease of property or property rights provided by this Agreement other than taxes on Franchisor's net income.

**20. Franchisee Representations.**

**(a) EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING FRANCHISEE TO OPERATE THE STUDIO IN COMPLIANCE WITH FRANCHISOR'S SYSTEM: (1) FRANCHISOR OR FRANCHISOR'S AFFILIATES DO NOT HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL THE DAY-TO-DAY CONDUCT AND OPERATION OF FRANCHISEE'S BUSINESS OR EMPLOYMENT DECISIONS; AND (2) FRANCHISEE AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR FRANCHISEE'S USE OF THE FRANCHISOR SYSTEM OR THE OPERATION OF THE STUDIO WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF THE BRAND STANDARDS MANUAL.**

**(b) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE MAKES THE FOLLOWING REPRESENTATIONS AND WARRANTIES: (1) FRANCHISEE IS DULY ORGANIZED AND VALIDLY EXISTING UNDER THE LAWS OF THE STATE OF ITS FORMATION; (2) FRANCHISEE IS QUALIFIED TO DO BUSINESS IN THE STATE OR STATES IN WHICH THE STUDIO IS LOCATED; (3) EXECUTION OF THIS AGREEMENT AND THE DEVELOPMENT AND OPERATION OF THE STUDIO IS PERMITTED BY ITS GOVERNING DOCUMENTS; AND (4) FRANCHISEE'S ARTICLES OF INCORPORATION, ARTICLES OF ORGANIZATION OR WRITTEN PARTNERSHIP AGREEMENT SHALL AT ALL TIMES PROVIDE THAT FRANCHISEE'S ACTIVITIES ARE LIMITED EXCLUSIVELY TO THE DEVELOPMENT AND OPERATION OF THE STUDIO.**

**(c) IF FRANCHISEE IS AN INDIVIDUAL, OR A PARTNERSHIP COMPRISED SOLELY OF INDIVIDUALS, FRANCHISEE MAKES THE FOLLOWING ADDITIONAL REPRESENTATIONS AND WARRANTIES: (I) EACH INDIVIDUAL HAS EXECUTED AN AGREEMENT WHEREBY THEY AGREE TO BE BOUND BY ALL THE TERMS OF THIS AGREEMENT; (II) EACH INDIVIDUAL SHALL BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT; AND (III) NOTWITHSTANDING ANY TRANSFER FOR CONVENIENCE OF OWNERSHIP, PURSUANT TO THIS AGREEMENT, EACH INDIVIDUAL SHALL CONTINUE TO BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT.**

**(d) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE HAS PROVIDED TO FRANCHISOR A CURRENT LIST OF ALL OWNERS AND FRANCHISEE AGREES THAT**

**FRANCHISEE WILL ADVISE FRANCHISOR OF ANY AND ALL CHANGES IN OWNERSHIP.**

**(e) IF FRANCHISEE IS A CORPORATION, FRANCHISEE SHALL MAINTAIN STOP-TRANSFER INSTRUCTIONS AGAINST THE TRANSFER ON ITS RECORDS OF ANY VOTING SECURITIES, AND EACH STOCK CERTIFICATE OF THE CORPORATION SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF THIS STOCK IS SUBJECT TO THE RESTRICTION IMPOSED ON ASSIGNMENT BY FRANCHISOR, PURSUANT TO FRANCHISE AGREEMENT(S) TO WHICH THE CORPORATION IS A PARTY." IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH MEMBERSHIP OR MANAGEMENT CERTIFICATE OR OTHER EVIDENCE OF INTEREST IN FRANCHISEE SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF AN INTEREST IN THIS LIMITED LIABILITY COMPANY IS SUBJECT TO THE RESTRICTIONS IMPOSED ON ASSIGNMENT BY FRANCHISOR PURSUANT TO FRANCHISE AGREEMENT(S) TO WHICH THE LIMITED LIABILITY COMPANY IS A PARTY." IF FRANCHISEE IS A PARTNERSHIP, ITS WRITTEN AGREEMENT SHALL PROVIDE THAT OWNERSHIP OF AN INTEREST IN THE PARTNERSHIP IS HELD SUBJECT TO, AND THAT FURTHER ASSIGNMENT OR TRANSFER IS SUBJECT TO, ALL RESTRICTIONS IMPOSED ON ASSIGNMENT BY THIS AGREEMENT.**

**(f) FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS OWNER OR BUSINESS.**

**(g) FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, OR GUARANTEE, OR REPRESENTATION OTHER THAN AS SET FORTH IN THE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS, OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FRANCHISOR HAS NOT REPRESENTED THAT (I) FRANCHISEE WILL EARN, CAN EARN, OR IS LIKELY TO EARN A GROSS OR NET PROFIT, (II) FRANCHISOR HAS KNOWLEDGE OF THE RELEVANT MARKET, OR (III) THE MARKET DEMAND WILL ENABLE FRANCHISEE TO EARN A PROFIT FROM THE STUDIO;**

**(h) FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE COMPLETE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, THE ATTACHMENTS THERETO, AND THE AGREEMENTS RELATED THERETO, IF ANY, AT LEAST FOURTEEN (14)**

**CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS SIGNED OR CONSIDERATION PAID.**

(i) FRANCHISEE ACKNOWLEDGES THAT, IN ALL OF ITS DEALINGS WITH FRANCHISOR'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, THESE INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND THESE INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR. NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH FRANCHISEE EXCEPT THAT FRANCHISOR WILL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER.

(j) FRANCHISOR MAKES NO WARRANTY AS TO FRANCHISEE'S ABILITY TO OPERATE THE STUDIO IN THE JURISDICTION IN WHICH THE STUDIO WILL BE OPERATED. FRANCHISEE MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF LEGISLATION IS ENACTED, OR A REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY THAT PREVENTS FRANCHISEE FROM OPERATING THE STUDIO, FRANCHISOR IS NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY FRANCHISEE IN ANY MANNER WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM FRANCHISEE

**21. Governing law, Jurisdiction and Venue.**

**(a) Mediation; Arbitration.**

(i) **Mediation.** Before Franchisee and Franchisor may bring an action against the other, Franchisor and Franchisee must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding. Mediation shall be conducted in accordance with the American Arbitration Association rules for mediation of commercial disputes. Notwithstanding the previous sentence, the parties may mutually agree on a mediator and/or procedures and/or venue for mediation. The non-binding mediation provided for herein shall be commenced by the party requesting mediation ("complainant") providing written notice of the request for mediation ("request") to the party with whom mediation is sought ("respondent"). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent. Non-binding mediation commenced under this Section 21(a)(i) shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear



its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service. The mediator selected shall have experience in franchise matters.

(ii) **Arbitration.** Franchisee acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of North Carolina, where Franchisor's decision-making authority is vested, franchise operations are conducted and supervised and where Agreement was rendered binding. Therefore, the parties agree that, to the extent that any disputes cannot be resolved directly between Franchisee and Franchisor and following compliance with the applicable mediation requirements set forth in Section 21(a)(i) above, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days' written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in the City of Raleigh, North Carolina, in accordance with the Federal Arbitration Act using the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. The arbitrator need not be affiliated with the AAA. Franchisee and Franchisor agree that arbitration shall be conducted on an individual—not a class-wide— basis. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. The matter shall be heard by one (1) arbitrator mutually selected by the parties who shall have at least ten (10) years' experience in practicing franchise law during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court.

(b) **Waiver.** FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE THEIR RIGHT TO (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE AND SURRENDER THEIR RIGHT TO PURSUE A JUDICIAL REMEDY OF ANY CLAIM ARISING OUT OF, OR RELATED TO THIS DISPUTE, EXCEPT AS ELSEWHERE EXPRESSLY PROVIDED IN THIS AGREEMENT.

(c) **Injunctive Relief.** Notwithstanding the provisions of Section 21(a) and (b) above, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, to restrain any conduct by Franchisee, the Owners, or the guarantors that (i) could materially damage the goodwill associated with the System, the Marks, and the Chain (including but not limited to conduct related to trademark or other intellectual property infringement), (ii) that involves the disclosure or use of Franchisor's Confidential Information, or (iii) that relates to Franchisee's, the Owners', or a managerial employee's covenants against unfair competition or solicitation, provided that if Franchisee counters, as Franchisee may, by initiating arbitration, Franchisor agrees to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until



the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement.

(d) **Prevailing Party, Attorney's Fees and Costs.** The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for the Studio or Premises, the parties' relationship, or the Studio will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in the prosecution or defense of any such claim, lawsuit, litigation or arbitration.

(e) **JURY TRIAL AND CLASS ACTION WAIVER.** FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE). NEITHER FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) NOR FRANCHISOR SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO LITIGATION, ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) AND FRANCHISOR AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) OR FRANCHISOR, UNLESS BOTH FRANCHISEE AND FRANCHISOR CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) AGREES AND ACKNOWLEDGES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) ANY AFFILIATE OF FRANCHISOR WILL BE CONSIDERED UNIQUE ON ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS OR GROUP ACTION. FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) MAY NOT ARBITRATE ON A CLASS-WIDE BASIS (OR JOIN ANY THIRD-PARTY CLAIM).

**(f) WAIVER OF CERTAIN DAMAGES.** EXCEPT FOR FRANCHISEE INDEMNIFYING PARTIES' OBLIGATIONS TO INDEMNIFY FRANCHISOR INDEMNIFIED PARTIES UNDER THIS AGREEMENT AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) FOR UNAUTHORIZED USE OF THE MARKS, UNAUTHORIZED USE OR DISCLOSURE OF CONFIDENTIAL INFORMATION, OR BREACH OF NON-COMPETITION OR NON-SOLICITATION COVENANTS, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS, AFFILIATES, AND GUARANTORS, IF APPLICABLE) WAIVE ANY RIGHT TO OR CLAIM FOR PUNITIVE, CONSEQUENTIAL, EXEMPLARY, MULTIPLE, INCIDENTAL OR OTHER DAMAGES IN EXCESS OF THE ECONOMIC DAMAGES ACTUALLY SUSTAINED BY THE NON-BREACHING PARTY, WHETHER ASSERTED AS A RELATED OR INDEPENDENT TORT, AS A BREACH OF CONTRACT, OR AS ANY OTHER CLAIM OR CAUSE OF ACTION BASED ON STATUTORY OR COMMON LAW. EXCEPT FOR ANY SPECIFIC WRITTEN WARRANTIES EXPRESSLY PROVIDED IN CONNECTION WITH A SPECIFIC ITEM, FRANCHISOR SHALL NOT BE LIABLE TO ANY PERSON OR ENTITY IN RELATION TO ANY GOODS AND/OR SERVICES (INCLUDING ANY ASPECT OF THE LABOR OR INSTALLATION OF ANY EQUIPMENT, OR PRODUCTS) PROVIDED BY FRANCHISOR, FRANCHISOR'S AFFILIATES AND/OR ANY PERSON/COMPANY REFERRED/APPROVED BY FRANCHISOR OR THEM. SUCH ITEMS ARE PROVIDED WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED.

**(g) Remedies Cumulative.** All rights and remedies conferred upon Franchisee and Franchisor by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the failure to exercise any such right or remedy shall preclude the exercise of any other such right or remedy.

**(h) Governing Law.** This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the State of North Carolina and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of North Carolina and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law. The venue for any arbitration concerned with the enforcement and interpretation of this Agreement shall be Raleigh, North Carolina. Nothing in this Subsection 21(h) is intended, or shall be deemed, to make any North Carolina law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee or its affiliates, the Owners, or the guarantors to Franchisor or its affiliates, or Franchisee's operation of the Studio, brought by Franchisee, or its affiliates, its Owners, or its guarantors against Franchisor, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

## **22. Notices.**

Except as otherwise provided in this Agreement, all notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, (ii) by registered or certified mail, return receipt requested, postage prepared, or (iii) by delivery to a nationally recognized overnight courier service, in each case, addressed as follows

If intended for Franchisor, addressed to

Franchisor: TLSS FRANCHISE SYSTEM, LLC  
Attn: Chief Executive Officer  
11010 Lake Grove Blvd, Suite 100-316  
Morrisville, NC 27560

With a copy (which shall not constitute notice) to:

Manning, Fulton & Skinner, P.A.  
Attn: Ritchie W. Taylor  
3605 Glenwood Avenue, Suite 500  
Raleigh, NC 27612

If intended for Franchisee addressed to

The notice address set forth in the Franchise Rider, or,

If Franchisee has opened its Studio, the address of the accepted Location of the Studio, or

in either case, to such other address as may have been designated by notice to the other party. Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) calendar days after deposit in registered or certified U.S. Mail or with a nationally recognized overnight courier, as described above. Any notice that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

Additionally, Franchisor may provide the notice described in this Section 22 by email or other electronic system to (a) the email address set forth on the Franchise Rider, (b) the email address Franchisor has approved or provided for Franchisee to use with the Studio, or (c) another electronic account that Franchisor has approved or provided for Franchisee to use with the Studio. Such email notices shall be deemed given and effective upon the day on which the email was sent, unless Franchisor receives notice of rejected delivery by the email account or other electronic account.

### **23. Miscellaneous.**

(a) **Severability.** The invalidity or unenforceability of any one (1) or more provision of this Agreement shall in no way affect any other provision. If any court of competent jurisdiction determines any provision of this Agreement to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of this Agreement.

(b) **Construction.** All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require. All acknowledgements, warranties, representations, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement as Franchisee.

(c) **Entire Agreement.** This Agreement, the documents incorporated herein by reference and the exhibits attached hereto, comprise the entire agreement between the parties and all prior understandings or agreements concerning the subject matter hereof are canceled and superseded by this Agreement. This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise. Notwithstanding the foregoing, nothing in this Agreement or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.

(d) **Assignees.** This Agreement shall be binding upon the heirs, successors, permitted assigns and legal representatives of the parties.

(e) **Amendments.** Franchisor reserves the right to amend this Agreement if a Franchise Agreement change proposed by Franchisor is agreed to by seventy percent (70%) of the then-current Franchisees. Further, except for those permitted to be made unilaterally by Franchisor, no supplement, amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

(f) **Waivers.** No failure of Franchisor to exercise any right given to it hereunder, or to insist upon strict compliance by Franchisee with any obligation, agreement or undertaking hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand full and exact compliance by Franchisee and shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or of a different nature, nor shall any delay or omission of Franchisor to exercise any right arising from such default affect or impair Franchisor's rights as to such default or any subsequent default. Franchisor has the unrestricted right to elect to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement, standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, or any affiliate of Franchisee or Franchisor, without liability.

(g) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same Agreement. This Agreement may, but is not required to, be executed using electronic signatures. Electronic signatures shall be treated for all purposes as originals.

(h) **Headings.** The headings used in the Agreement are for convenience only, and the paragraphs shall be interpreted as if such headings were omitted.

(i) **Time of Essence.** Franchisee agrees and acknowledges that time is of the essence with regard to Franchisee's obligations hereunder, and that all of Franchisee's obligations are material to Franchisor and this Agreement.

(j) **Territory Boundaries.** Territory boundaries are as described in the Franchise Rider.

(k) **Agreement Binding Upon Signature of Franchisor.** Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by an officer of Franchisor.

(l) **Evolving Agreements.** Franchisee acknowledges that Franchisor has entered, and will continue to enter, into agreements with other Franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Franchisor and Franchisees other than Franchisee may have different rights and obligations does not affect the parties' duty to comply with this Agreement.

(m) **Delegation.** Franchisor shall have the right to delegate Franchisor's duties under this Agreement to any affiliated or non-affiliated entity, agent, or employee and Franchisee agrees to such assignment without any right to approve such actions.

(n) **Final Act.** The last signature applied to this Agreement shall be the signature of Franchisor's officer. The Agreement shall not be binding on Franchisor until signed by Franchisor.

(o) **Fines.** For each instance where Franchisee fails to obtain prior written approval for advertisements, fails to attend required training or franchisor sponsored conventions, offers unauthorized merchandise, fails to timely submit a report, or otherwise fails to comply with THE LOOK SALON SUITES system's operating standards, Franchisor shall, at Franchisor's option, have the right to levy a fine in an amount up to One Thousand Dollars (\$1,000) per occurrence, in addition to Franchisor's inspection and re-inspection costs. Additionally, in the event that Franchisee fails inspection or is in default and Franchisor inspects and/or re-inspects the Studio, then Franchisee shall reimburse Franchisor for its inspection costs on request. The imposition of a fine pursuant to this section shall not act as a waiver of any of Franchisor's other remedies under this Agreement. Furthermore, Franchisor has the right to collect any such fines by means of EFT.

**(p) Covenant of Good Faith.** No covenant of good faith and fair dealing shall be implied into this Agreement, except that if applicable law shall imply such a covenant in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such a covenant, Franchisee acknowledges that (a) this Agreement grants Franchisor the discretion to make decisions, take actions, and refrain from taking actions not inconsistent with Franchisor's explicit rights and obligations hereunder that may favorably or adversely affect Franchisee's interests; (b) Franchisor will use its judgment in exercising such discretion based on Franchisor's assessment of its own interests and balancing those interests against the interests of Franchisee and other franchisees within the Chain generally; (c) Franchisor will have no liability to Franchisee for the exercise of its discretion, so long as such discretion is not exercised in bad faith toward Franchisee; and (d) in absence of such bad faith, no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised.

**(q) Modification of Agreement.** If any term or provision, or any portion thereof, of this Agreement, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereto, and Franchisor will have the right, in its sole discretion, to modify such invalid or enforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable.

**(r) Security Agreement.** Franchisee agrees to give no security interests, pledges or encumbrances in Franchisee's inventory, leasehold, fixtures, securities or in this Agreement without the prior written approval of Franchisor, which shall not be deemed a consent to assignment. Franchisor will not unreasonably withhold approval but is legitimately concerned to ensure: (a) that Franchisee not lose the business; (b) that the business not be lost to the franchise system; and (c) that Franchisor not have to defend a claim to franchisee rights by anyone it shall not have agreed to accept as a franchisee. In order to secure the prompt performance of Franchisee's obligations under this Agreement, Franchisee grants Franchisor and Franchisor takes a first priority security interest in all of Franchisee's assets, including without limitation, all present and after acquired inventory and equipment wherever located, accounts, deposit accounts, chattel paper, instruments, contract rights (including Franchisee's rights under this Agreement) and general intangibles, including payment intangibles, and all proceeds and products thereof including insurance proceeds. All items in which a security interest is granted are referred to as the "Collateral". This Agreement and the License granted to Franchisee hereunder may not be used by Franchisee as collateral or be the subject of a security interest, lien, levy, attachment or execution by Franchisee's creditors, any financial institution, or any other party, except with Franchisor's prior written approval. The security interest is to secure payment of the following ("Indebtedness"): (a) all amounts due under this Agreement or otherwise by Franchisee; (b) all sums which Franchisor may, at Franchisor's option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting



Franchisor's rights under the security interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of Franchisee to Franchisor or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisor executes any extension agreement or renewal instruments. Franchisee will from time to time as Franchisor requires join with Franchisor in executing any additional documents and one (1) or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to Franchisor. Upon default and termination of Franchisee's rights under this Agreement, Franchisor shall have the immediate right to possession and use of the Collateral. Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at Franchisor's option and without notice, become due and payable immediately, and Franchisor shall then have the rights, options, duties, and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under the Uniform Commercial Code of North Carolina (or other applicable law), including, without limitation, Franchisor's right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Franchisor in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth above. This Agreement shall be deemed a security agreement and a financing statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a financing statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

FRANCHISEE ACKNOWLEDGES THAT, IN ALL OF ITS DEALINGS WITH FRANCHISOR'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, THESE INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND THESE INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR. NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH FRANCHISEE EXCEPT THAT FRANCHISOR WILL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER. IN ADDITION, FRANCHISOR MAKES NO WARRANTY AS TO FRANCHISEE'S ABILITY TO OPERATE THE STUDIO IN THE JURISDICTION IN WHICH THE STUDIO WILL BE OPERATED. FRANCHISEE MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF LEGISLATION IS ENACTED, OR A REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY THAT PREVENTS FRANCHISEE FROM OPERATING THE STUDIO, FRANCHISOR IS NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY FRANCHISEE IN ANY MANNER WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM FRANCHISEE.

***[Signatures on the following page]***

**IN WITNESS WHEREOF**, parties hereto have duly executed this Agreement on the day, month and year first written above.

**Franchisor:**

**TLSS FRANCHISE SYSTEM, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR ACCEPTED LOCATIONS IN OHIO:** You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

**Franchisee:**

---

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR  
ACCEPTED LOCATIONS IN OHIO]**

Notice of cancellation

\_\_\_\_\_  
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to TLSS FRANCHISE SYSTEM, LLC, 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572 not later than midnight of \_\_\_\_\_.

I hereby cancel this transaction.

\_\_\_\_\_  
(Purchaser's Signature)

(Date) \_\_\_\_\_

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR  
ACCEPTED LOCATIONS IN OHIO]**

Notice of cancellation

\_\_\_\_\_  
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to TLSS FRANCHISE SYSTEM, LLC, 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572 not later than midnight of \_\_\_\_\_.

I hereby cancel this transaction.

\_\_\_\_\_  
(Purchaser's Signature)

(Date) \_\_\_\_\_

## ATTACHMENT 1 TO FRANCHISE AGREEMENT

### FRANCHISE RIDER

#### Initial Franchise Fee

The Initial Franchise Fee, which is due and payable upon execution of this Franchise Agreement, is:

\_\_\_\_\_ Forty-Five Thousand Dollars (\$45,000) for the right to open Franchisee's first THE LOOK SALON SUITES Studio. This is granted if Franchisee is one of the first 10 franchisees within THE LOOK SALON SUITES system.

\_\_\_\_\_ Fifty-Five Thousand Dollars (\$55,000) for the right to open Franchisee's first THE LOOK SALON SUITES Studio.

#### Site Selection Assistance Fee

The Site Selection Assistance Fee, which is due and payable upon execution of this Franchise Agreement, is:

\_\_\_\_\_ Two Thousand Seven Hundred and Fifty Dollars (\$2,750) for Franchisor's on-site visits and assistance to conduct an evaluation of the proposed location.

#### Royalty

The Royalty for each month of the Term shall be the greater of (i) One Thousand Dollars (\$1,000) or (ii) five and one-half percent (5.5%) of Franchisee's Gross Revenues. For purposes of this Attachment 1, "Gross Revenues" shall mean the total of gross revenue derived from the operation of the Studio, including, but not limited to, revenue from services rendered by the Studio and from the sale of products, whether from sales for cash or credit and regardless of the collection thereof. Gross Revenues also includes any business interruption insurance proceeds Franchisee receives and gift card redemptions. Gross Revenues does not include sales taxes or gift cards when redeemed, nor does it include sales to other franchisees and company-owned Studios. Royalties on gift cards are assessed when the gift card is sold, not redeemed. The Royalty due each month shall be calculated based on the Gross Revenues collected during the calendar month immediately preceding the Due Date of the Royalty.

Select below if the veteran's or first responders discount is applicable:

\_\_\_\_\_ Since Franchisee or one of its Owners is an honorably discharged veterans of the U.S. armed forces or a First Responder, Franchisor agrees to discount the payment of the Initial Franchise Fee by the sum of Ten Thousand Dollars (\$10,000).



## Notice

The following address is Franchisee's address under Section 22 of the Franchise Agreement.

Franchisee's Address for Notice:

---

---

---

Franchisee's Email Address:

---

## Already-Accepted Location and Territory (If Applicable)

If the Location has already been selected by Franchisee and approved by Franchisor, then the following are Franchisee's Location and Territory for the term of the Franchise Agreement:

Location: \_\_\_\_\_

Territory: \_\_\_\_\_

## Unassigned Location and Territory (If Applicable)

If no Location has been determined at the time this Franchise Agreement is executed, then the Location will be within the following area, provided the exact location will be subject to Franchisor's \_\_\_\_\_ review \_\_\_\_\_ and \_\_\_\_\_ acceptance: \_\_\_\_\_ ("Prospective Market Area").

If Franchisee has not had a specific Location accepted at the time the Franchise Agreement is signed, Franchisor reserves the right to sell franchises—and grant territories to others who will operate THE LOOK SALON SUITES Studios—in and around the Prospective Market Area. Franchisee may then be required to choose a final location outside of any protected territory given to any other franchisee, and that territory may be outside of the Prospective Market Area set forth above.

When Franchisee selects its desired location for the Studio, Franchisee must follow the process set forth in Section 6(a) of the Franchise Agreements and Franchisor's Brand Standards Manual. If Franchisor accepts of Franchisee's proposed location, Franchisor will send Franchisee its form site approval letter ("Site Selection Acceptance Letter"). The location set forth in the Site Selection Acceptance Letter shall constitute the "Location" of the Studio pursuant to Section 1 of the Franchise Agreement. Franchisee's Territory will consist of the following: (i) if the estimated population within the Surrounding Area is 100,000 or less, the Territory is a two and one-half (2-1/2) mile radius from the Approved Location; (ii) if the estimated population within the Surrounding Area is more than 100,000 but less than 200,000, the Territory is a two (2) mile radius from the Approved Location; (iii) if the estimated population within the

Surrounding Area is 200,000 or more but less than 300,000, the Territory is a one and one-half (1-1/2) mile radius from the Approved Location; (iv) if the estimated population within the Surrounding Area is 300,000 or more but less than 400,000, the Territory is a one (1) mile radius from the Approved Location; (v) if the estimated population within the Surrounding Area is 400,000 but less than 500,000, the Territory is a one-half (1/2) mile radius from the Approved Location; (vi) and if the estimated population within the Surrounding Area is 500,000 or more, the Territory is a one-quarter (1/4) mile radius from the Accepted Location.

*[Remainder of page intentionally left blank]*

## ATTACHMENT 2 TO FRANCHISE AGREEMENT

### LEASE RIDER

This Lease Rider is executed as of this date of \_\_\_\_\_, by and between \_\_\_\_\_ (“Tenant”) and \_\_\_\_\_ (“Landlord”) as a Rider to the lease dated \_\_\_\_\_ (as amended, renewed, and/or extended from time to time, the “Form Lease”) for the Premises located at \_\_\_\_\_ (“Premises”).

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

**1. Permitted Use.** The Premises are leased to Tenant for the operation a turn key salon suite studios that will license contemporary luxury suites to independent salons, salon professionals, and other business professionals under “THE LOOK SALON SUITES” mark (“Franchised Business”). The Tenant may also use the Premises for promotions, celebrations, meetings, and other group functions where Tenant’s services and products will be offered or sold. Landlord and Tenant agree that the Premises shall only be used for the operation of the Franchised Business, unless another use is approved in writing by Franchisor. Landlord covenants that from and after the date hereof, Landlord shall not permit any other tenant to operate a business in the same retail center or plaza as the Premises that receives twenty-five percent (25%) or more of its gross revenues from offering rental of salon studio spaces or offers or provides any of salon suite products or services that are offered by the Studio.

**2. Signage.** Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other Marks and identification on both the exterior and within the interior of the Premises as approved by TLSS FRANCHISE SYSTEM, LLC, a North Carolina limited liability company and franchisor of THE LOOK SALON SUITES concept (“Franchisor”).

**3. Assignment and Subletting.** Landlord’s consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant’s assets or business or an assignment or sublet to Franchisor, any parent, subsidiary or affiliated entity of Tenant or Franchisor, or another THE LOOK SALON SUITES franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement by and between Tenant and Franchisor (“Franchise Agreement”) as a result of a merger, reorganization or sale of all or substantially all of Tenant’s assets. Tenant shall also have the right, without the consent of Landlord, to assign the Form Lease to: (i) a company incorporated or to be incorporated by Tenant; (ii) a limited liability company formed or to be formed; or (iii) a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of: (i) the issued and outstanding shares of capital stock of the company; (ii) the membership interest; or (iii) is the managing general partner of the partnership.

**4. Notices; Opportunity to Cure.** Copies of any demand letters, default notices or other similar notices of non-compliance ("**Notice**") sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

TLSS FRANCHISE SYSTEM, LLC  
Attn: CEO  
11010 Lake Grove Blvd, Suite 100-316  
Morrisville, NC 27560

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, and prior to exercising any remedies under the Form Lease, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon Notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

**5. Option to Lease.** Landlord hereby agrees that, (i) in the event of the termination, non-renewal, or expiration of the Franchise Agreement by and between Tenant and Franchisor; (ii) in the event of the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; (iii) in the event of Tenant's failure to exercise any extension option contained in the Form Lease, or (iv) as otherwise permitted under the Franchise Agreement, Franchisor, any parent, subsidiary or affiliated company of Franchisor, or another THE LOOK SALON SUITES franchisee shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give Notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor, any parent, subsidiary or affiliated company of Franchisor, or another THE LOOK SALON SUITES franchisee elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination, non-renewal, or expiration of the Franchise Agreement; (2) Franchisor's receipt of Notice from Landlord that the Form Lease has been terminated; or (3) receipt of Notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor, any parent, subsidiary or affiliated company of Franchisor, or another THE LOOK SALON SUITES franchisee elects to lease the Premises under any of the conditions set forth in 5(i) to (iv) above, Franchisor, any parent, subsidiary or affiliated company of Franchisor, or another THE LOOK SALON SUITES franchisee shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Form Lease) as are contained in

the Form Lease; provided, however, that such party's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor or any parent, subsidiary or affiliated company of Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a THE LOOK SALON SUITES franchised location; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

**6. Modification of Lease.** Landlord and Tenant will not make any material modifications to the Form Lease, this Rider, or assign the Form Lease without Franchisor's written consent, which consent will not be unreasonably withheld or delayed.

**7. Use of Premises.** Landlord and Tenant agree that the Premises shall be used only for the operation of a Franchised Business, unless another use is approved in writing by Franchisor.

**8. Remodeling and Decor.** Landlord agrees that Tenant shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the Marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate a Franchised Business on the Premises.

**9. Right to Enter.** Landlord and Tenant agree that the employees, representatives and agents of the Franchisor Parties shall have the right to enter the Premises to make any modifications necessary to protect their respective Marks.

**10. De-identification.** Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a THE LOOK SALON SUITES franchise location operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination, non-renewal, or expiration as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

**11. Assignment of Interest.** This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, any parent, subsidiary or affiliated company of Franchisor, or another THE LOOK SALON SUITES franchisee, their assigns, and successors-in-interest. Franchisor, any parent, subsidiary or affiliated company of Franchisor, or another THE LOOK SALON SUITES franchisee are intended beneficiaries of this Rider, provided Franchisor shall

have no liability for any of Tenant's obligations under the Form Lease. Franchisor signs below for the limited purpose of acknowledging and agreeing to the provisions of this Rider.

**12. Non-disturbance from Mortgage Lenders.** It is a condition of the Form Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agrees not to disturb Tenant's rights under the Form Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Form Lease beyond any applicable grace or cure period provided therein. If a mortgage, deed of trust or deed to secure debt currently encumbers the Premises, it is a condition precedent to Tenant's obligations under the Form Lease that the holder of such encumbrance enter into a written recordable form of subordination and non-disturbance agreement with Tenant, in a form reasonably acceptable to Tenant, as described above.

**13. Security Interest.** Any security interest and/or landlord's lien of Landlord in Tenant's trade fixtures, trade dress, signage, equipment and other personal property is hereby subordinated to any security interest and pledge granted to Franchisor in such items.

**LANDLORD:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**TENANT:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Agreed to:

**FRANCHISOR:**

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **ATTACHMENT 3 TO FRANCHISE AGREEMENT**

### **INTERNET, SOCIAL MEDIA, AND TELEPHONE ASSIGNMENT**

This Assignment Agreement (“Assignment”) is made, and entered into, between TLSS FRANCHISE SYSTEM, LLC, a Delaware limited liability company (“Franchisor”) and the undersigned Franchisee (“Franchisee”).

A. Franchisor has developed a unique system for the establishment and operation of businesses offering turnkey salon suite studios and ancillary services to salon professionals under the trademarks “THE LOOK SALON SUITES” (“System”);

B. Franchisor and Franchisee have entered into a Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”), pursuant to which Franchisee was granted the right to operate a THE LOOK SALON SUITES franchised business (“Studio”) under the System; and

C. It is the desire of and in the best interests of Franchisor and the System that in the event the Franchise Agreement terminates, expires, or is not renewed, the telephone numbers, (including personal cellphone numbers), telephone directory listings, internet addresses, and social media accounts used by Franchisee in connection with the operation of its THE LOOK SALON SUITES franchised business are assigned to Franchisor.

NOW THEREFORE, in consideration of the foregoing and Franchisor agreeing to enter into the Franchise Agreement, Franchisor and Franchisee agree as follows:

1. Franchisee hereby agrees to assign to Franchisor: (i) those certain telephone numbers, including any personal or other cellphone numbers used in connection with the Studio, and regular, classified or other telephone directory listings used by Franchisee in connection with operating THE LOOK SALON SUITES franchised business (ii) all email addresses that use the Marks or that are used by Franchisee in connection with the operation of the Franchised Business, (iii) any Online Presence (as that term is defined in the Franchise Agreement) which uses the Marks, which Franchisee uses in connection with the operation of the Franchised Business, or which Franchisee has been permitted by Franchisor to create, and (iv) all rights, title, and interest in the content of any Online Presence, whether now-existing or adopted by Franchisee in the future (collectively the “Listings”).

2. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with Franchisee’s use of the Listings unless and until Franchisor notifies the telephone company, listing agencies, internet service providers, or other parties that provide the Listings (collectively, the “Providers”) to effectuate the assignment pursuant to the terms hereof.

3. Upon termination, expiration, or nonrenewal of the Franchise Agreement (without renewal or extension), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Listings to itself or to any third party it designates. In the event Franchisor



exercises its assignment rights Franchisee will have no further right, title or interest in the Listings; provided, however, Franchisee will pay all amounts owed in connection with the Listings, including all sums owed to Franchisor, Franchisor's affiliates, or Franchisor's approved suppliers under existing contracts for the Listings and immediately, at the Franchisor's request, (i) take any other action as may be necessary to transfer the Listings to the Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect, cancel, delete, remove, or discontinue the Listings; (iv) relist any Listing in a different location or with a new provider, whether published or online; (v) modify the Listing and any content in the Listing; (vi) provide all login or other access credentials to the Listings; and/or (vii) cooperate with Franchisor or its designated agent in undertaking any or all of the foregoing..

4. Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any Provider to transfer or modify such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, termination, or nonrenewal of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

5. The parties agree that the Providers may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Listings upon such termination, expiration or nonrenewal of the Franchise Agreement and that such assignment shall be made automatically and effective immediately upon a Provider's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Providers require that the parties execute the Providers' assignment forms or other documentation at the time of termination, expiration or nonrenewal of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination, expiration, or non-renewal of the Franchise Agreement.

6. The validity, construction and performance of this Assignment is governed by the laws of the State in which Franchisor is located. All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All of Franchisor's rights inure to Franchisor's benefit and to the benefit of Franchisor's successors and assigns.

*[Signatures on the following page]*

Agreed to this date of \_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## ATTACHMENT 4 TO FRANCHISE AGREEMENT

### PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement (“Agreement”) between TLSS FRANCHISE SYSTEM, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated of even date herewith, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Franchisee, including without limitation the dispute resolution provisions and indemnification provisions of the Agreement.

Further, except for those designated as “Spouse” and not “Owner” in the signature block below, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement, including but not limited to the non-compete dispute resolution, and indemnification provisions, and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement.

The undersigned’s liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other guarantors of Franchisee. The undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so. Franchisor may proceed against the undersigned and Franchisee jointly and severally, or Franchisor may, at its option, proceed against the undersigned, without having commenced any action, or having obtained any judgment against Franchisee. The undersigned agrees to pay all reasonable attorneys’ fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

In addition, the undersigned consents and agrees that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by the Franchisee’s insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; (3) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Personal Guaranty, which shall be continuing and irrevocable during the term of the Agreement; and (4) this Personal Guaranty shall apply in all modifications to the Agreement of any nature agreed to by Franchisee with or without the undersigned receiving notice thereof.

The undersigned waive: (1) notice of demand for payment of any indebtedness or on performance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; (3) any right he/she may have to require that an action be brought against the Franchisee or any other person as a condition of liability; (4) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and (5) notice of any changes permitted by the terms of the Agreement or agreed to by the Franchisee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of Franchisor's successors and assigns.

**PERSONAL GUARANTORS:**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

## ATTACHMENT 5 TO FRANCHISE AGREEMENT

### NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (“Agreement”) is made and entered into as of \_\_\_\_\_ (“Effective Date”) by and between TLSS FRANCHISE SYSTEM, LLC, a Delaware limited liability company (“Franchisor”), and \_\_\_\_\_ (“Associate”), who resides at \_\_\_\_\_. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

### RECITALS

A. Franchisor is engaged in the business of offering turnkey salon suite studios and ancillary services to salon professionals (“Studio”). The franchised businesses are operated under the Franchisor's trademark “THE LOOK SALON SUITES” and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the “Marks”);

B. Franchisor has developed methods for establishing, operating and promoting Studios pursuant to the Franchisor’s Confidential Information (defined below) and such Confidential as may be further developed from time to time by the Franchisor (“System”);

C. Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to Franchisor;

D. Associate desires to become involved with a \_\_\_\_\_ (“Franchisee”), a franchisee of the Franchisor in the capacity of an owner, officer, partner, director, or agent of the Studio, or is a spouse or domestic partner of an owner of a Studio, and will become privileged as to certain Confidential Information. Associate may or may not have signed the Franchise Agreement or personal guaranty; and

E. Associate and Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with Franchisor and other franchisees of Franchisor. Associate agrees to the terms of this Agreement as partial consideration for Franchisor’s willingness to allow Associate to engage in a business relationship with Franchisor or a Franchisee using Franchisor’s Confidential Information.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

#### 1. Definitions.

(a) “Associate” shall mean the individual described in the first paragraph of this Agreement.

(b) “Competitive Business” as used in this Agreement means any business or commercial activity, other than a THE LOOK SALON SUITES business that Franchisee is authorized by Franchisor to operate, that (i) receives twenty five percent (25%) or more of its gross revenues from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business or (ii) provides supplies, curriculum, or training for commercial activity described in (i).

(c) “Confidential Information” means the information, not generally known to the public, in any form, relating to the Studio and its operations, including all trade secrets of the Studio; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Studio not generally known to the public; all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Studio (such as all names, addresses, phone numbers, e-mail addresses for customers and suppliers; customer purchase records and mail lists); manuals; curriculum; platforms; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system, and any other data and information that Franchisor or its affiliates designates as confidential, including all information contained in the Brand Standards Manuals.

(d) “Franchise Agreement” shall mean the franchise agreement between Franchisor and Franchisee dated \_\_\_\_\_ as amended or renewed from time to time.

(e) “Location” shall mean the accepted location of Franchisee’s Studio.

(f) “Restricted Territory” shall mean:

(i) The Location and any geographic area which is within a twenty (20) mile radius of the Location or any other THE LOOK SALON SUITES outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location or any other THE LOOK SALON SUITES outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(iii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location as of the first date of the Restrictive Period; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Location as of the first date of the Restrictive Period.

(g) “Restrictive Period” shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate’s association with Franchisee or the Studio ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

(h) “Term” shall have the meaning defined in the Franchise Agreement.

(i) “Territory” shall mean the period from the Effective Date through the first date of the Restrictive Period.

2. Confidential Information. Associate and Franchisor acknowledge that the Confidential Information that is developed and utilized in connection with the operation of the Studio is unique and the exclusive property of Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to Franchisor or its affiliates. Associate further acknowledges that Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information, that Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information, and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

3. Nondisclosure of Confidential Information. During the Term and for all periods after the Term, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of Franchisor or the Studio, any of the Confidential Information of Franchisor or its affiliates.

4. In-Term Covenant Against Unfair Competition. During the Term, Associate will not, without Franchisor’s prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any Competitive Business; or

(b) offer or grant franchises or licenses for any Competitive Business; or

(c) become a franchisee or licensee of any Competitive Business; or

(d) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

5. Post-Termination Covenant Against Unfair Competition. Associate covenants and agrees that for the Restrictive Period Associate shall not, within the Restricted Territory, engage in any of the following:



(a) franchise, license, or own an interest in any Competitive Business, including as franchisor, licensor, franchisee or licensee, provided that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 7 so long as Associate does not own themselves or through his or her spouses or partners more than one percent (1%) of the securities of such corporation; or

(b) engage in any Competitive Business as an officer, director, employee, consultant, manager, operator, or independent contractor in any capacity in which Associate would be in a position to use or disclose Confidential Information.

6. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

7. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information in any circumstances. mean the period from the Effective Date through the first

8. Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

10. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

11. Governing Law; Jurisdiction and Venue.

(a) If Associate is an owner or guarantor of Franchisee, the governing law and dispute resolution provisions of the Franchise Agreement shall apply to this Agreement.

(b) For Associates that are not an owner or guarantor of Franchisee, the following terms apply: The laws of North Carolina (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of North Carolina, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of North Carolina. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of North Carolina. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

13. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

14. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, unless herein defined.

*[Signatures on the following page]*

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## ATTACHMENT 6 TO FRANCHISE AGREEMENT

### NONDISCLOSURE AND NON-SOLICITATION AGREEMENT

This Nondisclosure and Non-Solicitation Agreement (“Agreement”) is made and entered into as of \_\_\_\_\_ (“Effective Date”) by and between TLSS FRANCHISE SYSTEM, LLC, a Delaware limited liability company (“Franchisor”), and \_\_\_\_\_ (“Associate”), who resides at \_\_\_\_\_. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

#### RECITALS

A. Franchisor is engaged in the business of offering turnkey salon suite studios and ancillary services to salon professionals (“Studio”). The franchised businesses are operated under the Franchisor's trademark “THE LOOK SALON SUITES” and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the “Marks”);

B. Franchisor has developed methods for establishing, operating and promoting franchised businesses pursuant to the Franchisor’s Confidential Information (defined below) and such Confidential Information and Trade Secrets as may be further developed from time to time by the Franchisor (“System”);

C. Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with a \_\_\_\_\_ (“Franchisee”), a franchisee of the Franchisor that operates a Studio in \_\_\_\_\_ in the capacity of an owner, officer, partner, director, or agent of the Studio, or is a spouse or domestic partner of an owner of a Studio, and will become privileged as to certain Confidential Information. Associate may or may not have signed the Franchise Agreement or personal guaranty; and

Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect the solicitation of customers, vendors, and employees by Associate. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor’s willingness to allow Associate to engage in a business relationship with Franchisor or Franchisee using the Franchisor’s Confidential Information.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.

(a) “Associate” shall mean the individual described in the first paragraph of this Agreement.

(b) “Competitive Business” as used in this Agreement means any business or commercial activity, other than a THE LOOK SALON SUITES business that Franchisee is authorized by Franchisor to operate, that (i) receives twenty five percent (25%) or more of its gross revenues from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business or (ii) provides supplies, curriculum, or training for commercial activity described in (i).

(c) “Confidential Information” means the information, not generally known to the public, in any form, relating to the Studio and its operations, including all trade secrets of the Studio; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Studio not generally known to the public; all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Studio (such as all names, addresses, phone numbers, e-mail addresses for customers and suppliers; customer purchase records and mail lists); platforms; manuals; curriculum; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; students lists; student information, and any other data and information that the Franchisor or its affiliates designates as confidential, including all information contained in the Brand Standards Manuals.

(d) “Franchise Agreement” shall mean the franchise agreement between Franchisor and Franchisee dated \_\_\_\_\_ as amended or renewed from time to time.

(e) “Location” shall mean the approved location of Franchisee’s Studio.

(f) “Restricted Territory” shall mean:

(i) The Location and any geographic area which is within a twenty (20) mile radius of the Location or any other THE LOOK SALON SUITES outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location or any other THE LOOK SALON SUITES outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(iii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location as of the first date of the Restrictive Period; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Location as of the first date of the Restrictive Period.

(g) “Restrictive Period” shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate’s association with Franchisee or the Studio ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

(h) “Term” shall mean the period from the Effective Date through the first date of the Restrictive Period

(i) “Territory” shall have the meaning defined in the Franchise Agreement.

2. Confidential Information. Associate and the Franchisor acknowledge that the Confidential Information that is developed and utilized in connection with the operation of the Studio is unique and the exclusive property of the Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information, and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

3. Nondisclosure of Confidential Information. During the Term and for all periods after the Term, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Studio, any of the Confidential Information of the Franchisor or its affiliates.

4. Covenant Against Solicitation. During the Term, Associate will not, without Franchisor’s prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) solicit, divert or attempt to solicit or divert any person or party that is or has been a customer of Studio at any time during the Term, to any Competitive Business, as Franchisee agrees that all goodwill associated with Franchisee’s operation under the Marks and the System, and all customer information associated therewith, inure to Franchisor; or

(ii) solicit, divert, or attempt to solicit or divert, any vendor that does has done business with Franchisee to provide supplies, products, equipment, merchandise, or services to a Competitive Business. or to cease to provide supplies, products, equipment, merchandise, or services to THE LOOK SALON SUITES businesses

5. Post-Termination Covenant Against Solicitation. Associate covenants and agrees

that for the Restrictive Period Associate shall not, within the Restricted Territory, engage in any of the following:

(i) solicit, divert, or induce or attempt to solicit, divert, or induce for, or on behalf of, any Competitive Business any person or entity who was an employee of, independent contractor to, consultant to, or other service provider to the Studio as of the first day of the Restrictive Period with whom Associate had a business relationship through Associate's association with Franchisee or who was an employee of, independent contractor to, consultant to, or other service provider to the Studio within one (1) year prior to the Restrictive Period with whom Associate had a business relationship through Associate's association with Franchisee, to work for the Competitive Business; or

(ii) solicit, induce or attempt to solicit or induce any person or entity who is an employee of, independent contractor to, consultant to, or other service provider to the Studio, Franchisee, Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period to terminate or alter in any way its, his, or her relationship with the Studio, Franchisee, Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the date of the Restrictive Period; or

(iii) solicit, divert, or induce or attempt to solicit, divert, or induce any persons who were employees of, independent contractors to, consultants to, or any other service provider to Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period for, or on behalf of, any Competitive Business to work for any Competitive Business; or

(iv) solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Studio within one (1) year of the Restrictive Period to provide supplies, products, equipment, merchandise, or services to a Competitive Business; or

(iv) solicit, divert or attempt to solicit or divert any person or party that has been a customer of Studio as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period, to any Competitive Business.

6. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

7. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and that any violation of this Agreement would cause substantial and



irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information in any circumstances. Associate agrees that the running of the applicable post-termination Restrictive Period shall be tolled during any period of a violation of this Agreement.

8. Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

10. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

11. Governing Law; Jurisdiction and Venue.

(a) If Associate is an owner or guarantor of Franchisee, the governing law and dispute resolution provisions of the Franchise Agreement shall apply to this Agreement.

(b) For Associates that are not an owner or guarantor of Franchisee, the following terms apply: The laws of North Carolina (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of North Carolina, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of North Carolina. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of North Carolina. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

13. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

14. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, unless herein defined.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**EXHIBIT B-1**

**STUDIO DIRECTORY/LISTING OF CURRENT FRANCHISEES  
AS OF JUNE 30, 2024**

| <b>Name</b>                                 | <b>Address</b>                    | <b>City</b>  | <b>State</b> | <b>Zip</b> | <b>Phone</b>   |
|---------------------------------------------|-----------------------------------|--------------|--------------|------------|----------------|
| RSGCGROWTH LLC<br>(TLLS of<br>Hillsborough) | 615 Hampton<br>Pointe, Suite #103 | Hillsborough | NC           | 27278      | (919) 296-3955 |

**EXHIBIT B-2**

**LISTING OF CERTAIN PAST FRANCHISEES  
AS OF JUNE 30, 2024**

None.

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

# EXHIBIT C

## FINANCIAL STATEMENTS

**TLSS Franchise System, LLC**

**Independent Auditor's Report  
And  
Financial Statements  
Year Ended June 30, 2024**

1



| <u>Table of Contents</u>            |   |
|-------------------------------------|---|
| Independent Auditor's Report .....  | 3 |
| Balance Sheet .....                 | 5 |
| Statement of Operations .....       | 6 |
| Statement of Members' Equity .....  | 7 |
| Statement of Cash Flows .....       | 8 |
| Notes To Financial Statements ..... | 9 |

|                                     |   |
|-------------------------------------|---|
| Independent Auditor's Report .....  | 3 |
| Balance Sheet .....                 | 5 |
| Statement of Operations .....       | 6 |
| Statement of Members' Equity .....  | 7 |
| Statement of Cash Flows .....       | 8 |
| Notes To Financial Statements ..... | 9 |

**Metwally CPA PLLC**

**CERTIFIED PUBLIC ACCOUNTANT**

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

---

**Independent Auditor's Report**

To the Members of  
TLSS Franchise System, LLC

**Opinion**

We have audited the accompanying financial statements of TLSS Franchise System, LLC (the "Company"), which comprise the balance sheet as of June 30, 2024 and the related statements of operations, members' equity, and cash flows for year ended June 30, 2024, 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 TLSS Franchise System, LLC as of June 30, 2024, and the results of its operations and its cash flows for year ended June 30, 2024 in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 TLSS Franchise System, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TLSS Franchise System, LLC'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 TLSS Franchise System, LLC's ability to continue as a going concern for a reasonable period.

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.

*Metwally CPA PLLC*

Metwally CPA PLLC  
Bedford, Texas  
September 10, 2024

|                                              | <u>2024</u>              |
|----------------------------------------------|--------------------------|
| <b>ASSETS</b>                                |                          |
| <b>Current Assets</b>                        |                          |
| Cash and cash equivalents                    | \$ 101,239               |
| <b>Total Current Assets</b>                  | <u>101,239</u>           |
| <b>Total Assets</b>                          | <u><u>\$ 101,239</u></u> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>       |                          |
| <b>Current Liabilities</b>                   |                          |
| Accounts payable                             | \$ 120                   |
| Due to related parties                       | 6,150                    |
| Deferred revenue, current portion            | 2,375                    |
| <b>Total Current Liabilities</b>             | <u>8,645</u>             |
| <b>Long Term Liabilities</b>                 |                          |
| Deferred revenue, net of current portion     | 19,000                   |
| <b>Total Long Term Liabilities</b>           | <u>19,000</u>            |
| <b>Total Liabilities</b>                     | <u><u>27,645</u></u>     |
| <b>Members' Equity</b>                       |                          |
| Members' equity                              | 73,595                   |
| <b>Total Members' Equity</b>                 | <u>73,595</u>            |
| <b>Total Liabilities and Members' Equity</b> | <u><u>\$ 101,239</u></u> |

5

|                                  | 2024               |
|----------------------------------|--------------------|
| <b>Revenues</b>                  |                    |
| Initial franchise fees           | \$ 18,625          |
| <b>Total Revenues</b>            | <b>18,625</b>      |
| <b>Operating Expenses</b>        |                    |
| Legal and professional           | 59,442             |
| Advertising and marketing        | 23,962             |
| General and administrative       | 10,410             |
| <b>Total Operating Expenses</b>  | <b>93,814</b>      |
| <b>Operating Income / (Loss)</b> | <b>\$ (75,189)</b> |

6

TLSS Franchise System, LLC  
Statement of Members' Equity  
Year Ended June 30, 2024

---

|                                  |                   |
|----------------------------------|-------------------|
| Members' Equity At July 01, 2023 | <u>\$ (5,216)</u> |
| Net income / (loss)              | (75,189)          |
| Members' contribution            | 204,000           |
| Members' distributions           | (50,000)          |
| Members' Equity At June 30, 2024 | <u>\$ 73,595</u>  |

*The accompanying notes are an integral part of the financial statements.*

**TLSS Franchise System, LLC**  
**Statement of Cash Flows**  
**Year Ended June 30, 2024**

|                                                                                  | <u>2024</u>       |
|----------------------------------------------------------------------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>                                      |                   |
| Net income / (loss)                                                              | \$ (75,189)       |
| Adjustments to reconcile net income to net cash provided by operating activities |                   |
| Change in assets and liabilities                                                 |                   |
| Accounts payable                                                                 | (7,424)           |
| Due to related parties                                                           | 6,150             |
| Deferred revenue                                                                 | 21,375            |
| <b>Net Cash Flows Provided By (Used In) Operating Activities</b>                 | <u>(55,088)</u>   |
| <b>Cash Flows From Investing Activities</b>                                      |                   |
| <b>Net Cash Flows Provided By (Used In) Investing Activities</b>                 | <u>-</u>          |
| <b>Cash Flows From Financing Activities</b>                                      |                   |
| Members' contribution                                                            | 204,000           |
| Members' distributions                                                           | (50,000)          |
| <b>Net Cash Flows Provided By (Used In) Financing Activities</b>                 | <u>154,000</u>    |
| <b>Net Change In Cash And Cash Equivalent During The Year</b>                    | <u>98,912</u>     |
| Cash and cash equivalents - beginning of the year                                | 2,328             |
| <b>Cash And Cash Equivalent - End of The Year</b>                                | <u>\$ 101,239</u> |

*The accompanying notes are an integral part of the financial statements.*





**TLSS Franchise System, LLC**  
**June 30, 2024**  
**Notes To Financial Statements**

**1. COMPANY AND NATURE OF OPERATIONS**

TLSS Franchise System, LLC ("the Company") was established in the state of North Carolina as a limited liability Company on March 27, 2023, for the purpose of offering franchise opportunities to entrepreneurs who want to develop and operate a turnkey salon suite studio. The Company offers to the qualified individuals the right to own and operate a turnkey salon suite studios that will license contemporary luxury suites to independent salons and other business professionals under "THE LOOK SALON SUITES" mark. The company provides services to franchisees including assistance with training, operations, advertising, purchasing and promotional techniques.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting**

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**B. Cash and Cash Equivalents**

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

**C. Federal Income Taxes**

As a limited liability company, the Company's taxable income or loss is allocated to members in accordance with their respective percentage ownership. Therefore, no provision for income taxes has been included in the financial statements.

**D. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit might exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

**E. Use of Estimates**

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

#### F. Advertising and Marketing

Advertising and marketing costs are charged to operations in the year incurred.

#### G. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

##### Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable monthly.

#### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized to expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

#### **H. Recent Accounting Pronouncements**

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

#### **3. CASH AND CASH EQUIVALENTS**

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On June 30, 2024, the Company's cash didn't exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. As of June 30, 2024, the Company had approximately \$ 101,239 in cash in its bank account.

#### **4. RELATED PARTY TRANSACTIONS**

The Look Salon Suite, LLC and Rent A Suite, LLC have common ownership with this Company. As of June 30, 2024, the Company has a \$5,500 balance due to The Look Salon Suite, LLC and Rent A Suite, LLC respectively which represent expenses paid on behalf of the company

As of June 30, 2024 the Company had a \$650 balance due to its members which represents expenses paid on behalf of the Company.

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the year ended June 30, 2024:

|                                       | <u>2024</u>             |
|---------------------------------------|-------------------------|
| Revenue recognized over time          | \$ 18,625               |
| Revenue recognized at a point in time | -                       |
| <b>Total Revenue</b>                  | <b><u>\$ 18,625</u></b> |

### Contract Balances

The following table provides information about the change in the franchise contract liability balances during the year ended June 30, 2024. Franchise contract liability is included in deferred revenue on the accompanying balance sheet.

|                                                    | <u>2024</u>             |
|----------------------------------------------------|-------------------------|
| Beginning balance                                  | \$ -                    |
| Additional deferred revenue                        | 40,000                  |
| Revenue recognized – additional deferred revenue   | (18,625)                |
| <b>Deferred revenue</b>                            | <b><u>21,375</u></b>    |
| Less: current maturities                           | (2,375)                 |
| <b>Deferred revenue, net of current maturities</b> | <b><u>\$ 19,000</u></b> |

## 6. ADVERTISING EXPENSES

Advertising costs for the year ended June 30, 2024, were \$23,962. These costs were expensed as incurred.

## 7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2024, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

4151129v8.EJB.33442.G556864198541v2.EJB.33442.G55686 EXHIBIT C-15

|                                    |   |
|------------------------------------|---|
| Independent Auditor's Report ..... | 3 |
| Balance Sheet .....                | 5 |
| Notes to Financial Statement ..... | 6 |



Metwally CPA PLLC  
CERTIFIED PUBLIC ACCOUNTANT  
1312 Norwood Dr STE 100, Bedford, Texas 76022  
Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

---

## **Independent Auditor's Report**

To the members of  
TLSS Franchise System, LLC  
Sky Plcary, North Carolina

### **Opinion**

We have audited the accompanying balance sheet of TLSS Franchise System, LLC (a North Carolina Limited Liability Company) as of July 24, 2023 and the related notes to the Financial Statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of TLSS Franchise System, LLC as of July 24, 2023 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement 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 statement that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statement**

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

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 statement, 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 statement.
- 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 TLSS Franchise System, LLC'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TLSS Franchise System, LLC'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.

*Metwally CPA PLLC*

Metwally CPA PLLC  
Bedford, Texas  
August 25, 2023

**TLSS Franchise System, LLC**  
**July 24, 2023**  
**Balance Sheet**

|                                              | <u>2023</u>       |
|----------------------------------------------|-------------------|
| <b>ASSETS</b>                                |                   |
| <b>Current Assets</b>                        |                   |
| Cash and cash equivalents                    | \$ 112,268        |
| <b>Total Current Assets</b>                  | <u>112,268</u>    |
| <b>Total Assets</b>                          | <u>\$ 112,268</u> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>       |                   |
| <b>Current Liabilities</b>                   |                   |
| Accounts payable                             | \$ 7,468          |
| Due to related parties                       | 2,500             |
| <b>Total Current Liabilities</b>             | <u>9,968</u>      |
| <b>Total Liabilities</b>                     | <u>9,968</u>      |
| <b>Members' Equity</b>                       |                   |
| Members' equity                              | 102,300           |
| <b>Total Members' Equity</b>                 | <u>102,300</u>    |
| <b>Total Liabilities and Members' Equity</b> | <u>\$ 112,268</u> |

*The accompanying notes are an integral part of the financial statement.*

**TLSS Franchise System, LLC**

**July 24, 2023**

**Notes to Financial Statement**

**1. COMPANY AND DESCRIPTION OF BUSINESS**

TLSS Franchise System, LLC (the "Company") was established in the state of North Carolina on March 21, 2023 for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their business as a franchise. The Company provide the qualified individual the rights to operate a salon suite business under the brand name "The Look Salon Suites". The Company offers individual unit franchises and area development franchises for the development of multiple units within a designated territory.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statement. The financial statement and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statement.

**A. Basis of Accounting**

The financial statement was prepared in conformity with accounting principles generally accepted in the United State of America ("US GAAP").

**B. Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**C. Federal Income Taxes**

The Company and its members have elected to be treated as a partnership under the provisions of the Internal Revenue Code (IRC). Therefore, any taxable income earned by the Company is included in the individual tax returns of its members. Accordingly, net income presented in the financial statements does not include a provision for income taxes. The net income presented will include state-imposed taxes and fees as applicable.

**D. Use of Estimates**

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

#### **E. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the period, the total amount on deposit didn't exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

#### **F. Revenue Recognition**

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

##### Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark, and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a



straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

#### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized to expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

The Company didn't generate any revenue as of the balance sheet date but will be implementing ASC 606 to recognize its revenue once a sale has been made.

#### **G. Recent Accounting Pronouncements**

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other, which simplifies the test for goodwill impairment by removing the second step of the two-step impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. For nonpublic entities, the standard is effective for annual periods beginning after December 15, 2022, with early application permitted for tests performed after January 1, 2017. The Company is currently evaluating the impact this guidance will have on its financial statements.

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805) which amends Topic 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and liabilities in a business combination. ASU 2021-08 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its financial statements.

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

### **3. CASH AND CASH EQUIVALENT**

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On July 24, 2023, the Company's cash balance didn't exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. As of July 24, 2023, the Company has approximately \$112,268 in cash in their operating bank account.

### **4. RELATED PARTIES TRANSACTIONS**

As of July 24, 2023 the Company recorded related party payable to a member in the amount of \$2,500 for startup and organizational expenses paid on behalf of the Company.

### **5. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 25, 2023 which is the date the financial statement was available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statement.



## EXHIBIT D

### STATE SPECIFIC INFORMATION

#### RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES

If any one of the following Riders to the Franchise Agreement for Specific States (“Riders”) is checked as an “Applicable Rider” below, then that Applicable Rider shall be incorporated into the Franchise Agreement entered into by TLSS FRANCHISE SYSTEM, LLC and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

#### Applicable Rider

- ☐ California
- ☐ Illinois
- ☐ Minnesota
- ☐ New York
- ☐ Virginia

TLSS FRANCHISE SYSTEM, LLC

\_\_\_\_\_  
FRANCHISEE (Print Name)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**CALIFORNIA APPENDIX FOR OFFERINGS  
OF THE LOOK SALON SUITES FRANCHISES IN CALIFORNIA**

**If your franchise is located in California, the following will apply:**

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

**THE REGISTRATION OF THIS FRANCHISE OFFERING IN THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION.**

1. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DBOFPI.CA.GOV](http://WWW.DBOFPI.CA.GOV).

2. No person or franchise broker listed in Item 3 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

3. Item 17 Additional Paragraphs:

- A. California Business and Professions Code sections 20000 through 20043 provides rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- B. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101, et seq.).
- C. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- D. The Franchise Agreement requires binding arbitration. The arbitration will occur at Raleigh, North Carolina with the costs being borne by each party, unless the disputed provision in the Franchise Agreement provides for payment by the losing party of the prevailing party's attorneys' fees and costs of litigation. This

provision may not be enforceable under California law.

- E. The Franchise Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

4. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as business and Professions Code Section 20040.S, Code of Civil Procedures 1281, and the Federal Arbitrations Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

5. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

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

8. The following Sections are removed from the Franchise Agreement and other proposed agreements: Sections 20(f), 20(g), 20(i) and 20(j) do not apply to California franchisees.

9. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representation it makes to you, or (iii) any violations of law.

## ILLINOIS

### Disclosure Document:

1. The following language is added to the Risk Factors on the cover page of the Disclosure Document:

**THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND IN THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHTS CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.**

2. Item ~~17~~5 of the Disclosure Document is amended to include the following:

The Illinois Attorney General's Office imposes this deferral requirement due to Franchisor's financial condition.

3. Item 17 of the Disclosure Document is amended to include the following:

Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois. In addition, Illinois law will govern the Franchise Agreement.

Conditions under which franchisor can be terminated and rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

Item 23 of the Disclosure Document is amended to provide for the franchisee with a 14 day pre-sale disclosure period instead of the 10 day pre-sale disclosure period referenced on the receipt page.

Under Illinois law, any provision that purports to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act ("Act") or any other law of Illinois is void. However, this provision will not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to Title 9 of the United States Code.

4. ~~3~~-Franchise Agreement:

Section 21(h) of the Agreement is amended to state:

The Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted under the laws of the State of Illinois except to the extent governed by the United States Trademark Act of 1946 (Latham Act, 15 U.S.C. Section 1051 et seq.).

Section 21 of the Agreement is amended to state:

The parties agree that any action brought by either party against the other shall be brought in the State of Illinois.

Under Illinois law, any provision that purports to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act ("Act") or any other law of Illinois is void. However, this provision will not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to Title 9 of the United States Code.

4. The following language and Sections are removed from the Franchise Agreement and other proposed agreements:

A. Sections 20(a) and 20(b) of the Franchise Agreement;

B. In Section 23 of the Franchise Agreement, the language:

"Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise."

C. In Section 5 of Exhibit F-1 of the disclosure document (Full and Final General Release), the language:

"have carefully read the foregoing instrument; that they know the contents thereof; that they understand and"

5. The following is added to the Franchise Agreement:

The Illinois Attorney General's Office imposes this deferral requirement due to Franchisor's financial condition.

56. The Area Development Agreement shall be amended as follows such that the following shall be added to the Area Development Agreement:

The Illinois Franchise Disclosure Act requires that certain provisions contained in the franchise documents, including the Area Development Agreement, be amended to be consistent with Illinois law. Therefore, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, the modifications set forth below shall be controlling:

Section 41 of the Illinois Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchisee to waive compliance with any provision of this Act is void.” Nothing in the Area Development Agreement waives any rights franchisee may have under Section 41 of the Illinois Disclosure Act of 1987,

The Area Development Agreement and related documents by and between us and you will be governed by the laws of the State of Illinois and not the law of the State of North Carolina.

Any provision in the Area Development Agreement that designates jurisdiction or venue in a form outside of the State of Illinois is void, however, the Area Development Agreement may provide for arbitration in a forum outside of the State of Illinois.

The conditions pursuant to which your franchise can be terminated and any rights upon non-renewal may be subject to applicable provisions of the laws of the State of Illinois.

The Illinois Attorney General’s Office imposes this deferral requirement due to Franchisor’s financial condition.

67. The following language is added to the disclosure document, Franchise Agreement, Area Development Agreement, and other proposed agreements:

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

Each provision of this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

[Signature on the following page]

AGREED:

\_\_\_\_\_  
[FRANCHISEE NAME]

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



## MINNESOTA

1. The Franchise Agreement and Franchise Disclosure Document are revised to include the following:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
- Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release; provided that the foregoing shall not bar the voluntary settlement of disputes.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.
- Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional and procedural requirements of Minnesota Statutes, Chapter 80C and Minn. Rule 2860.440J are met independently without reference to this Addendum.
- NSF checks are governed by Minnesota Statute 60A.113, which puts a cap of \$30 on service charges.

2. The following language is added to the disclosure document, Franchise Agreement and other proposed agreements:

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

AGREED:

\_\_\_\_\_  
[FRANCHISEE NAME]

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_  
Date: \_\_\_\_\_



## NEW YORK

### Disclosure Document:

1. The following language is added to Risk Factors on the cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added to be at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order

or

decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

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

6. The following language is added to the disclosure document, Franchise Agreement and other proposed agreements:

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

*[Signatures on the following page]*

AGREED:

\_\_\_\_\_  
[FRANCHISEE NAME]

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



## VIRGINIA

### Disclosure Document.

The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The following Risk Factor shall be added to the Franchise Disclosure Document:

“**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$940,493 to \$1,192,280. This amount exceeds the Franchisor’s stockholder’s equity as of June 30, 2024, which is \$73,595.”

1. The following language is added to the disclosure document, Franchise Agreement and other proposed agreements:

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

AGREED:

\_\_\_\_\_  
[FRANCHISEE NAME]

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **EXHIBIT E**

### **STATE AND FEDERAL REGULATORY AUTHORITIES**

#### **FEDERAL TRADE COMMISSION**

Franchise Rule Coordinator  
Federal Trade Commission Division of Marketing Practices  
Pennsylvania Avenue at Sixth Street, N.W., Room 238  
Washington, D.C. 20580  
Telephone: (202) 326-2970

#### **STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

##### **CALIFORNIA:**

Commissioner of Financial Protection &  
Innovation  
Dept. of Financial Protection and Innovation  
320 West 4th St., Ste. 750  
Los Angeles, California 90013  
Telephone: (213) 576-7500 or  
Toll Free Telephone: (866) 275-2677

##### **CONNECTICUT:**

Eric Wilder, Director of Securities  
Connecticut Department of Banking  
Securities and Business Investment Division  
260 Constitution Plaza  
Hartford, CT 06103-1800  
Telephone: (860) 240-8233

##### **HAWAII:**

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

##### **ILLINOIS (Registered Agent):**

Tanya Solov, Director of Securities  
Office of the Secretary of State  
Securities Department  
69 West Washington Street, Suite 1220  
Chicago, IL 60602  
Telephone: (312) 793-3884

ILLINOIS (Regulatory Authority):

Kwame Raoul  
Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
Telephone: (217) 782-4465

INDIANA:

Chris Naylor, Securities Commissioner  
Franchise Section  
Indiana Securities Division  
Secretary of State  
Room E-111  
302 West Washington Street  
Indianapolis, IN 46204  
Telephone: (317) 232-6681

IOWA:

Jim Mumford, Securities Administrator  
Director of Regulated Industries Unit  
Iowa Securities Bureau  
330 Maple Street  
Des Moines, IA 50319-0066  
Telephone: (515) 281-5705

MARYLAND (Registered Agent):

Maryland Securities Commissioner  
200 St. Paul Place,  
Baltimore, Maryland 21202-2020  
Telephone: (410) 576-6360

MARYLAND (Regulatory Authority):

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202-2020  
Telephone: (410) 576-6360

MICHIGAN (Regulatory Authority):

Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of Attorney General  
525 W. Ottawa Street  
Lansing, MI 48909  
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):

Linda Cena, Securities Director  
Office of Financial & Insurance Regulation  
525 West Allegan  
1st Floor Constitution Hall  
Lansing, MI 48909  
Telephone: (517) 241-6345

MINNESOTA (Regulatory Authority):

Minnesota Dept. of Commerce  
Securities-Franchise Registration  
85 7<sup>th</sup> Place East, Suite 280  
Saint Paul, MN 55101-2198  
Telephone: (651) 539-1500

MINNESOTA (Agent for Service of Process):

Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
Saint Paul, MN 55101-2198  
Telephone: (651) 539-1500

NEW YORK (Administrator/Regulatory Authority)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St., 21<sup>st</sup> FL  
New York, NY 10005  
Telephone: (212) 416-8222

NEW YORK (Agent for Service of Process)

Secretary of State  
99 Washington Avenue  
Albany, NY 12231

NORTH DAKOTA:

North Dakota Securities Department  
Fifth Floor State Capitol, Dept. 414  
600 East Boulevard  
Bismarck, ND 58505-0510  
Telephone: (701) 328-2910

OKLAHOMA:

Oklahoma Securities Dept.  
First National Studio  
120 N. Robinson Suite 860  
Oklahoma City, OK 73102  
Telephone: (405) 280-7700

RHODE ISLAND:

Division of Securities  
1511 Pontiac Ave  
John O. Pastore Complex- Bld 69-1  
Cranston, RI 02920  
Telephone: (401) 462-9500

SOUTH DAKOTA:

Division of Insurance  
Securities Regulation  
124 S. Euclid, Ste. 104  
Pierre, SD 57501  
Telephone: (605) 773-3563

TEXAS:

Hope Andrade  
Secretary of State  
P.O. Box 12697  
Austin, TX 78711-2697  
Telephone: (512) 463-5701

UTAH:

Division of Consumer Protection  
Utah Department of Commerce  
160 East 300 South  
SM Box 146704

Salt Lake City, UT 84114-6704

Telephone: (801) 530-6601

VIRGINIA (Registered Agent):

Clerk of the State Corporation Commission

1300 East Main Street, 1st Floor

Richmond, Virginia 23219

Telephone: (804) 371-9733

VIRGINIA (Regulatory Authority)

State Corporation Commission,

Division of Securities and Retail

Franchising

1300 East Main Street, 9th Floor

Richmond, Virginia 23219

Telephone: (804) 371-9051

WASHINGTON:

Address for Service of Process:

Department of Financial Institutions

Securities Division

150 Israel Road, SW

Tumwater, WA 98501

Telephone: (360) 902-8760

Mailing Address:

Department of Financial Institutions

Securities Division

PO Box 41200

Olympia, WA 98504-1200

WISCONSIN:

Franchise Office

Wisconsin Securities Commission

P.O. Box 1768

Madison, WI 53701

Telephone: (608) 266-3364

## **EXHIBIT F-1**

### **SAMPLE MUTUAL RELEASE TLSS FRANCHISE SYSTEM, LLC**

**[This Agreement is a sample form currently in use and is subject to change.]**

#### **FULL AND FINAL GENERAL RELEASE**

**FOR AND IN CONSIDERATION** of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant to fully and mutually release the other as follows:

1. The Franchisee; Owners; guarantors of the Franchisee; and their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors managers, employees, agents, representatives, attorneys, accountants, personal representative, heirs, executors, administrators, successors, and, assigns, (collectively, the “Franchisee Parties”) do hereby release and forever discharge Franchisor; Franchisor’s predecessors, parents, affiliates, and subsidiaries; and their respective shareholders, member, partners, officers, directors, managers, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities (collectively, the “Franchisor Parties”) from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, including, without limitation: (a) arising out of or related to the Franchisor Parties’ obligations under the franchise agreement or (b) otherwise arising from or related to the Franchisee Parties’ relationship, from the beginning of time to the date of Franchisee’s signature below, with any of the Franchisor Parties.

2. Franchisee, on Franchisee’s own behalf and on behalf of the other Franchisee Parties, further covenant not to sue any of the Franchisor Parties on any of the claims released by the preceding paragraph and represent that Franchisee has not assigned any such claims released by the preceding paragraph to any individual or entity who is not bound by this Release. It is understood and agreed that this Release is not to be construed as an admission of liability with respect to the Franchisor Parties.

3. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties’ respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

4. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all agreements on this

subject matter, whether written or oral. The terms contained herein may not be modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital.

5. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.

6. The parties hereby covenant and agree that each shall not make, at any time or place, any disparaging remarks, verbally or in writing, concerning any of the parties' actions or perceived omissions, regarding any matter connected with this Release Agreement or otherwise take any action that would disparage or cast doubt upon the business acumen or judgment of any other party. Each party understands and acknowledges that each other party's business and reputation are of special, unique, and extraordinary character, which gives them a particular value, the loss of which cannot reasonably be compensated in damages in an action at law. Accordingly, each party further agrees that in addition to any other rights or remedies that any other party may possess at law, any aggrieved party shall be entitled to injunctive and other equitable relief in order to prevent or remedy a breach of the provisions of this Agreement by any other party hereto.

7. The terms of this Release arose from discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.

8. This Release shall be governed by and construed pursuant to the laws of the State of North Carolina.

9. This Release may be executed in two (2) copies, each of which shall be deemed an original.

IF THE STUDIO FRANCHISEE OPERATES UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE FRANCHISEE PARTIES. FRANCHISEE RECOGNIZES THAT FRANCHISEE OR THE FRANCHISEE PARTIES MAY HAVE SOME CLAIM, DEMAND OR CAUSE OF ACTION AGAINST FRANCHISOR PARTIES OF WHICH FRANCHISEE, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH FRANCHISEE, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN



EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE, HIM, HER, OR IT FROM ASSERTING IT AGAINST FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, EXPRESSLY WAIVES ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR.”**

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT FRANCHISEE HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the franchised business is located in Maryland or if Franchisee is a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All releases given by the Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties independent judgment, believe necessary or appropriate.

**Franchisee:**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT F-2

### COLLATERAL ASSIGNMENT OF LEASE

**FOR VALUE RECEIVED**, the undersigned (“**Assignor**”) hereby assigns and transfers to TLSS FRANCHISE SYSTEM, LLC, a Delaware limited liability company, with its principal place of business address at 11010 Lake Grove Blvd. Suite 100-316, Morrisville, NC 27560 (“**Assignee**”), all of Assignor’s right, title, and interest as tenant in, to, and under that certain lease, a copy of which is attached hereto as Schedule 1 (the “**Lease**”) respecting premises commonly known as \_\_\_\_\_ (“**Premises**”).

This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only, and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or Lease unless: (i) Assignee provides express, written notice to both Assignor and the landlord of the Premises under the Lease that Assignee is assuming all of Assignor’s rights, title, and interest under the Lease pursuant to this Assignment; and (ii) Assignee takes possession of the Premises demised by the Lease pursuant to the terms hereof, and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement or this Assignment, Assignee has the right, and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title, or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than one hundred twenty (120) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place, and stead of Assignor for the purpose of effecting such extension or renewal.

*[Signature on the following page]*

**ASSIGNOR:**

Dated: \_\_\_\_\_  
SIGNED AND SEALED this: \_\_\_\_\_  
Day of \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

By:

\_\_\_\_\_

Name: \_\_\_\_\_

SCHEDULE 1

## EXHIBIT G

### ACH/EFT TRANSFER AGREEMENT

#### AUTHORIZATION TO HONOR CHECKS AND DEBITS BY AND PAYABLE TO THE FOLLOWING PAYEE(S):

The undersigned depositor ("Franchisee" or "Payor") hereby authorizes TLSS FRANCHISE SYSTEM, LLC ("Franchisor" or "Payee") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the bank designated below ("Bank") to debit or credit such account(s) pursuant to Franchisor's instructions.

Name of Person or Legal Entity of Franchisee: \_\_\_\_\_  
ID Number: \_\_\_\_\_  
Bank: \_\_\_\_\_  
Branch: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Bank Transit/ABA Number: \_\_\_\_\_  
Account Number: \_\_\_\_\_

This authority is to remain in full and force and effect until sixty days after Franchisor has received written notification from Franchisee of its termination.

FRANCHISEE/PAYOR:

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

### INDEMNIFICATION AGREEMENT

To the above named Payee and the Bank designated:

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

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

**BE SURE THAT ALL INFORMATION ASKED FOR IS PROVIDED**

## EXHIBIT H

### FIRST ADDENDUM TO FRANCHISE AGREEMENT (to be signed by a renewing franchisee concurrently with the Franchise Agreement)

[This Agreement is a sample form currently in use and is subject to change.]

#### BETWEEN TLSS FRANCHISE SYSTEM, LLC AND

---

**THIS FIRST ADDENDUM** (“Addendum”) to the Franchise Agreement dated as of the Effective Date (“Agreement”) between TLSS FRANCHISE SYSTEM, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is made as of the same date to amend and supplement certain terms and conditions of the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

1. **Location.** Franchisor has previously accepted the Location as required pursuant to the Franchise Agreement. The Location is: \_\_\_\_\_.

2. **Lease.** Franchisor has previously accepted the lease for the Studio as required pursuant to the Franchise Agreement and therefore waives the requirement for lease review and acceptance (and the associated lease review fee); provided, however, that if Franchisee enters into a new lease for the Franchised Location during the term of the Agreement, all lease review and acceptance requirements shall remain applicable.

3. **Commencement of Operations.** Franchisor and Franchisee acknowledge that the Studio has commenced operations as required pursuant to the Franchise Agreement.

4. **Franchisor’s Development Assistance.** Franchisee acknowledges and agrees that Franchisor has complied with its obligations under the Agreement (or Franchisee waives, as the case may be, Franchisor’s obligation) to (1) assist Franchisee in choosing Location and determining fulfillment of the requisite criteria for the Location, such determination based on information provided by Franchisee (including those obligations set forth in the Franchise Agreement; and (2) to provide opening support services listed in the Franchise Agreement.

5. **Grand Opening.** The Section of the Franchise Agreement pertaining to a Grand Opening is deleted.

6. **Remodeling.** Franchisee will complete the remodeling and renovations of the Studio, at Franchisee’s expense, listed on Exhibit 1 to this addendum no later than Sixty (60) days following the Effective Date of the Agreement or at such different time as set forth in Exhibit 1.

7. **Release.** Franchisee and the undersigned owner and guarantors, for themselves and their respective predecessors, affiliates, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns, hereby fully and forever unconditionally release and discharge Franchisor; Franchisor's predecessors and affiliates; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities ("Franchisee Parties") from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with Franchisor or Franchisor Parties, however characterized or described, from the beginning of time until the date of this Addendum.

8. **Non-Disparagement.** Franchisee agrees not to, and to use its best efforts to cause its current and former owners, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or Franchisor Affiliates or their respective current and former agents, principals, officers, directors, owners, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, THE LOOK SALON SUITES brand, THE LOOK SALON SUITES system, or any other service-marked or trademarked concept of Franchisor, or which would subject THE LOOK SALON SUITES brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

**IN WITNESS WHEREOF**, the parties hereto have caused this Addendum to be executed on the date first set forth above.

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit 1**  
**Remodeling**

**EXHIBIT I**

**TLSS FRANCHISE SYSTEM, LLC**

**AREA DEVELOPMENT AGREEMENT**

## TABLE OF CONTENTS

|                                                      | PAGE |
|------------------------------------------------------|------|
| RECITALS .....                                       | 1    |
| 1. GRANT OF DEVELOPMENT RIGHTS .....                 | 1    |
| 2. TERRITORY PROTECTION/RESERVATION OF RIGHTS .....  | 2    |
| 3. AREA DEVELOPER’S OBLIGATIONS .....                | 3    |
| 4. FEES .....                                        | 4    |
| 5. LOCATION OF STUDIOS .....                         | 4    |
| 6. ASSIGNABILITY, TRANSFER, AND SUBFRANCHISING ..... | 5    |
| 7. COVENANTS AGAINST UNFAIR COMPETITION .....        | 5    |
| 8. CONFIDENTIALITY .....                             | 8    |
| 9. TERMINATION .....                                 | 9    |
| 10. CORPORATE OR PARTNERSHIP AREA DEVELOPER .....    | 11   |
| 11. DISPUTE RESOLUTION .....                         | 11   |
| 12. GENERAL CONDITIONS AND PROVISIONS .....          | 13   |
| 13. SUBMISSION OF AGREEMENT AND ACKNOWLEDGMENT ..... | 16   |

Exhibit A – Owner’s Guaranty and Assumption of Developer’s Obligations

**TLSS FRANCHISE SYSTEM, LLC  
AREA DEVELOPMENT AGREEMENT**

**SUMMARY PAGES**

Effective Date: \_\_\_\_\_

Term: \_\_\_\_\_

Franchisor: TLSS FRANCHISE SYSTEM, LLC, a Delaware limited liability company

Address for Notice: 11010 Lake Grove Blvd. Suite 100-316  
Morrisville, NC 27560

Area Developer: \_\_\_\_\_

Type of Entity: ☐ Individual  
☐ General Partnership  
☐ Corporation  
☐ LLC  
☐ Limited Partnership

Address for Notice: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Mobile Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

The following is a list of all Area Developer's owners, each of whom shall execute the Owner's Guaranty and Assumption of Developer's Obligations set forth on Exhibit A to the Area Development Agreement. The following list describes the nature of the interest of each shareholder, partner, member, or other investor owning a direct or indirect interest in the Area Developer.

| NAME | OWNERSHIP INTEREST<br>IN DEVELOPER | NATURE OF INTEREST<br>(Type of equity or voting stocks if<br>multiple equity classes.) |
|------|------------------------------------|----------------------------------------------------------------------------------------|
|      |                                    |                                                                                        |
|      |                                    |                                                                                        |
|      |                                    |                                                                                        |
|      |                                    |                                                                                        |

Development Area: \_\_\_\_\_

*[Remainder of page intentionally left blank]*

---

Development Schedule:

| NUMBER OF STUDIOS | DEVELOPMENT PERIOD | FRANCHISE AGREEMENT EXECUTION DEADLINE          | CUMULATIVE NUMBER TO BE IN OPERATION |
|-------------------|--------------------|-------------------------------------------------|--------------------------------------|
| 1                 | _____ to _____     | Date of execution of Area Development Agreement |                                      |
| 2                 |                    |                                                 |                                      |
| 3                 |                    |                                                 |                                      |

Development Fee  
Paid at Execution of  
Area Development  
Agreement: \$ \_\_\_\_\_

By signing below each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and conditions of the TLSS FRANCHISE SYSTEM, LLC Area Development Agreement attached to these Summary Pages, effective on the Effective Date set forth above and hereby incorporated by reference.

FRANCHISOR:

AREA DEVELOPER:

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (“Agreement”) is made and entered as of the effective date as set forth in the Summary Pages (“Effective Date”) by and between TLSS FRANCHISE SYSTEM, LLC, a Delaware limited liability company (“Franchisor”), and the Person(s) or Entity(ies) named on the attached Area Development Agreement Summary Pages (“Summary Pages”) (“Area Developer”), with reference to the following facts:

### RECITALS

A. Franchisor has expended time, money and effort to develop a unique system for operating a turn key salon suite studios that will license contemporary luxury suites to independent salons, salon professionals, and other business professionals under “THE LOOK SALON SUITES” mark. (The methods of operation are referred to herein as the “System”; the chain of current and future THE LOOK SALON SUITES STUDIOS are referred to herein as the “Chain.”) Franchisor is the owner of certain proprietary and other property rights and interests in and to the “THE LOOK SALON SUITES” name and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs (collectively “Marks”) used in connection with the System and Chain.

B. Franchisor desires to expand and develop the Chain and seeks sophisticated and efficient franchisees that will develop one or more THE LOOK SALON SUITES Studios at specific locations which will operate in designated territories (each a “Studio”).

C. Area Developer desires to build and operate a certain number of Studios and Franchisor desires to grant to Area Developer the right to build and operate a certain number of Studios in the Development Area (as defined below).

The parties therefore agree as follows:

### 1. GRANT OF DEVELOPMENT RIGHTS

1.1 Development Area. Franchisor hereby grants to Area Developer, and Area Developer hereby undertakes the obligation, pursuant to the terms and conditions of this Agreement, to enter into Franchise Agreements for the number of Studios identified in the development schedule set forth in the Summary Pages hereto (“Development Schedule”) and to develop, own and operate, under each such Franchise Agreement, a Studio to be located in the area described in the Summary Pages hereto (“Development Area”).

1.2 Term. Unless sooner terminated pursuant to the provisions of Section 9, the term of this Agreement shall expire upon the earlier of (a) the termination date listed in the Summary Pages hereto (“Term”), or (b) completion of the obligations of the Development Schedule. Area Developer shall have no right to renew this Agreement.

## 2. TERRITORIAL PROTECTION/RESERVATION OF RIGHTS

2.1 Development Area Protection. During the Term and subject to the exception for Non-Traditional Locations, Franchisor agrees that neither Franchisor nor its affiliates will own or operate, or grant a franchise for the operation of, a Studio in the Development Area, provided that Area Developer: (a) timely meets the obligations set forth in the Development Schedule; and (b) is otherwise in material compliance with the terms and provisions of this Agreement and all of its Franchise Agreements with Franchisor.

2.2 Franchisor's Reservation of Rights. Notwithstanding anything in this Agreement to the contrary, Franchisor reserves all rights not expressly granted to Area Developer in this Agreement, including, but not limited to, the rights to:

(a) Use and license others to use, the Marks and the System for the operation of THE LOOK SALON SUITES Studios at any location outside of the Development Area;

(b) Use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise) or services anywhere in the world (including within or outside of the Development Area; ), whether or not THE LOOK SALON SUITES Studio also offer them, through channels of distribution other than a THE LOOK SALON SUITES-branded Studio operating in the Development Area using the Marks and the System (including, for example, brick-and-mortar locations, kiosks, catalogs, mail order, or the internet, e-commerce, or other electronic means);

(c) Use the Marks in connection with soliciting or directing advertising or promotional materials to customers and prospective customers anywhere in the world (including within the Development Area);

(d) Acquire, establish, or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Development Area);

(e) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with locations anywhere, including arrangements in which Franchisor or any of Franchisor's affiliates are acquired, and/or Franchisor-owned, franchised or other businesses (including Area Developer's Studios) are converted to another format, maintained under the System or otherwise;

2.3 Area Developer Acknowledgements. Area Developer understands and acknowledges that Franchisor may acquire or be acquired by another business, and the other business may open and operate, and franchise others to open and operate, businesses similar to THE LOOK SALON SUITES Studios using marks other than the Marks, without providing any rights or compensation to Area Developer. The essence of Franchisor's reservation of rights in this Article 2 is that Franchisor and its affiliates may, and may authorize others to, engage in many business activities, and these business activities may compete with the Studios. Area Developer expressly acknowledges that all THE LOOK SALON SUITES Studios (whether owned by Franchisor, Area Developer or other System franchisees) may solicit business from



customers without regard to the customers' geographic location. Franchisor does not warrant or represent that no other THE LOOK SALON SUITES Studio will solicit or make any sales within the Development Area, and Area Developer hereby expressly acknowledges and agrees that such solicitations or sales may occur within the Development Area. Area Developer recognizes and acknowledges that (i) it will compete with other THE LOOK SALON SUITES Studios which are now, or which may in the future be, located near or adjacent to the Development Area, and (ii) that such Studios may be owned by Franchisor or its affiliates.

### **3. AREA DEVELOPER'S OBLIGATIONS**

3.1 Development Obligation. Area Developer agrees to develop and begin operating the number of Studios in the Development Area as set forth in the Development Schedule, within the time periods specified therein.

3.2 Franchise Agreements. The parties acknowledge that the operation of each Studio shall be governed by the then-current franchise agreement signed by Franchisor and Area Developer (each, a "Franchise Agreement"). At or before the signing of this Agreement, Area Developer must sign and deliver to Franchisor at least one (1) Franchise Agreement for the first Studio to be opened by Area Developer. Area Developer must comply with the terms and conditions of the Franchise Agreement for each Studio developed pursuant to this Agreement as a part of Area Developer's obligations hereunder and Area Developer's failure to execute and comply with such Franchise Agreements shall be a breach of this Agreement. The Franchise Agreement for the second (2) and any subsequent Studio shall be executed in accordance with the Development Schedule, after Franchisor's written approval of a location for the Studio to be operated thereunder. Each Franchise Agreement to be executed by Area Developer for each Studio to be developed hereunder shall be the then-current form of the Franchise Agreement being offered to new THE LOOK SALON SUITES franchisees. Area Developer acknowledges that Franchisor has the right to charge then-current published rates for royalties, advertising fees, and any other fees charged under a Franchise Agreement.

#### **3.3 Development Schedule.**

(a) Area Developer acknowledges and agrees that: (i) time is of the essence, and therefore, (ii) it will exercise its development rights strictly in accordance with Section 3.1 and the development schedule set forth in the Summary Pages hereto (the Development Schedule"). The Development Schedule designates the number of Studios that must be developed within each of the designated development periods ("Development Periods").

(b) During any Development Period, Area Developer may, with Franchisor's prior written consent, develop more than the number of Studios that Area Developer is required to develop during that Development Period by executing multiple Franchise Agreements during a single Development Period. Any Franchise Agreements executed during a Development Period in excess of the minimum number to be executed upon expiration of that Development Period shall be applied to satisfy Area Developer's development obligation during the next succeeding Development Period. Area Developer shall not execute more than the cumulative total number of Franchise Agreements that Area Developer is obligated to execute under this Agreement, as set forth above in the

Development Schedule.

(c) Area Developer shall open each Studio in accordance with the terms of the Franchise Agreement and shall execute the Franchise Agreements in accordance with the Development Schedule set forth in the Summary Pages.

(d) Failure by Area Developer to adhere to the Development Schedule (including any extensions approved by Franchisor) shall result in a loss of the territorial rights granted in Section 2.1 of this Agreement. Failure by Area Developer to adhere to the Development Schedule on two (2) or more occasions shall constitute a material event of default under this Agreement and shall result in automatic termination.

(e) Should Area Developer be unable to adhere to the Development Schedule, whether in the timing of the development of the Studios, the number of Studios, or otherwise, solely as the result of force majeure, including, but not limited to strikes, war, material shortages, fires, floods, earthquakes, terrorism, pandemics, and other acts of God, or by force of law (including, but not limited to any legal disability of Franchisor to deliver a Franchise Disclosure Document to Area Developer), which result in the inability of Area Developer to construct or operate a Studio in the Development Area, and which Area Developer could not by the exercise of due diligence have avoided, the Development Schedule shall be adjusted by the amount of time during which such force majeure shall exist, not to exceed three (3) months from the date that such force majeure began.

#### **4. FEES**

4.1 Development Fee. In consideration of the grant of the rights granted to Area Developer in this Agreement, Area Developer shall pay Franchisor, upon its execution of this Agreement, a development fee in the amount set forth in the Summary Pages ("Development Fee"). The Development Fee is fully earned and non-refundable upon Area Developer's execution of this Agreement in consideration of the administrative and other expenses Franchisor incurs and for the development opportunities lost or deferred as a result of Franchisor's granting the development rights under this Agreement to Area Developer.

4.2 Initial Franchise Fee Credit. Franchisor will apply the Development Fee as a prorated credit against the initial franchise fees payable under each Franchise Agreement executed pursuant to this Agreement.

#### **5. LOCATION OF STUDIOS**

5.1 Site Review. When Area Developer has located a proposed site for the Studio within the Development Area, Area Developer shall submit to Franchisor such demographic and other information regarding the proposed site and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor ("Site Review Request"). Franchisor may seek such additional information as it deems necessary within thirty (30) days of submission of Area Developer's Site Review Request, and Area Developer shall respond promptly to such request for additional information. If Franchisor shall not deliver written notice to Area Developer that Franchisor accepts the proposed site, within thirty (30) days of receipt of Area Developer's fully and accurately completed Site Review Request, or within thirty (30) days after receipt of such

additional requested information, whichever is later, the site shall be deemed rejected. If the Franchisor accepts the proposed site, it shall notify Area Developer of its acceptance of the site.

5.2 Franchisor's Assistance. Although Franchisor may voluntarily (without obligation) assist Area Developer in locating an acceptable site for a Studio, neither Franchisor's said assistance, if any, nor its acceptance of any proposed site, whether initially proposed by Area Developer or by Franchisor, shall be construed to insure or guarantee the profitable or successful operation of the Studio at that site by Area Developer, and Franchisor hereby expressly disclaims any responsibility therefor. Area Developer acknowledges its sole responsibility for finding each site for the Studio it develops pursuant to this Agreement.

5.3 Reimbursement of Franchisor. Unless waived by Franchisor in whole or in part, upon submitting a fourth or subsequent Site Review Request to Franchisor for review, Area Developer shall reimburse Franchisor for all costs and expenses of Franchisor incurred in reviewing the Site Review Requests, including payment to consultants and agents retained by Franchisor to assist in conducting such review and including a reasonable allocation of overhead and administrative expenses.

## **6. ASSIGNABILITY, TRANSFER, AND SUBFRANCHISING**

6.1 Franchisor's Right to Transfer. Franchisor shall have the right to transfer or assign this Agreement and assign or delegate all or any part of Franchisor's rights or obligations under this Agreement, to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all of Franchisor's obligations under this Agreement from the date of the assignment. Franchisor shall execute such documents of attornment or other documents as Franchisor may request.

6.2 No Right to Assignment or Transfer for Area Developer. Area Developer's rights under this Agreement are personal and Area Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion.

6.3 No Subfranchising by Area Developer. Area Developer shall not offer, sell, or negotiate the sale of THE LOOK SALON SUITES franchises to any third party, either in Area Developer's own name or in the name and on behalf of Franchisor, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Area Developer the right to do so.

## **7. COVENANTS AGAINST UNFAIR COMPETITION**

7.1 In-Term Competition. During the term of this Agreement, neither Area Developer, its affiliate, nor any shareholder, member, partner, officer, director, or member of Area Developer or its affiliates, without Franchisor's prior written consent, for themselves, or through, on behalf of, or in conjunction with any other person or entity, shall:

- (a) Own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any Competitive Business; or

(b) Solicit, divert or attempt to solicit or divert any business or customer to any Competitive Business, by direct or indirect inducement or otherwise; or

(c) Perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(d) Use any vendor relationship established through Area Developer's association with Franchisor for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use in the Studios; or

(e) offer or grant franchises or licenses for any Competitive Business or become a franchisee or licensee of any Competitive Business.

7.2 Post-Term Competition. Area Developer agrees that for a period of two (2) years after the termination or expiration of this Agreement ("Restrictive Period"), regardless of the reason for such termination or expiration Area Developer, its affiliates, its affiliates, and any shareholder, member, partner, officer, director of Area Developer (each, an "Owner") shall not, within the Restricted Territory (as defined below) engage in any of the following:

(a) Engage in any Competitive Business as franchisee, licensee, or area developer; or

(b) Engage in any Competitive Business as an employee, owner, manager, or independent contractor in any capacity which directly competes with the work he or she performed for Area Developer within two (2) year preceding the termination or expiration of this Agreement; or

(c) Engage in any Competitive Business as an employee, owner, manager, or independent contractor in any capacity in which he or she would be in a position to use or disclose Confidential Information of Franchisor; or

(d) Become interested in any such Competitive Business as an individual, partner, shareholder, member, director, officer, principal, agent, employee, lender, consultant, spouse, or in any other relationship or capacity; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 7.2 so long as Area Developer, its affiliates, or its Owners does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation; or

(e) Serve, solicit, divert or attempt to solicit or divert any business or customer located within the Restricted Territory with whom Area Developer, its affiliates, or its Owners had any business relationship as of the termination date or within one (1) year preceding the termination or expiration date of this Agreement to any Competitive Business; or

(f) Serve, solicit, divert or attempt to solicit or divert to any Competitive Business any business or customer located within the Restricted Territory with whom

Franchisor or any of its other franchisees or franchise owners had any business relationship as of the termination date or within one (1) year preceding termination or expiration date of this Agreement.

7.3 Definition of Competitive Business. For purposes of this Section 7, the term “Competitive Business” shall mean any business or commercial activity, other than a THE LOOK SALON SUITES business that Area Developer is authorized by Franchisor to operate, that (i) receives twenty-five percent (25%) or more of its gross revenues from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business (ii) provides supplies, curriculum, or training for commercial activity described in (i).

7.4 Definition of Confidential Information. For purposes of this Agreement, the term “Confidential Information” means all the information, not generally known to the public, in any form, relating to the Studio and its operations, including all trade secrets of the Studio; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Studio not generally known to the public; all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Studio (such as all names, addresses, phone numbers, e-mail addresses for customers and suppliers; customer purchase records and mail lists); electronic code, designs, marketing materials, and business, sales, and marketing strategies; all curriculum; software platforms; financial information; databases; training materials; knowledge of the franchise system, and any other data and information that the Franchisor or its affiliates designates as confidential, including all information contained in the Franchisor’s manuals.

7.5 Definition of Restricted Territory. For purposes of Section 7, the term “Restricted Territory” means the following:

(a) An area which combined includes (i) the Development Area, and (ii) the territories or development areas in which Franchisor, its affiliates, or Franchisor’s other franchisees operate any THE LOOK SALON SUITES Studio as of the date of termination or expiration of this Agreement; or

(b) Only in the event the foregoing is determined by a court of law to be too broad, an area which is within a 10-mile radius of:

(i) Area Developer’s STUDIOS at the time of termination of this Agreement, or

(ii) The location of any other THE LOOK SALON SUITES Studio owned by Franchisor, its affiliates, or Franchisor’s other franchisees at the time of termination or expiration of this Agreement; or

(c) Only in the event the foregoing is determined by a court of law to be too broad, and area which is within a 5-mile radius of:

(i) Area Developer’s STUDIOS at the time of termination or expiration of this Agreement, or

(ii) The location of any other THE LOOK SALON SUITES Studio owned by Franchisor, its affiliates, or Franchisor's other franchisees at the time of termination or expiration of this Agreement; or

(d) Only in the event the foregoing is determined by a court of law to be too broad, the Development Area; or

(e) Only in the event the foregoing is determined by a court of law to be too broad, the locations of each Studio developed pursuant to this Agreement.

7.6 Area Developer's Acknowledgment. The foregoing in-term and post-termination covenants against unfair competition with respect to similar Competitive Businesses shall apply regardless of how or why the Agreement terminates or expires. The parties agree that the foregoing covenants contained in this Section 7 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Franchisor's goodwill or Franchisor's other business interest and its franchisees and the provisions do not prevent Area Developer or its Owners from earning a living. Area Developer agrees that the scope of activities prohibited in this Section 7, and the length of the term and geographical restrictions in this Section 7, are necessary to protect Franchisor's legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Area Developer's and the Owners' full, uninhibited, and faithful observance of each of the covenants in this Section 7 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section 7 will not impair Area Developer's or its Owners' ability to obtain employment commensurate with Area Developer's or its Owners' abilities or on terms fully acceptable to Area Developer or otherwise to obtain income required for the comfortable support of Area Developer and its Owners and their families, and the satisfaction of the needs of all of Area Developer's and its Owners' creditors. Area Developer's and its Owners' special knowledge of THE LOOK SALON SUITES concept (and anyone acquiring this knowledge through Area Developer or its Owners) is such as it would cause Franchisor serious injury and loss if Area Developer or its Owners (or anyone acquiring this knowledge through Area Developer or its Owners) were to use this knowledge to the benefit of a competitor or were to compete with Franchisor or its franchisees. The covenants in this Section 7 are to be construed as independent of any other covenant or provision of this Agreement. The existence of any claim Area Developer or any of its Owners may have against Franchisor or any of its affiliates (regardless of whether arising under this Agreement) is not a defense to the enforcement of these covenants against Area Developer or its Owners. In the event of any violation of the provisions of this Section 7, the Restrictive Period shall be extended by a period of time equal to the period of the violation. Area Developer and Franchisor agree that the running of the applicable post-termination Restrictive Period shall be tolled during any period of such violation.

## 8. CONFIDENTIALITY

8.1 Duty of Confidentiality. Area Developer understands and agrees that Franchisor has disclosed or will hereafter disclose to Area Developer certain Confidential Information or proprietary information and trade secrets. Except as necessary in connection with the



performance of obligations under this Agreement and any Franchise Agreement executed with Franchisor, Area Developer shall not, during the term of this Agreement or at any time after the expiration or termination of this Agreement, regardless of the cause of termination or expiration, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, Confidential Information, knowledge or know-how concerning the products, services, code, curriculum, advertising, marketing, designs, or methods of operation of the Studio or the System.

8.2 Franchisor's Ownership Rights. All ideas, concepts, techniques or materials concerning the Studios, whether or not protectable intellectual property and whether created by or for Area Developer or its Owners or employees, must be promptly disclosed to Franchisor and will be deemed the exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Area Developer or its Owners or employees therefor. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Area Developer hereby assigns ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor reasonably requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. As Franchisor may reasonably request, Area Developer shall, at Franchisor's expense, take all actions reasonably necessary to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Area Developer or not.



## 9. TERMINATION

9.1 Automatic Termination. This Agreement, and all rights granted herein, shall automatically and without notice terminate if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors; if Area Developer files a petition in bankruptcy or such a petition is filed against and consented to by Area Developer; if Area Developer is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's business or assets or any part thereof is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against Area Developer's business or assets; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against Area Developer and not dismissed within thirty (30) days; or if the real or personal property of any of Area Developer's Studios shall be sold after levy thereupon by any sheriff, marshal or constable. This Agreement, and all rights granted herein, shall automatically and without notice terminate upon Area Developer's second failure to adhere to the Development Schedule (including any extensions approved by Franchisor).

9.2 Termination Upon Notice with Opportunity to Cure. To the extent that each default listed in this Section 9.2 is curable, Franchisor will give Area Developer written notice of such default and an opportunity to cure such default within fifteen (15) days of Area Developer's receipt of such notice. Franchisor will have the right to terminate this Agreement immediately upon notice to Area Developer if Area Developer fails to cure any default to Franchisor's satisfaction and provide proof of such cure within the fifteen (15) day period or if the default is not curable. If applicable law requires a longer cure period, such period shall apply to Franchisor's notice of default. Defaults which may be susceptible of cure hereunder include, but are not limited to, the following:

- (a) Area Developer fails to comply with all federal, state, and local laws, rules, and regulations with respect to its Studios; or
- (b) Area Developer attempts to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement; or
- (c) Area Developer is in breach of any of the Franchise Agreements between Franchisor and Area Developer; or
- (d) Area Developer is in breach of the Development Schedule under the Area Development Agreement between Area Developer and Franchisor.

9.3 Franchisor's Rights Upon Area Developer's Default. Except as otherwise provided in Sections 9.1 and 9.2, upon any default by Area Developer including Area Developer's failure to comply with the Development Schedule, or if Area Developer fails to timely cure any default under Section 9.2, Franchisor will have the right, in its sole discretion, to:

- (a) Terminate this Agreement and all rights granted hereunder without

affording Area Developer any opportunity to cure the default, effective immediately upon receipt by Area Developer of written notice;

(b) Terminate the territorial protection granted under Section 2.1, and Franchisor will have the right to establish and operate, and license others to establish and operate, THE LOOK SALON SUITES Studios within the Development Area;

(c) Terminate the initial franchise fee credit provided under Section 4.2 hereof;

(d) Reduce the number of Studios which Area Developer has the right to develop pursuant to the Development Schedule;

(e) Reduce the size of the Development Area;

(f) Withhold evaluation or approval of site proposal packages and refuse to approve the opening of any Studios to be developed hereunder; and

(g) Accelerate the Development Schedule.

9.4 Effect of Termination or Expiration. Upon expiration of the Term, or upon the prior termination of this Agreement, Area Developer shall have no further right to establish, construct, equip, own, open or operate additional Studios which are not, at the time of such termination or expiration, the subject of a then-existing Franchise Agreement between Area Developer, or its affiliate, and Franchisor which is in full force and effect, and Franchisor may itself construct, equip, open, own or operate, or license others to construct, equip, open, own or operate Studios in the Development Area, except as may be otherwise be prohibited under the terms of a Franchise Agreement between Area Developer, or its affiliate, and Franchisor which is in full force and effect.

9.5 Survival of Obligations. In the event of termination of this Agreement for any reason, or following expiration of the Term, Area Developer shall remain subject to the provisions of Articles 7 and 8 of this Agreement regarding non-compete and confidentiality covenants, and any other covenants contained in this Agreement which, by their terms, require performance by Area Developer after the expiration or termination of this Agreement.

9.6 Cross-Default. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto unless the basis for such default is also a basis for a default under the terms of the Franchise Agreement. Default under this Agreement shall constitute a default under any other development agreement between Area Developer and Franchisor.

9.7 No Exclusive Right or Remedy. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

## **10. CORPORATE OR PARTNERSHIP AREA DEVELOPER**

The ownership of Area Developer, if Area Developer is a business organization (a "Business Entity"), is set forth in the Summary Pages along with an address where Area Developer's

financial records and corporate records, as applicable, are maintained. Area Developer shall notify Franchisor in writing within ten (10) days of any change in the information set forth in the Summary Pages. Area Developer promptly shall provide such additional information as Franchisor may from time-to-time request concerning all persons who may have any direct or indirect financial interest in Area Developer. If Area Developer is a Business Entity, each of the Owners or partners, as applicable, of Area Developer shall, by executing this Agreement, fully, unconditionally and irrevocably guarantee the performance by Area Developer of all of its obligations hereunder. In addition, Area Developer shall upon Franchisor's request cause all of its current and future Owners and partners, as applicable, to execute Franchisor's standard form of guarantee.

## 11. DISPUTE RESOLUTION

11.1 Mediation. Before Area Developer and Franchisor may bring an action against the other, Franchisor and Area Developer must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding. Mediation shall be conducted by the CPR Studio for Alternative Dispute Resolution, under the rules established by the International Franchise Association endorsed National Franchise Mediation Program, and in accordance with its then-current rules for mediation of franchise disputes (and in the event such program is not then in existence, by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes). Notwithstanding the previous sentence, the parties may mutually agree on a mediator and/or procedures and/or venue for mediation. The non-binding mediation provided for herein shall be commenced by the party requesting mediation (“complainant”) providing written notice of the request for mediation (“request”) to the party with whom mediation is sought (“respondent”). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent. Non-binding mediation commenced under this Section shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service. The mediator selected shall have experience in franchise matters.

11.2 Arbitration. Area Developer acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of North Carolina, where Franchisor's decision-making authority is vested, franchise operations are conducted and supervised and where this Agreement was rendered binding. Therefore, the parties agree that, to the extent that any disputes cannot be resolved directly between Area Developer and Franchisor and following compliance with the applicable mediation requirements set forth in Section 11.1 above, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days' written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in City of Raleigh, North Carolina in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. Area Developer and Franchisor agree that arbitration shall be conducted on an individual—not a class-wide—basis. Furthermore, Area Developer and Franchisor agree that the arbitrator or arbitrators shall not have authority to declare any Proprietary Mark owned by Franchisor, its affiliate or that is otherwise a part of the System to be generic or invalid. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. The matter shall be heard by one (1) arbitrator mutually selected by the parties who shall have at least ten (10) years' experience in practicing franchise law during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of area development agreements, franchise agreements and franchise disclosure documents. Area Developer understands that by agreeing to arbitrate it gives up jury, appeal, and other rights it might have in court.

11.3 Injunctive Relief. Nothing in this Agreement (including Section 11.1 and Section 11.2 above) shall bar Franchisor's right to obtain injunctive relief from any court of competent jurisdiction against threatened conduct that will cause Franchisor loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunction.

11.4 Limitation of Claims. Area Developer agrees that any and all claims Area Developer has against Franchisor and/or its affiliates, principals, employees, and agents, arising out of, or relating to, this Agreement may not be commenced unless Area Developer brings them before the earlier of (a) the expiration of one (1) year after the act, transaction, or occurrence upon which such claim is based; or (b) one (1) year after this Agreement expires or is terminated for any reason. Area Developer agrees that any claim or action not brought within the periods required under this Section 11.4 shall forever be barred as a claim, counterclaim, defense, or set off.

11.5 Fees and Expenses. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrators' fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed.

11.6 WAIVER OF RIGHT TO JURY AND PUNITIVE DAMAGES. AREA DEVELOPER AND FRANCHISOR KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY AND WAIVE ANY CLAIM FOR PUNITIVE, MULTIPLE, AND/OR EXEMPLARY DAMAGES, EXCEPT THAT FRANCHISOR SHALL BE FREE AT ANY TIME HEREUNDER TO BRING AN ACTION FOR WILLFUL TRADEMARK INFRINGEMENT AND, IF SUCCESSFUL, TO RECEIVE AN AWARD OF MULTIPLE DAMAGES AS PROVIDED BY LAW.

## 12. GENERAL CONDITIONS AND PROVISIONS

12.1 Relationship of Area Developer to Franchisor. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Area Developer the relationship of franchisor and franchisee. It is further agreed that Area Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Area Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Area Developer agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Area Developer shall be the employees of Area Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

12.2 Indemnification. Area Developer shall indemnify and hold harmless Franchisor and its affiliated companies and their respective officers, directors, members, managers, agents and representatives ("Indemnified Parties") from all fines, suits, proceedings, claims, demands or actions of any kind or nature, including reasonable attorneys' fees, from anyone whomsoever, directly or indirectly arising or growing out of, or otherwise connected with, Area Developer actions or failure to act, under this Agreement, or the operation of Area Developer's Studios developed under this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against Franchisor or its affiliate. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

12.3 Waiver and Delay. No waiver by Franchisor of any breach or series of breaches or defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or operation given to it hereunder or under any Franchise Agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution hereof or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any Franchise Agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution hereof, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

12.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of all the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

12.5 Joint and Several Liability. If Area Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

12.6 Governing Law. This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the State of North Carolina and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of North Carolina and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law.



12.7 Entire Agreement. This Agreement, the documents incorporated herein by reference and the attachments hereto, comprise the entire agreement between the parties and all prior understands or agreements concerning the subject matter hereof are canceled and superseded by this Agreement, except that nothing in this Agreement or any related agreement is intended to disclaim any representations made in the Franchise Disclosure Document. Area Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Area Development Agreement that are not contained herein. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or any FDD for prospective franchisees required by applicable law, and Area Developer agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instruments signed by all of the parties hereto.

12.8 Titles for Convenience. Section and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

12.9 Gender. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any section or paragraph hereof may require.

12.10 Severability. In the event that any part, section, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provisions shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

12.11 Counterparts. This Agreement may be executed electronically and/or in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. One or more counterparts can be delivered by facsimile, .pdf file, or other electronic transmission.

12.12 Notices.

All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, (ii) by registered or certified mail, return receipt requested, postage prepared, or (iii) by delivery to a nationally recognized overnight courier service, in each case, addressed as follows:

If intended for Franchisor, addressed to

TLSS FRANCHISE SYSTEM, LLC  
Attn: Chief Executive Officer  
11010 Lake Grove Blvd, Suite 100-316  
Morrisville, NC 27560

With a copy (which shall not constitute notice) to:

Manning, Fulton & Skinner, P.A.

Attn: Ritchie W. Taylor  
3605 Glenwood Avenue  
Suite 500  
Raleigh, NC 27612

If intended for Area Developer, addressed to

Area Developer's address for notice is set forth In the Summary Pages; or

If Area Developer or its affiliate has opened a Studio, the address of the approved location of the Studio; or

In either case, to such other address as may have been designated by notice to the other party.

Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) calendar days after deposit in registered or certified U.S. Mail or with a nationally recognized overnight courier, as described above. Any notice that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

Additionally, Franchisor may provide the notice described in this section by email or other electronic system to (a) the email address set forth in the Summary Pages, (b) the email address Franchisor has approved or provided for Area Developer to use with the Studio, or (c) another electronic account that Franchisor has approved or provided for Area Developer to use with the Studio. Such email notices shall be deemed given and effective upon the day on which the email was sent, unless Franchisor receives notice of rejected delivery by the email account or other electronic account.

### **13. SUBMISSION OF AGREEMENT AND ACKNOWLEDGEMENT**

13.1 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Area Developer. THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY FRANCHISOR'S CHIEF EXECUTIVE OFFICER, PRESIDENT, OR VICE PRESIDENT OF FRANCHISE OPERATIONS.

13.2 Acknowledgment. AREA DEVELOPER ACKNOWLEDGES THAT IT SHALL HAVE SOLE AND COMPLETE RESPONSIBILITY FOR THE CHOICE OF LOCATIONS AT WHICH THE STUDIOS WILL BE OPERATED; THAT FRANCHISOR HAS NOT GIVEN ANY REPRESENTATION, PROMISE, OR GUARANTEE OF AREA DEVELOPER'S SUCCESS AT THE LOCATION, EVEN BY FRANCHISOR'S ACCEPTANCE OF THE SITES THAT ARE PART OF THE DEVELOPMENT AREA OR THAT WILL BECOME THE LOCATIONS AT WHICH THE STUDIOS WILL BE OPERATED; AND THAT AREA DEVELOPER SHALL BE SOLELY RESPONSIBLE FOR ITS OWN SUCCESS AT THE FRANCHISED BUSINESSES LOCATIONS. AREA DEVELOPER, AND ITS OWNERS AND PARTNERS, AS APPLICABLE, JOINTLY AND SEVERALLY ACKNOWLEDGE THAT THEY HAVE CAREFULLY READ THIS AGREEMENT AND ALL OTHER RELATED DOCUMENTS TO BE EXECUTED CONCURRENTLY OR IN CONJUNCTION WITH THE EXECUTION HEREOF, THAT THEY HAVE OBTAINED THE ADVICE OF COUNSEL IN CONNECTION WITH ENTERING INTO THIS AGREEMENT, THAT THEY UNDERSTAND THE NATURE OF THIS AGREEMENT, AND THAT THEY INTEND TO COMPLY AND BE BOUND THEREBY.

*[SIGNATURES ON THE FOLLOWING PAGE]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

ACCEPTED ON THIS DATE OF \_\_\_\_\_.

FRANCHISOR

TLSS FRANCHISE SYSTEM, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FOR OHIO RESIDENTS AND AREA DEVELOPERS WITH DEVELOPMENT AREAS AND/OR ACCEPTED LOCATIONS IN OHIO: You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.**

AREA DEVELOPER

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FOR OHIO RESIDENTS AND AREA DEVELOPERS WITH DEVELOPMENT AREAS  
AND/OR ACCEPTED LOCATIONS IN OHIO**

Notice of cancellation

\_\_\_\_\_  
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to TLSS FRANCHISE SYSTEM, LLC, 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572 not later than midnight of \_\_\_\_\_.

I hereby cancel this transaction.

\_\_\_\_\_  
(Purchaser's Signature)

(Date) \_\_\_\_\_

**FOR OHIO RESIDENTS AND AREA DEVELOPERS WITH DEVELOPMENT AREAS  
AND/OR ACCEPTED LOCATIONS IN OHIO**

Notice of cancellation

\_\_\_\_\_  
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to TLSS FRANCHISE SYSTEM, LLC, 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572 not later than midnight of \_\_\_\_\_.

I hereby cancel this transaction.

\_\_\_\_\_  
(Purchaser's Signature)

(Date) \_\_\_\_\_

## OWNER'S GUARANTY AND ASSUMPTION OF AREA DEVELOPER'S OBLIGATIONS

\_\_\_\_ (“Guarantor” or collectively the “Guarantors”).

Guarantor hereby consents and agrees that:



(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Area Developer and the other owners of Area Developer;

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Area Developer or any assignee or successor of Area Developer or by any abandonment of the Agreement by a trustee of Area Developer. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Area Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Area Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Area Developer. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the arbitration obligations under Section 11.2 of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 11.2 of the Agreement in accordance with its terms. All terms not defined herein shall have the definition set forth in the Agreement.

*[Signatures On the Following Page]*

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

GUARANTOR(S):

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Percentage Ownership in Area Developer /Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Percentage Ownership in Area Developer /Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Percentage Ownership in Area Developer /Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Percentage Ownership in Area Developer /Spouse: \_\_\_\_\_

## EXHIBIT J

### AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

[This Agreement is a sample form currently in use and is subject to change.]

**THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER** (“Agreement”) is made among **TLSS FRANCHISE SYSTEM, LLC** (“Franchisor”), \_\_\_\_\_ (“Seller”), and \_\_\_\_\_ (“Buyer”), and, if any, the undersigned Guarantors, effective as of the Effective Date.

A. Seller is the franchisee pursuant to that certain franchise agreement between Franchisor and Seller, as franchisee, dated \_\_\_\_\_ (“Seller Franchise Agreement”), governing the operation of the \_\_\_\_\_ business located at \_\_\_\_\_ (“Franchised Location”);

B. Buyer is the franchisee under that certain franchise agreement between Franchisor and Buyer, as franchisee, dated \_\_\_\_\_ (as amended, “Buyer Franchise Agreement”);

C. Seller has notified Franchisor that it and Buyer have entered into an Asset Purchase Agreement, dated \_\_\_\_\_ (“Purchase Agreement”), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations and assets relating to the Franchised Location (“Interests”) and, further, that Buyer has agreed to assume the lease obligations with regard to the Franchised Location (collectively, “Transfer”); and

D. Seller and the guarantors of the obligations of Seller (“Seller Guarantors”) have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from all obligations under the Franchise Agreement and guaranty, respectively; and

E. The parties desire to set forth the terms and conditions under which Franchisor will consent to the Transfer and release.

**FOR AND IN CONSIDERATION** of the foregoing Recitals, which are incorporated herein, the mutual covenants expressed herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Effective Date.** The “Effective Date” of the Transfer will be: (i) the date the closing occurs under the Purchase Agreement and the assets of the Franchised Business are assigned from Seller to Buyer (“Closing”); or (ii) the date on which Franchisor signs this Agreement acknowledging its consent to the proposed Transfer, whichever occurs later. For the avoidance of doubt, Seller’s franchise rights will not transfer to Buyer unless the Closing occurs.

2. **Proposed Transfer.** Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the “Purchase Agreement,” a copy of which has been provided to Franchisor by Seller and Buyer. Seller and Buyer represent and warrant that the form of Purchase

Agreement provided to Franchisor is the final version of the agreement and is the version which has been or will be executed by them to effectuate the Transfer.

3. **Conditional Consent; Release of Guaranty.** The Seller Franchise Agreement provides that the Transfer cannot take place without the consent of Franchisor. Franchisor will consent to the Transfer, as provided in the Seller Franchise Agreement, and will release (a) Seller from any obligations arising under the Seller Franchise Agreement and (b) Seller Guarantors under any guaranty agreement (in each case except as described below) from and after the Effective Date; provided, however, such consent and release are expressly contingent upon compliance with the following terms and conditions on or before the date of the Closing:

a. **Franchise Agreement.** The Seller Franchise Agreement will terminate as of the Closing, and the operation of the Franchised Business will thereafter be governed by the Buyer Franchise Agreement;

b. **Payment of Amounts Due.** Seller will pay all amounts due and owing to Franchisor through the date of Closing; including the amount of \$ \_\_\_\_\_;

c. **Transfer Fee.** Seller shall pay a transfer fee of \$ \_\_\_\_\_ as provided in the Seller Franchise Agreement;

d. **Financial Statements.** Seller will provide Franchisor with all required monthly financial statements for the Franchised Business through the date of Closing;

e. **Training.** Buyer or Buyer's designated representative(s) shall have satisfactorily completed the initial training program as described in the Buyer Franchise Agreement prior to the Closing;

f. **Right to Possession.** Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Franchised Business by way of lease assignment (with **all** required landlord consents) or otherwise;

g. **Site Selection Assistance.** Buyer acknowledges and agrees that Franchisor has satisfied any and all obligations under the Buyer Franchise Agreement with respect to site selection and development assistance;

h. **Remodeling.** Seller and Buyer shall ensure that all of the items reflected on the Pre-Sale Inspection which is attached hereto have been completed;

i. **Purchase Agreement.** The Purchase Agreement will not be amended and the terms of the transaction thereunder will not be changed except with the prior written consent of Franchisor;

j. **Buyer Loans.** Buyer shall provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Franchised Business; and

k. **Possession.** Prior to Closing and changing possession of the Franchised Business, Seller and Buyer shall obtain the written consent of Franchisor to change possession.

4. **Waiver of Right of First Refusal.** Franchisor hereby waives any right of first refusal to purchase the Interests as it may have pursuant to the Seller Franchise Agreement.

5. **Release of Franchisor.** Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their affiliates, employees, officers, directors, successors, assigns, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor, and its affiliates, parents, subsidiaries, area directors and agents and their respective employees, owners, members, officers, directors, successors, assigns, guarantors and other representatives ("Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the date of this Agreement, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement or the Purchase Agreement or the transactions described herein.

If the Franchised Business is located in California or if either Buyer or Seller is a resident of California, the following shall apply:

**Section 1542 Acknowledgment.** It is the intention of Seller and Buyer in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand or cause of action released by Seller and/or Buyer. Each of Seller and Buyer recognizes that he, she or it may have some claim, demand or cause of action against the Release Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing this Agreement. It is the intention of each of Seller and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action and prevent him, her or it from asserting it against the Released Parties. In furtherance of this intention, Seller and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of Seller and Buyer acknowledges and represents that he, she, or it has consulted with legal counsel before executing this Agreement and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands and causes of action.

6. **Termination of Seller Franchise Agreement and Guaranties.** Franchisor and Seller acknowledge and agree that, as of the date of Closing, upon the Transfer and upon

compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and the guaranties (if any) will automatically terminate and neither Seller nor Seller Guarantors shall have any further rights or obligations thereunder except that neither Seller nor any Seller Guarantor shall be released from:

a. any obligations to pay money to Franchisor owed under either the Seller Franchise Agreement or the guaranty prior to Closing; or

b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including without limitation the post-termination restrictive covenants, audit rights, dispute resolution and notice, indemnification, and confidentiality provisions of the Seller Franchise Agreement).

7. **Acknowledgment.** Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

8. **Additional Documents.** Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

9. **Miscellaneous Provisions.** This Agreement will be construed and enforced in accordance with, and governed by, the laws of the state of North Carolina. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts and sent via facsimile, each of which will be deemed an original but all of which taken together will constitute one and the same instrument. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the applicable franchise agreement.

10. **Non-Disparagement.** In consideration of the accommodations provided to Seller, the Seller Guarantors and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors and Buyer agree not to, and to use their best efforts to cause their current and former owners, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, owners, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, THE LOOK SALON SUITES brand, THE LOOK SALON SUITES system, or any other service-marked or trademarked

concept of Franchisor, or which would subject THE LOOK SALON SUITES brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

THUS signed by the parties shown below and made effective as of the Effective Date.

**SELLER(S):** If Seller is a legal entity, name of entity: \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**SELLER GUARANTORS:**

\_\_\_\_\_  
**Print Name:** \_\_\_\_\_

\_\_\_\_\_  
**Print Name:** \_\_\_\_\_

\_\_\_\_\_  
**Print Name:** \_\_\_\_\_

\_\_\_\_\_  
**Print Name:** \_\_\_\_\_

*[Signatures Continue on Next Page]*



**BUYER(S):** If Buyer is a legal entity, name of entity: \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**ACCEPTED:**  
**TLSS FRANCHISE SYSTEM, LLC**

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title:** \_\_\_\_\_  
**Date\*:** \_\_\_\_\_

\*This date is the Effective Date

## PRE-SALE INSPECTION

## EXHIBIT K

### SBA ADDENDUM

SOP 50-10 5(j)

Appendix 9



### ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT

**THIS ADDENDUM** ("Addendum") is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between TLSS FRANCHISE SYSTEM, LLC ("Franchisor"), located at 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, and \_\_\_\_\_ ("Franchisee"), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U.S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

#### CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

#### FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

Effective Date: January 1, 2018

### **COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

### **EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

### **Authorized Representative of FRANCHISOR:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

### **Authorized Representative of FRANCHISEE:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Note to Parties:** This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Effective Date: January 1, 2018

## EXHIBIT L

### BRAND STANDARDS MANUAL TABLE OF CONTENTS

#### Operations Manual Table of Contents

| <b>Topic</b>                                                         | <b>Page(s)</b> |
|----------------------------------------------------------------------|----------------|
| Introduction                                                         | 6              |
| Chapter 1: Welcome to The Look Salon Suites                          | 7              |
| Chapter 2: Manual Guidelines                                         | 8-9            |
| Chapter 3: The Look Salon Suites Start Up Program                    | 10-21          |
| Chapter 4: The Look Salon Suites Site Criteria                       | 22-43          |
| Chapter 5: Operating Your Franchise                                  | 45-51          |
| Chapter 6: Operations Support Program                                | 52             |
| Chapter 7: Office Operations                                         | 53-54          |
| Chapter 8: Billing, Record Keeping, Reports, Audits, and Inspections | 55-57          |
| Chapter 9: Training Requirements                                     | 58-60          |
| Chapter 10: Staffing Your Franchise                                  | 60-62          |
| Chapter 11: Quality and Service Standards                            | 63-65          |
| Chapter 12: Marketing and Advertising                                | 66-68          |
| Chapter 13: Sales & Marketing Plan                                   | 70-78          |
| Chapter 14: Insurance Requirements and Risk Management               | 79-80          |
| Chapter 15: Trademarks and Trade Protection                          | 81-82          |
| Chapter 16: Expansion and New Territory                              | 83             |
| Appendix – The Look Salon Suites Standards Documentation             |                |

### **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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | Pending               |
| Hawaii       | Not Registered        |
| Illinois     | Pending               |
| Indiana      | Not Registered        |
| Maryland     | Not Registered        |
| Michigan     | Not Registered        |
| Minnesota    | Pending               |
| New York     | Pending               |
| North Dakota | Not Registered        |
| Rhode Island | Not Registered        |
| South Dakota | Not Registered        |
| Virginia     | Pending               |
| Washington   | Not Registered        |
| Wisconsin    | Not Registered        |

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

## **EXHIBIT M**

### **RECEIPT**

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

If TLSS FRANCHISE SYSTEM, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise 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. Iowa requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires you to receive this Franchise Disclosure Document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If TLSS FRANCHISE SYSTEM, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of the franchisor is: TLSS FRANCHISE SYSTEM, LLC, 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572. TLSS FRANCHISE SYSTEM, LLC, authorizes the state agencies identified on Exhibit E as its registered agent authorized to receive service of process. TLSS FRANCHISE SYSTEM, LLC's registered agent in Delaware is Harvard Business Services, Inc. located at 16192 Coastal HWY, Lewes, DE 19958.

Issuance Date: September 18, 2024

The name, principal business address and telephone number of each franchise seller offering the franchise is:

☐

Dennis Mulgannon:  
3957 E. Speedway Blvd.  
#201, Tucson, AZ 85712

☐

Sean Hansen  
3957 E. Speedway Blvd. #201,  
Tucson, AZ 85712

☐

I have received a disclosure document dated: September 18, 2024, that included the following: Exhibit A – TLSS FRANCHISE SYSTEM, LLC Franchise Agreement, with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), and Attachment 5 ( Nondisclosure and Noncompetition Agreement), and Attachment 6 (Nondisclosure and Non-solicitation Agreement), Exhibit B-1 – Studio Directory/Listing of Current Franchisees , Exhibit B-2 – Listing of Certain Past Franchisees Exhibit C – Financial Statements, Exhibit D – State Specific Information, Exhibit E – Federal and State Regulators and Agents for Service of Process, Exhibit F-1 – Sample General Release Agreement, Exhibit F-2 – Collateral Assignment of Lease, Exhibit G – ACH/EFT Transfer Agreement, Exhibit H – First Addendum to Renewal Franchise Agreement, Exhibit I – TLSS FRANCHISE SYSTEM, LLC Area Development Agreement, Exhibit J - Agreement and Conditional Consent to Transfer, Exhibit K – Small Business Administration Addendum, Exhibit L – Brand Standards Manual Table of Contents, Exhibit M – Receipt

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee Signature

Individually and as an officer, partner, member or manager of \_\_\_\_\_, a  
\_\_\_\_\_ organized under the laws of \_\_\_\_\_.

**RETAIN THIS COPY FOR YOUR RECORDS**



You may return one copy of this receipt either by signing, dating and mailing it to Franchise Administration, at TLSS FRANCHISE SYSTEM, LLC 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572.

## RECEIPT

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

If TLSS FRANCHISE SYSTEM, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise 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. Iowa requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires you to receive this Franchise Disclosure Document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If TLSS FRANCHISE SYSTEM, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of the franchisor is: TLSS FRANCHISE SYSTEM, LLC, 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572. TLSS FRANCHISE SYSTEM, LLC, authorizes the state agencies identified on Exhibit E as its registered agent authorized to receive service of process. TLSS FRANCHISE SYSTEM, LLC's registered agent in Delaware is Harvard Business Services, Inc. located at 16192 Coastal HWY, Lewes, DE 19958.

Issuance Date: September 18, 2024

The name, principal business address and telephone number of each franchise seller offering the franchise is:

☐

Dennis Mulgannon:  
3957 E. Speedway Blvd.  
#201, Tucson, AZ 85712

☐

Sean Hansen  
3957 E. Speedway Blvd. #201,  
Tucson, AZ 85712

☐

I have received a disclosure document dated: September 18, 2024, that included the following: Exhibit A – TLSS FRANCHISE SYSTEM, LLC Franchise Agreement, with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), and Attachment 5 (Nondisclosure and Noncompetition Agreement), and Attachment 6 (Nondisclosure and Non-solicitation Agreement), Exhibit B-1 – Studio Directory/Listing of Current Franchisees, Exhibit B-2 – Listing of Certain Past Franchisees Exhibit C – Financial Statements, Exhibit D – State Specific Information, Exhibit E – Federal and State Regulators and Agents for Service of Process, Exhibit F-1 – Sample General Release Agreement, Exhibit F-2 – Collateral Assignment of Lease, Exhibit G – ACH/EFT Transfer Agreement, Exhibit H – First Addendum to Renewal Franchise Agreement, Exhibit I – TLSS FRANCHISE SYSTEM, LLC Area Development Agreement, Exhibit J - Agreement and Conditional Consent to Transfer, Exhibit K – Small Business Administration Addendum, Exhibit L – Brand Standards Manual Table of Contents, Exhibit M – Receipt

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee Signature

Individually and as an officer, partner, member or manager of \_\_\_\_\_, a  
\_\_\_\_\_ organized under the laws of \_\_\_\_\_.

You may return one copy of this receipt either by signing, dating and mailing it to Franchise Administration, at TLSS FRANCHISE SYSTEM, LLC, 11010 Lake Grove Blvd, Suite 100-316, Morrisville, NC 27560, 919-630-7572.

|                                                                                                                                 |     |
|---------------------------------------------------------------------------------------------------------------------------------|-----|
| <b>Summary report:</b><br><b>Litera Compare for Word 11.2.0.54 Document comparison done on</b><br><b>10/11/2024 12:27:26 PM</b> |     |
| <b>Style name:</b> Black and White                                                                                              |     |
| <b>Intelligent Table Comparison:</b> Active                                                                                     |     |
| <b>Original filename:</b> v 8 The Look Salon Suites 2024 FDD (non-reg. state and general reg-state).docx                        |     |
| <b>Modified filename:</b> v 2 The Look Salon Suites 2024 FDD - CA, IL, MN, & VA.docx                                            |     |
| <b>Changes:</b>                                                                                                                 |     |
| Add                                                                                                                             | 102 |
| Delete                                                                                                                          | 85  |
| <del>Move From</del>                                                                                                            | 0   |
| <del>Move To</del>                                                                                                              | 0   |
| Table Insert                                                                                                                    | 0   |
| Table Delete                                                                                                                    | 0   |
| <del>Table moves to</del>                                                                                                       | 0   |
| <del>Table moves from</del>                                                                                                     | 0   |
| Embedded Graphics (Visio, ChemDraw, Images etc.)                                                                                | 0   |
| Embedded Excel                                                                                                                  | 0   |
| Format changes                                                                                                                  | 0   |
| <b>Total Changes:</b>                                                                                                           | 187 |