



FRANCHISE DISCLOSURE DOCUMENT

Salon Professional Education Company, LLC
(A North Dakota Limited Liability Company)

4377 15th Avenue South, Fargo, ND 58103

Telephone Number: 888-478-6856

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Salon Professional Education Company, LLC, doing business as SPEC, offers franchisees the right to establish and operate a distinctive beauty and wellness school ("B&W School") for training students in hairstyling, cosmetology, esthetics, barbering, nails and/or massage under one of the following school brands that you select: ***The Salon Professional Academy*** ("TSPA") or ***Elevate Salon Institute*** ("ESI") or ***Spa Pro Academy*** ("SPA"). All brands are operated under our service mark **SPEC**. In addition, established B&W Schools wishing to convert to a SPEC franchise may continue to operate under their existing brand and use "POWERED BY SPEC" as a designation. The Franchise System's distinguishing characteristics include: uniform standards and procedures for business operations; ongoing training in the operation, management, and promotion of the franchised business; advertising and promotional programs; quality education programs and facilities; customer development and service techniques; student recruiting and development; and other technical assistance.

The total investment necessary to begin operation of a new TSPA, ESI or SPA B&W School franchised business is \$832,800 to \$1,670,800 for our model that includes hairstyling and \$532,800 to \$1,040,800 for our model that does not include hairstyling. The foregoing costs include \$45,000 that must be paid to the franchisor or its affiliates, regardless of the service mark you may choose for operating your franchise. The total investment necessary to convert an existing B&W School is \$170,300 to \$753,300, also includes the \$45,000 that must be paid to the franchisor or its affiliates, and applies regardless of the service mark you may choose for operating your franchise.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jill Krahn at SPEC, 4377 15th Avenue South, Fargo, ND 58103, 888-478-6856, or JKrahn@SPECfranchise.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contracts 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 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.

The date of issuance of this disclosure document is: April 20, 2023.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-Of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation in only North Dakota. 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 Dakota than in your own state.
2. The parties waive their right to a jury trial with respect to disputes relating to the franchise agreement.
3. You will not receive an exclusive territory regarding primary trademarks different than your own and may face competition from us and other franchisees who operate B&W Schools under primary trademarks different than yours both within and outside your protected territory.
4. A franchisee's initial investment from \$532,800 to \$1,670,800 for a new B&W School exceeds the franchisor's members' equity as of December 31, 2022 of \$449,940. A prospective franchisee should refer to the financial statements for complete details.
5. Starting in the sixth full calendar month after you sign the franchise agreement, you must pay us a minimum monthly royalty fee of \$1,500 even if you have no income.
6. There may be other risks concerning this franchise including: (1) qualifying, and maintaining the qualification of, your school to receive financial aid for its students, (2) individual states maintaining licensure requirements that mandate formal education to provide salon and spa services, (3) ensuring that students who preform services for the general public are not classified as employees, and (4) complying with other industry regulations, including any that may be adopted in the future (see Item 1).
7. In some states you may not be able to open a school that offers esthetics education without also offering hairstyling/cosmetology education.
8. There may be other risks concerning this franchise.

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

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

To simplify the language in this disclosure document, “SPEC” means Salon Professional Education Company, LLC, the franchisor. “We”, “us”, and “our” also refer to SPEC. “You” and “your” mean the person who buys the franchise, the franchisee. If the purchaser of the franchise is a partnership, corporation, limited liability company, or other entity, with respect to obligations you owe us, “you” includes the franchisee’s owners, who must join, and agree to be bound by, the Franchise Agreement, which is attached as Exhibit A to this disclosure document.

Unless otherwise defined, all initially capitalized terms appearing in this disclosure document have the meanings given to them in your Franchise Agreement.

Franchisor's Corporate Information

We are a North Dakota limited liability company, reorganized in North Dakota on December 23, 2015 (from its original organization in Minnesota on July 13, 2004), and doing business under the name SPEC. Before December 24, 2012, the name of the company was APS, LLC. Our principal business address is 4377 15th Avenue South, Fargo, ND 58103.

Our agent for service of process is listed on Exhibit D to this disclosure document.

Parents and Predecessors

We have no parent. We have no predecessors from whom we acquired, directly or indirectly, the major portion of our assets within the past 10-year period.

Affiliates Providing Goods or Services to Franchisees

Our affiliate Fuel Productions, LLC (d/b/a Fuel Education Systems), whose principal business address is 15125 E. Sundown Dr., Fountain Hills, AZ 85268, is a designated supplier of certain training materials. Fuel Productions, LLC has never owned or operated a B&W School franchise or offered franchises for any other line of business.

Franchisor's Business

Our principal business is selling and supporting B&W School franchises, which we have been doing since 2008. Before December 24, 2012, we sold franchises under our previous name, APS, LLC. We have never ourselves operated a B&W School franchise or offered franchises for any other line of business. From 2004 to 2008, we provided consulting services to B&W Schools and hair salons. Since 2008 we have not provided consulting services to B&W Schools, hair salons or spas.

The Franchised Business

A franchise grants you the right to own and operate a distinctive B&W School that trains students in hairstyling, cosmetology, esthetics, barbering, nails and/or massage services. The franchised business may offer or not offer hairstyling services. Each franchise operates under one of the following trademarks: ***The Salon Professional Academy, Elevate Salon Institute or Spa Pro Academy***. You choose which trademark you prefer to use for your B&W School. You may use only one of the three and your choice is known as your "Selected Trademark." In addition, established B&W Schools wishing to convert to a SPEC franchise may continue to operate under their existing brand and use "Powered by SPEC", with such designation being an alternative to the Selected Trademark. When you choose your Selected Trademark, you are required to use a particular line of products at your school that corresponds to your Selected Trademark. Specifically, under our current requirements, if you choose ***The Salon Professional Academy*** you use *Redken* products, if you choose ***Elevate Salon Institute*** you use *L'Oréal Professionnel* products, and if you choose ***Spa Pro Academy***, we do not currently require any specific branded products to be used, but we may do so in the future. A Powered by SPEC B&W School must use either *Redken* or *L'Oréal Professionnel* products, and may have additional costs to prepare educational and admissions materials under their existing brand with a "Powered by SPEC" designation. Your choice of Selected Trademark determines which SPEC-authorized brands you want to be associated with. The method of applying or teaching the use of certain hair products (like coloring or cutting techniques) may differ based on brand, but the same types of hair products are used in all of our concepts that offer hairstyling education regardless of which Selected Trademark you choose. All of our topics of instruction, and all of our operating requirements, are the same among all of our concepts regardless of which Selected Trademark you choose. Other than offering hairstyling education and which products we may require, no other material differences exist among our concepts.

In addition to these trademarks, our franchise system features uniform standards and procedures for business operations; ongoing training in the operation, management, and promotion of the franchised business; advertising and promotional programs; quality education programs and facilities; customer development and service techniques; student recruiting and development; regulatory compliance; and other technical assistance.

General Market and Competition

The market for our services consists of members of the general public who wish to be trained in hairstyling, cosmetology, esthetics, barbering, nails and/or massage. Sales are not seasonal. The market for beauty and wellness schools is developing.

The B&W School industry is highly competitive in the aggregate, while the level of local competition may vary considerably. You may compete with other local and national brand name schools including “Paul Mitchell,” “Toni & Guy,” and “Aveda,” other schools that we or our affiliates own or franchise, as well as high schools, colleges and local, independent B&W Schools that offer hairstyling, cosmetology, esthetics, barbering, nails and/or massage programs. In addition, your student salon training area will compete against licensed salons and spas, from low end operators, such as Great Clips, Sports Clips and Massage Envy, to high end operators, such as commission-based salons, premium hotels and medispas. In addition to the forgoing, you will face competition for retail product sales from mass merchants, such as Wal-Mart and Target, and online retailers, such as Amazon.

Industry Regulations

Risks to operating in the B&W School training industry include dependence on the following assumptions, which are subject to change as a result of pending or proposed legislation and litigation that may have a material adverse effect on the industry: (1) financial aid under Title IV of the Higher Education Act of 1965 will be available to promote student enrollment and not restricted due to a lack of federal funding or regulatory constraints including, but not limited to, “gainful employment” or “cyber-security”; (2) state licensure requirements that mandate formal education and licensure to provide salon and spa services will continue to exist to support demand for educational services your franchised business offers; and (3) non-employee status for students who provide salon or spa services to the public for a reduced fee, as part of the training hours they need to obtain their applicable license, will continue to be recognized instead of requiring a school to pay the students as employees and otherwise treat them as employees for the training time they spend providing such services.

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of your Franchised Business and the other licenses applicable to your employees, if any. These include, but are not limited to, maintaining certifications and licenses with applicable state agencies that regulate cosmetology, barbering, esthetics, massage or other services. In California, for example, the California Board of Barbering and Cosmetology and the Bureau of Private Postsecondary Education oversee regulations applicable to cosmetology services. Also, in California, as another example, the California Massage Therapy Council (CAMTC) oversees regulations for it to approve schools and their curriculum for its students to satisfy state certification requirements applicable to massage services. If you choose to offer financial aid at your school, you must comply with state and federal student loan laws and regulations. Some jurisdictions may require you to comply with conditions to provide hair cutting and other services to the public for a fee. In Pennsylvania, for example, these conditions have included that the fee is based on the reasonable cost of materials used in such service, the students must have minimum experience levels, and an appropriate sign is posted advising of the student services. Certain states, including California and Pennsylvania, do not permit the operation of a B&W School that does not offer a hairstyling program.

There may be other laws, rules and regulations that affect your Franchised Business, including minimum wage and labor laws, the Americans with Disabilities Act, the Occupational, Health and Safety Act and Title IV of The Higher Education Act of 1965. It will be your responsibility for researching all applicable laws, and we strongly advise that you consult with a local attorney and/or contact local, state and federal agencies before signing your Franchise Agreement, to determine your legal obligations and evaluate the possible effects on your costs and operations.

ITEM 2. BUSINESS EXPERIENCE

Samuel Shimer: Chair of the Board of Managers

Samuel Shimer became Chairman and one of our Managers in Chappaqua, NY on December 21, 2012. He served as our Chief Executive Officer from April 8, 2019 until April 30, 2023. Since 2010, Mr. Shimer has served as Managing Director of SLC Capital Partners, LLC, a private equity firm in St. Petersburg, Florida. Mr. Shimer also currently serves on the Board of Directors of the following companies: Heritage Global, Inc. (Chair), Honest-1 Auto Care (Chair) and JP Florida Holdings. Mr. Shimer has minority investments in franchised locations, including TSPA Altoona, TSPA Washington DC, TSPA Ft. Myers, TSPA Colorado Springs and ESI Durham.

Jodi Brown: Co-President/Chief Financial Officer/Treasurer/Manager

Jodi Brown became our Co-President on April 20, 2023, in Fargo, North Dakota. Since December 21, 2012, Ms. Brown has been our Treasurer and Chief Financial Officer. From December 21, 2012 until April 8, 2019, Ms. Brown was our Chief Manager/President. From 2008 through December 21, 2012, Ms. Brown served as our Senior VP of Marketing and Advertising. Ms. Brown has owned and operated a TSPA school in Fargo, ND since 2003. Ms. Brown also co-owned and operated Hair Success Salon, Spa & MediSpa in Fargo, ND since 1984. Ms. Brown had a minority investment in TSPA Winnipeg from 2016 to 2020.

Jill Krahn: Co-President/Secretary/Manager

Jill Krahn became our Co-President on April 20, 2023. She has served as our Secretary and an Executive Vice President – Franchise Sales since December 21, 2012. From 2008 through December 21, 2012, Ms. Krahn served as our Senior Vice President of Business Sales and Growth. Ms. Krahn has owned and operated a TSPA school in Fargo, ND since 2003. Ms. Krahn also co-owned and operated Hair Success Salon, Spa & MediSpa in Fargo, ND since 1984. Ms. Krahn had a minority investment in TSPA Winnipeg from 2016 to 2020.

Heather Kelts: Executive Vice President of Operations & Regulatory

Heather Kelts became our Executive Vice President on April 30, 2023, in Ft. Myers, Florida. She served as our Vice President from April 8, 2019 to April 30, 2023. From September 2016 until April 8, 2019, Ms. Kelts was our Director of Regulations. From 2007 to 2015, prior to joining SPEC, Ms. Kelts worked at TSPA Fort Myers, in a variety of roles, ultimately as Operations Director.

Christopher Baran: Manager

Christopher Baran became one of our Managers, in New York, New York, on December 21, 2012. Since 2001, Mr. Baran has served as Global Artistic Director for Redken 5th Avenue in New York, New York. Since 2006, Mr. Baran has also owned and operated Fuel Productions LLC, a production company in Fountain Hills, Arizona that offers cosmetology educational and training materials. Since 2012, Mr. Baran has also owned and operated Chaos Complex Entertainment, LLC, a television and film writing and production company in New York City, New York. Mr. Baran has minority investments in TSPA Altoona and TSPA Washington DC.

Lee Baran: Manager

Lee Baran became one of our Managers in Fountain Hills, Arizona, on March 15, 2023. For 22 years, Mr. Baran has devoted his life to the business of production. His New York City based company, Cut Action Media, has produced over 700 hours of content for global brands like Redken 5th Avenue, Matrix, L'Oréal, Shiseido, and Reebok. In addition, CAM now produces live interactive events online with thousands of attendees every week. Mr. Baran is also a prolific director, producer, and writer, whose first indie short won an Audience Choice award. He has co-written a feature film and four TV pilots.

ITEM 3. LITIGATION

In December 2021, Salon Professional Education Company, LLC d/b/a SPEC ("Plaintiff" or "SPEC") filed suit against Vara School Professionals, Inc. d/b/a The Salon Professional Academy Plainfield f/k/a The Salon Professional Academy Shorewood, Richard Dramato, Vivian Dramato and Audrey Amato, (collectively, "Defendants"), in The United States District Court for the District of North Dakota, Case No. 3:21-CV-00222-ARS. Vara School Professionals, Inc. ("VARA") is franchisee pursuant to a valid and enforceable franchise agreement with SPEC, dated December 6, 2013. VARA is a corporation owned and controlled by Richard Dramato, Vivian Dramato and Audrey Amato, which operates a SPEC franchise in Illinois. SPEC alleges that the Defendants have breached their franchise agreement. SPEC filed the lawsuit to put an end to Defendants' breaches, and to recover damages due and owing to SPEC. On March 24, 2022, Defendant filed an Answer and Counterclaims. Defendants denied Plaintiff's allegations and asserted breaches of contract and implied covenant of good faith and fair dealing, and tortious interference. They claimed lack of support. They also claimed Plaintiff interfered in a relationship with an employee. To resolve the matter, the parties elected to settle the case. In the settlement, Defendants admitted that Plaintiff complied with its obligations under the franchise agreement. Defendants further admitted that the Plaintiff did not interfere in an employment relationship, did not breach any duty of good faith and fair dealing, and did not tortiously interfere with Defendants' business relationships. Further, the settlement agreement terminated the franchise upon a sale of the school or sooner expiration of the franchise term, The agreement required the Defendants to pay monthly royalties to Plaintiff, and to pay additional amounts immediately and over time to Plaintiff representing a substantial amount of the monies that Plaintiff claimed Defendants owed to Plaintiff. The Defendants further agreed to comply with their termination obligations, to grant a lien to secure monies owed to Plaintiff, and to a mutual release and nondisparagement of the parties, provided that the release did not apply to the obligations of the parties specified in the settlement agreement.

In 2008, we sold one unregistered franchise in the state of Washington. The Washington sale arose before an application was submitted. On November 13, 2013, we entered into a consent order with the state of Washington Department of Financial Institutions Securities Division (Order No: S-13-1358-CO01), and

agreed to cease and desist from violating the Franchise Investment Protection Act of the state of Washington.

In 2010 we sold one unregistered franchise in the state of California. The California sale arose shortly after a registration lapsed. The sale was an inadvertent violation. We received a notice from California and are complying with all its requirements regarding that sale. California has not initiated any formal administrative action. At its request we notified the one affected franchisee of its rights regarding any claims for damages and/or rescission, who elected to remain in our franchise system, and have accepted the terms California requires that we continue to comply with their registration and disclosure requirements.

Other than the items listed above, there is no litigation 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

When you sign your Franchise Agreement, you must pay us a \$45,000 Initial Franchise Fee.

None of the payments described in this Item are refundable.

Except as follows, all initial fees are uniformly imposed. Several franchisees who acquired franchise rights from us before December 31, 2013, may be entitled to reductions in royalties as well as waivers of initial fees due to special previous arrangements made for future franchised locations that they open. Similarly, under franchise rights we previously granted, several franchisees are entitled to reductions in royalties from developing and operating multiple locations. We reserve the right to grant reductions or waivers of initial fees and royalties, but we have no obligation to do so.

ITEM 6. OTHER FEES

OTHER FEES			
TYPE OF FEE^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Royalty Fee	6% of Gross Revenues (subject to the minimum monthly royalty amount).	By the 10 th day of each month for the prior month's Gross Revenues. However, the minimum monthly Royalty Fee is due regardless of the opening date of the franchised business or the amount of the Gross Revenues, starting in the sixth full calendar month after signing the franchise agreement.	"Gross Revenues" includes all your revenues (actually received and net of actual refunds, but excluding fees for student kits, which must be documented to our reasonable satisfaction) arising out of the ownership or operation of the Franchised Business or any other business at or about the Premises. The minimum monthly Royalty Fee is \$1,500.
Ad Fund	Currently there is no required Ad Fund but this is subject to change.	By the 10 th of each month.	In accordance with terms and conditions Franchisor requires at the time the Ad Fund is adopted.

OTHER FEES			
TYPE OF FEE ^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Technology Fee	Currently there is no required Technology Fee but this is subject to change	By the 10 th of each month	We may provide, maintain, or assist you in obtaining (or obtaining access to) some or all of the Software that you are required to purchase or use, including a cloud-based customer relationship management system. If we do, we may charge you a monthly fee to reimburse us for the costs and expenses we incur, including an administrative fee for us, of up to \$250. We may periodically increase the Technology Fee upon 90 days prior notice to you if we incur more fees or costs in connection with such Software; provided, that, we will not increase the maximum amount we are permitted to charge by an average of more than 20% per year in any consecutive five-year period unless approved by a franchise advisory committee.
Monthly Website Fee	Currently \$119 per month, but subject to change	Upon receipt of invoice	This fee is for the maintenance of your microsite. Currently, you pay these amounts directly to the designated third-party supplier. However, for administrative purposes, we may require you to pay the monthly website fee directly to us instead of the third-party supplier. If we do, we may use the monthly website fee to reimburse us for expenses to third parties and to provide us with an administrative fee that we designate in connection therewith. We may periodically increase the monthly website fee if we incur more fees or costs in connection with providing web site services; provided, that, we will not increase the maximum amount we are permitted to charge by an average of more than 20% per year in any consecutive five-year period.

OTHER FEES			
TYPE OF FEE ^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Initial Franchise Training	No fee, but you must pay your trainees' out-of-pocket expenses.	Before or during training	You must pay your expenses and each trainee's other expenses, including travel, lodging, and meal expenses. You do not pay us these amounts, you pay them to third parties.
Post-Opening Training	No fee for Regular Training, but you must pay your attendees' out-of-pocket expenses. For any Advanced or Refresher Training, our standard charges plus your attendees' out-of-pocket expenses. The current standard charges are as follows, but are subject to change: (a) for on-site training, \$1,800 per day (with a minimum charge of \$3,600); (b) for Zoom or other web-based training, \$150 per hour (with a three hour minimum); (c) for phone training after the first year following your opening date, \$150 per hour; (d) for certain regional training \$150-\$500 per attendee; and (e) for our annual conference, \$250-\$400 per attendee.	Periodically throughout each year of the Term	Post-Opening Training shall be offered at a location designated by us, which may be online, on-site, at our principal training facility, or any other location we designate. We may require you, your Operations Director, and any of your other employees to attend Post-Opening Training. At our expense, we shall provide instructors, facilities, training materials, and technical training tools in connection with the Regular Training. You are responsible for all other expenses your attendees incur in connection with attending Regular Training, including all travel, lodging, and meal expenses. However, you are solely responsible for all costs and expenses associated with any Advanced or Refresher Training, including the then current training fee we charge for this training, if any, as well as all travel, meal, and lodging expenses that your attendees incur, if any. See Item 11 of this disclosure document for a further description of Post-Opening Training.

OTHER FEES			
TYPE OF FEE ^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Special Assistance	Our standard charges plus any actual out-of-pocket expenses. Our current standard charges are as follows, but are subject to change: (a) for on-site assistance, \$1,800 per day (with a minimum charge of \$3,600); (b) for Zoom or other web-based assistance, \$150 per hour (with a three hour minimum); and (c) for phone assistance, \$150 per hour.	Upon receipt of invoice	If you request non-routine guidance or other assistance to deal with your unusual or unique operating problems, make multiple requests in a limited period, or request training of your staff after we provide our initial training for you to open your Franchised Business, and we can reasonably accommodate your request, we will furnish that guidance and assistance. However, we will not charge any fee for the first 12 hours of special assistance in each year of the Term (but you will still be responsible for any out of pocket expenses we incur in providing special assistance).
Transfer Fee	\$25,000	Before transfer	Your transferee must pay this amount if you transfer your Franchise. The transferee pays this instead of paying an initial franchise fee. ³
Renewal Costs	All expenses we incur in connection with renewing your Franchise, up to a maximum of \$5,000.	Before entering Successor Franchise Agreement	You must reimburse us for all expenses we incur in connection with renewing your Franchise if you wish to enter a Successor Franchise Agreement when your current agreement expires. You pay this amount instead of an initial franchise fee under the Successor Franchise Agreement.
Audit	The understated amount and interest plus, if applicable, costs and expenses in connected with the audit and inspection.	Upon demand	If any inspection discloses that you have understated the amount of the Royalty Fee (or any other amount) actually due us, you must reimburse us for these amounts plus interest. If the understatement is 3% or more, you must reimburse us for the costs and expenses connected with the inspection (including reasonable accounting and attorneys' fees and costs).

OTHER FEES			
TYPE OF FEE ^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Reinspection	Our Standard Charges (currently \$150 per hour with a four-hour minimum, but subject to change) plus any actual out-of-pocket expenses, but subject to change	Upon demand	If, after performing an inspection, we notify you of deficiencies that you must correct, you must reimburse us for all of our costs and expenses connected with any reinspection (including our then current fee and any out-of-pocket expenses).
Interest on Late Payments	Lesser of (i) 18% per year or (ii) maximum legal rate	Upon demand	Imposed if any payment you owe us is overdue.
Late Payment Charge	\$200 per late payment	Upon demand	Imposed if any payment you owe us is more than ten days overdue.
Unauthorized Marketing Fee	\$100 per occurrence	Upon demand	Imposed for each notice of violation that we send you per occurrence of unauthorized advertising, marketing or promotions, up to \$100 per occurrence. Such fee is in addition to all, and not in limitation of any, of our rights and remedies for each occurrence of a violation by you.
No Show Training Fee	\$250 per occurrence	Upon demand	We may assess you \$250 for failure either to attend a scheduled support call or a confirmed virtual training course. However, you may cancel your attendance in accordance with the minimum timelines and other conditions we may include in our Operations Manual or other notices to you.

OTHER FEES			
TYPE OF FEE ^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Review of Unap-proved Suppliers	The reasonable cost of the inspection and the actual cost of the testing.	Upon demand	If you propose to purchase products or services from an unap-proved supplier, you must submit to us a written request, or request the supplier itself to do so. As a condition of our approval, we may require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent, certified laboratory we designate for testing. In addition, we may require the supplier to successfully complete a beta test before granting full approval, with beta test participants required to execute a release in favor of us. If you receive notice of a violation regarding a vendor, you must address such violation in the timeframe cited, typically 30 to 90 days, depending on the product or service. However, we reserve the right to require immediate action for matters we think threaten health, safety, or any other material damage. Failure to take corrective action in accordance with a notice of violation may result in financial assessments or brand protection actions (or both). Financial assessments may include an initial assessment of \$250-\$500 and subsequent assessments of up to \$2,500, in each case per violation per month.

OTHER FEES			
TYPE OF FEE ^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Special assessment for non-approved vendors	Initial assessment of \$250-\$500 and subsequent assessments of up to \$2,500, in each case per violation per month	Upon demand	We may not approve any unapproved supplier for products or services that we determine are competitive with the products or services offered by a vendor that is adequately serving our system, including any Designated Brands Manufacturer. We will not approve any vendor that refuses to go through our qualification process, including a beta test, in our sole discretion. Use of a non-approved vendor is a violation which may subject you to special assessments.
Indemnification	Amount of damages suffered	Upon demand	You must indemnify us and our affiliates, and our and their respective officers, directors, owners, employees and representatives for all damages it suffers and costs any of those parties incur relating in any manner to your ownership or operation of your Franchised Business.
Liquidated Damages – Expiration of Designated Brands IP	\$500 per occurrence	Upon demand	A Designated Brands Manufacturer may inform us of expiration dates relating to the use of certain Designated Brands IP. As of each expiration date, you shall immediately cease all use of the applicable Designated Brands IP and remove or replace that Designated Brands IP. For each failure by you to comply with these obligations, we may require you to pay us this amount; provided, that you will not be required to pay this amount for your first failure to comply with these obligations.
Marketing Fund	If we establish a marketing fund, you will be required to contribute no more than 2% of monthly Gross Revenues to the fund.	Concurrently with your monthly royalty payment.	We do not currently maintain a marketing fund, however, we retain the right to create, maintain and administer a marketing fund. If we require you to contribute 2% of monthly Gross Revenues to the fund, we will decrease any applicable Local Advertising spending requirements to 1% of monthly Gross Revenues.

OTHER FEES			
TYPE OF FEE ^{1,2,3}	AMOUNT	DUE DATE	REMARKS
Liquidated Damages Upon Termination	See endnote 4	Upon termination of your Franchise Agreement for cause	See endnote 4

¹ Except as indicated otherwise, all fees are payable to us, are nonrefundable and are uniformly imposed.

² All fees and any monies due Franchisor under this Agreement the amount of which are not based upon a percentage of Gross Revenues, are subject to annual adjustment based upon increases (but not decreases) in the Consumer Price Index.

³ You must pay us by means of a Payment System using pre-authorized transfers from your operating account through the use of electronic fund transfers or special checks or any other payment system we designate. We may process the transfers at the time any payment is due and owing. You must implement the Payment System no later than 15 days before the Opening Date.

⁴ If we terminate your Franchise Agreement for cause, you must pay us a lump-sum payment equal to the total of all Royalty Fees for a period determined as follows:

- (a) if your Franchised Business has been operating for 24 months or more, and at the time of termination there are 24 months or more remaining in the Term had it naturally expired and not been terminated, the 24 months of operating your Franchised Business preceding your default;
- (b) if your Franchised Business has been operating for 24 months or more, and at the time of termination there are less than 24 months remaining in the Term had it naturally expired and not been terminated (the number of the remaining months, the "Remaining Months"), the period of months (and any portion thereof) equal to the number of Remaining Months; or
- (c) if your Franchised Business has been operating for less than 24 months or never started operating, an amount equal to 24 times the greater of (i) the average monthly Royalty Fee then required to have been paid through the date of termination, or (ii) the Minimum Royalty Fee.

ITEM 7. ESTIMATED INITIAL INVESTMENT

FOR DEVELOPING A NEW B&W SCHOOL

YOUR ESTIMATED INITIAL INVESTMENT ¹					
TYPE OF EXPENDITURE	SCHOOL WITH HAIRSTYLING PROGRAM	SCHOOL WITHOUT HAIRSTYLING PROGRAM	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$45,000	\$45,000	Lump sum	When you sign your Franchise Agreement	SPEC
Website Fee	\$1,800	\$1,800	Lump sum	As incurred	Vendors
Real Estate Improvements ²	\$300,000 to \$980,000	\$165,000 to \$540,000	Lump sum	As incurred	Contractors, vendors and suppliers
Equipment/Furnishings ³	\$300,000 to \$350,000	\$140,000 to \$165,000	Lump sum	As incurred	Vendors and suppliers

YOUR ESTIMATED INITIAL INVESTMENT ¹					
TYPE OF EXPENDITURE	SCHOOL WITH HAIRSTYLING PROGRAM	SCHOOL WITHOUT HAIRSTYLING PROGRAM	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Exterior Building Signage ⁴	\$11,500 to \$35,000	\$11,500 to \$35,000	Lump sum	As incurred	Contractors, vendors and suppliers
Initial Training Attendance ⁵	\$5,000 to \$7,500	\$5,000 to \$7,500	Lump sum	As incurred	Vendors
Computer Equipment/Phone and Alarm Systems ⁶	\$30,000 to \$40,000	\$30,000 to \$40,000	Lump sum	As incurred	Vendors and suppliers
Inventory to Begin Operating	\$25,000 to \$30,000	\$20,000 to \$25,000	As incurred	Before opening	Vendors and suppliers
Insurance ⁷	\$4,000 to \$8,000	\$4,000 to \$8,000	Lump sum	Before opening	Insurance Companies
Utility Deposits and Other Prepaid Expenses	\$2,000 to \$6,000	\$2,000 to \$6,000	Lump sum	Before opening	Vendors and suppliers
Licenses and Permits ⁸	\$3,500 to \$7,500	\$3,500 to \$7,500	Lump sum	Before opening	Governmental authorities
Professional Fees	\$5,000 to \$10,000	\$5,000 to \$10,000	Lump sum	Before opening	Lawyers, accountants, etc.
Initial School Opening Marketing and Advertising Funds ⁹	\$25,000 to \$30,000	\$25,000 to \$30,000	As incurred	As incurred	Vendors/suppliers
Additional Funds (3-month initial phase) ¹⁰	\$75,000 to \$120,000	\$75,000 to \$120,000	Various	As incurred	Employees, suppliers, etc.
Total ¹¹	\$832,800 to \$1,670,800	\$532,800 to \$1,040,800			

¹ Any fees you pay us or our affiliates are non-refundable, including the initial franchise fee. Whether fees payable to third parties are refundable is a matter you will have to discuss and negotiate with them. The square footage for the school with hairstyling program model and the school without hairstyling program model is estimated to be 6,000-7,000 and 5,500-6,000, respectively.

² The cost of real estate improvements will vary depending on numerous factors, including (a) the size, configuration and condition of the premises, (b) pre-construction costs, (c) cost of materials and labor, (d) location of the premises and local conditions, and (e) whether the landlord will grant a buildout allowance, and the amount of the grant. The estimated amount of such allowance may range from \$0 per square foot to \$40 per square foot for a school with and without hairstyling. These costs include, but are not limited to, third party design fees, architectural and engineering fees, demolition, rough carpentry, finish carpentry, ceilings, tile flooring and walls, millwork,

carpet and floor finishes, wall finishes, fire protection, HVAC, walls, electrical systems, plumbing, lighting and fixtures. Based on regional cost variations, supply chain disruptions, material cost increases and demand driven factors, costs construction and equipment costs may exceed the good faith estimates above.

³ Equipment/Furnishings includes the estimated costs of furniture, desks, and office equipment (including but not limited to styling stations, pedicure stations, color bar, front desk, sinks and cabinetry) and interior signage. The cost of these items will vary depending on the size and configuration of the premises. Based on regional cost variations, supply chain disruptions, material cost increases and demand driven factors, costs construction and equipment costs may exceed the good faith estimates above.

⁴ The high-end amount of this range assumes that you have exercised your option, or have been required by your landlord, to obtain a monument or readerboard sign. The estimated cost range for these types of signs is \$20,000-\$25,000. This amount does not include installation which will vary depending upon your market location. Your actual costs may also be affected by any restrictions placed by your landlord on interior and exterior signage.

⁵ You must pay each trainee's expenses, including travel, lodging and meal expenses.

⁶ This amount includes the computer equipment and software necessary to operate your Franchised Business, as well as student record software, telephone, audio and alarm systems.

⁷ These amounts represent the estimated annual cost of the premiums for the policies required under your Franchise Agreement.

⁸ These costs include the costs for obtaining local business licenses which typically remain in effect for one year. These costs do not include occupancy and construction permits which are included in the real estate improvement costs. These costs will vary substantially depending on the location of your Franchised Business. You should consult with your attorney to determine any applicable licensing or permit fees you must obtain to operate your Franchised Business.

⁹ This represents our recommended level of marketing and advertising costs during the first three months of operation of your Franchised Business, including the cost of an online audit, and the fees to launch your website with the necessary search engine optimization.

¹⁰ This represents an estimate of only the range of expenses for your initial start-up phase, which is estimated to be three months from when you open your Franchised Business. The additional funds you will need to operate during this initial phase include payroll costs, rent (including landlord deposits) and utilities, among other operating costs—but do not include any salary or allowance for an owner's draw; any royalty fees, advertising contributions, any other amounts you must pay us, or any additional inventory you may need after your initial inventory is consumed. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The actual amount of additional funds you will need during the initial phase of operating will depend on factors such as: the size and location of your Franchised Business, how well (and how much) you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; competition, and other factors. By providing these estimates of your costs, we are not making any representation that you will have any level of sales. The estimates are of your expenses only and do not reflect any offsetting sales revenue you may earn from operations to pay those expenses. The estimate of Additional Funds for three months shown on the table above is not an estimate of working capital that you will need but relates only to certain (but not necessarily all) expenses for the three-month time period. The three-month time period is not a representation of, nor is intended to suggest, when you should expect to break even, if ever.

¹¹ We relied on our management's past experience, and that of existing B&W School businesses that we franchised or that our affiliates have owned, as well as industry trends, to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer direct or indirect financing for any items.

FOR CONVERTING AN EXISTING B&W SCHOOL

THIS TABLE APPLIES TO A LICENSED, OPERATING B&W SCHOOL THAT CONVERTS TO A SPEC FRANCHISE, WHILE REMAINING IN ITS CURRENT LOCATION.

YOUR ESTIMATED INITIAL INVESTMENT ^{1, 2}				
TYPE OF EXPENDITURE	ESTIMATED LOW-HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$45,000	Lump sum	When you sign your Franchise Agreement	SPEC
Website Fee ³	\$1,800	Lump sum	Upon commencement of the build	Vendors
Real Estate Improvements ⁴	\$0 to \$325,000	Lump sum	As incurred	Contractors, vendors and suppliers
Equipment/Furnishings ⁵	\$85,000 to \$200,000	Lump sum	As incurred	Vendors and suppliers
Exterior Building Signage ⁶	\$11,500 to \$35,000	Lump sum	As incurred	Contractors, vendors and suppliers
Initial Training Attendance ⁷	\$5,000 to \$7,500	Lump sum	As incurred	Vendors
Computer Equipment/Phone and Alarm Systems ⁸	\$0 to \$25,000	Lump sum	As incurred	Vendors and suppliers
Inventory to Begin Operating	\$0 to \$20,000	As incurred	As incurred	Vendors and suppliers
Insurance ⁹	\$2,000 to \$4,000	Lump sum	As incurred	Insurance Companies
Utility Deposits and Other Prepaid Expenses	\$0	Lump sum	As incurred	Vendors and suppliers
Licenses and Permits ¹⁰	\$0	Lump sum	As incurred	Governmental authorities
Professional Fees	\$5,000 to \$10,000	Lump sum	As incurred	Lawyers, accountants, etc.
Initial School Opening Marketing and Advertising Funds ¹¹	\$15,000 to \$30,000	As incurred	As incurred	Vendors/suppliers

YOUR ESTIMATED INITIAL INVESTMENT ^{1, 2}				
TYPE OF EXPENDITURE	ESTIMATED LOW-HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Additional Funds (3-month initial phase) ¹²	\$0 to \$50,000	Various	As incurred	Employees, suppliers, etc.
Total ¹³	\$170,300 to \$753,300			

¹ This table applies to an existing B&W School that is licensed and operating, and is contemplating “converting” their school to a SPEC franchise. The cost to convert your school to a SPEC franchised business will vary dramatically based on the condition of your school, reflecting factors such as paint color, layout, type of flooring, the condition of your equipment, the type of equipment, vendors, systems, etc. Prior to executing your franchise agreement, a SPEC representative will assess your school based on imagery provided and a video call interview and/or an onsite visit. Conforming your school to the trade dress of your selected brand is a requirement for becoming a SPEC franchise.

² Any fees you pay us or our affiliates are non-refundable, including the initial franchise fee. Whether fees payable to third parties are refundable is a matter you will have to discuss and negotiate with them.

³ The range reflects additional work related to conversion of your existing website and analytics to your new site, as well as the setup of a new Facebook page.

⁴ The cost of real estate improvements will vary depending on numerous factors, including (a) the size and configuration of the premises, (b) the condition of the premises, (c) cost of materials and labor, (d) location of the premises, and (e) whether the landlord will grant a buildout allowance, and the amount of the grant (none is assumed above). These costs include, but are not limited to, third party design fees, architectural and engineering fees, demolition, rough carpentry, finish carpentry, ceilings, tile flooring and walls, millwork, carpet and floor finishes, wall finishes, fire protection, HVAC, walls, electrical systems, plumbing, lighting and fixtures. Based on regional cost variations, supply chain disruptions, material cost increases and demand driven factors, costs construction and equipment costs may exceed the good faith estimates above.

⁵ Equipment/Furnishings includes the estimated costs of furniture, desks, and office equipment (including but not limited to styling stations, pedicure stations, color bar, front desk, sinks and cabinetry) and interior signage. The cost of these items will vary depending on the condition, size and configuration of the premises. Based on regional cost variations, supply chain disruptions, material cost increases and demand driven factors, costs construction and equipment costs may exceed the good faith estimates above.

⁶ The high-end amount of this range assumes that you have exercised your option, or have been required by your landlord, to obtain a monument or readerboard sign. The estimated cost range for these types of signs is \$20,000-\$25,000. This amount does not include installation which will vary depending upon your market location. Your actual costs may also be affected by any restrictions placed by your landlord on interior and exterior signage.

⁷ You must pay each trainee’s expenses, including travel, lodging and meal expenses.

⁸ This amount includes the computer equipment and software necessary to operate your Franchised Business, as well as student record software, telephone, audio and alarm systems.

⁹ These amounts represent the estimated annual cost of the premiums for the policies required under your Franchise Agreement.

¹⁰ These costs include the costs for obtaining local business licenses which typically remain in effect for one year. These costs do not include occupancy and construction permits which were included in the real estate improvement costs. These costs will vary substantially depending on the location of your Franchised Business. Conversion schools may not need to incur costs for licenses or permits merely to convert to be a Franchised Business. However, you should consult with your attorney to determine any applicable licensing or permit fees you must obtain to operate your Franchised Business beyond the ones you already have for your business.

¹¹ This represents our recommended level of incremental marketing and advertising costs over and above your current expenditure level during the first three to four months of operation of your Franchised Business, including the cost of an online audit, and the fees to launch your website with the necessary search engine optimization.

¹² This represents an estimate of only the range of expenses for your initial conversion phase, which is estimated to be up to three months from when you convert your school to a Franchised Business. The additional funds you will need to operate during this initial conversion phase include incremental payroll and marketing costs, among other operating costs—but do not include any incremental salary or allowance for an owner’s draw; any royalty fees, advertising contributions, any other amounts you must pay us, or any additional inventory you may need after your initial inventory is consumed. These figures are estimates and we cannot guarantee that you will not have additional expenses converting the business. The actual amount of additional funds you will need during the initial conversion phase of operating will depend on factors such as: the size and location of your Franchised Business, how well (and how much) you follow our methods and procedures; your current staffing levels, your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; competition, existing enrollment, pending enrollment, aging of your receivables and general cash flow, financial obligations you may have to third parties and other factors. By providing these estimates of your costs, we are not making any representation that you will have any level of sales. The estimates are of your expenses only and do not reflect any offsetting sales revenue you may earn from operations to pay those expenses. We do not make any financial performance representations. The estimate of Additional Funds for three months shown on the table above is not an estimate of working capital that you will need, but relates only to certain (but not necessarily all) expenses for the three-month time period. The three-month time period is not a representation of, nor is intended to suggest, when you should expect to break even, if ever.

¹³ We relied on our management’s past experience, and that of existing and converted B&W School businesses that we franchised or that our affiliates have owned, as well as industry trends, to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer direct or indirect financing for any items.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Specifications and Suppliers

To the extent we may periodically require, you must purchase or lease equipment, supplies, advertising materials, various printed goods, training materials and other products and services used to operate your Franchised Business according to our standards and specifications and solely from suppliers, including Designated Brand Manufacturers and other manufacturers, we authorize in writing on an approved vendors list. We may revoke a supplier’s authorization at any time. Suppliers must demonstrate, to our continuing satisfaction, that they possess: (a) the ability to meet our reasonable standards and specifications for the items; and (b) adequate quality controls and capacity to supply your needs promptly and reliably. In addition, we can require testing by us, our franchisees, or third parties, as we may require, to assure to our satisfaction, that we are satisfied with the goods or services of the prospective supplier in our sole discretion. When considering whether to approve suppliers for our franchisees and Company-Owned Units, we may consider any other relevant factors, including any factors relating to the price and quality of the products or services, the reliability of the supplier, and the economic benefits and incentives the supplier may provide to us (including rebates). We may approve a single supplier for any product or service. We may concentrate purchases with one or more suppliers to obtain the lowest prices or the best advertising support or services for any group of franchised businesses or Company-Owned Units. However, our authorization or approval of a supplier is not, directly or indirectly, a representation or warranty relating to the supplier’s products or services. Our authorization or approval is an expression only that our minimum requirements for us to grant it have been met, or waived, in our sole discretion. We may periodically designate ourselves or an affiliate as an authorized or exclusive supplier of any product or service used to operate your Franchised Business. Except as set forth below, neither we, our

affiliates, nor any of our suppliers are currently the exclusive suppliers of any product or service used to operate your Franchised Business. We reserve the right to implement programs which require you to purchase additional goods or services from us or our affiliates regarding educational materials or services. However, other than as already currently disclosed, no such programs exist. TC-Accounting LLP, a provider of accounting services, is a required vendor during the first 12 months that you operate your Franchised Business, although we may waive this requirement in certain circumstances for a Conversion School. Cengage, Inc., operating under the Milady brand, is an exclusive supplier of student training and curriculum materials. Great Exposure Inc. is an exclusive provider of microsites/websites and admissions CRM software. Our affiliate Fuel Productions, LLC is an exclusive supplier of certain training materials.

None of our officers owns an interest in any required supplier.

Designated Brands Manufacturers

We may designate certain parties as designated brands manufacturers (each, a “Designated Brands Manufacturer”) for supplying certain cosmetology or esthetician products and services (and advertising and promotional materials related to these products and services). We are not restricted in terminating or adding Designated Brand Manufacturers. We have currently designated the following Designated Brands Manufacturers for hairstyling/cosmetology programs: (a) L’Oréal USA Creative, Inc. (“L’Oréal”), the owner or affiliate of the owner of the **Redken** and **L’Oréal Professionnel** trademarks. We may enter into agreements with the Designated Brands Manufacturers to provide certain services and products and to allow us to authorize our franchisees to use certain materials in their franchised businesses and to promote the Designated Brands Manufacturers. Unless we otherwise require, you will purchase those services, products and materials directly from the Designated Brands Manufacturer or its designees. Each Designated Brands Manufacturer is our independent contractor and is not our agent, franchisor, legal representative, subsidiary, joint venture, partner, employee, or affiliate for any purposes whatsoever. You shall have no direct license with L’Oréal or any other Designated Brands Manufacturer during the Term (unless we otherwise authorize). We expressly reserve the right to periodically revoke its designation of who is a Designated Brands Manufacturer or revise its agreements with any of them.

Subject to the applicable Designated Brands Manufacturer’s and our requirements, standards, and usage guidelines, as all may be periodically changed, you shall: (a) exclusively use and promote those goods and services relating to those brands of the Designated Brands Manufacturers that we periodically designate for the Selected Trademark (the “Designated Brands”); (b) maintain the goodwill related to Designated Brands; (c) utilize the Designated Brands Manufacturer’s educational support materials, training modules, and training techniques, for the Designated Brands, in our curriculum; (d) procure and install furniture and fixtures approved by the Designated Brands Manufacturer; and (e) display the Designated Brands’ trademarks and images for the Designated Brands in advertising and promotions.

The manner of use of the Designated Brands Manufacturer’s goods, services, trademarks, brands, advertising, images and other intellectual property (collectively, the “Designated Brands IP”) is in the sole discretion of the Designated Brands Manufacturer and us (and, if applicable, the owners of the trademarks of the Designated Brands IP). We authorize you to use the Designated Brands IP only as authorized by us and only in accordance with standards, guidelines and specifications periodically set by the Designated Brands Manufacturer or us and in a manner consistent with the premium quality associated with the Designated Brands IP. At your sole cost and expense, you agree to furnish to the Designated Brands Manufacturer or us samples of any materials incorporating the Designated Brands IP for inspections to assurance conformance to applicable standards (and make any corresponding payments directly to them and not to us).

You have no right, title, or interest in the Designated Brands IP (including, without limitation, all advertising, layouts, copy, artwork, photographs, videos, recordings, and fixture designs), and all use of the Designated Brands' trademarks shall inure to the benefit of the Designated Brands Manufacturer and its affiliates. The Designated Brands' trademarks may not be used as a source identifier for your Franchised Business.

In addition, if we require, you shall enter into, and comply with all of the provisions of, any agreements with the Designated Brands Manufacturer that we prescribe (each, a "Designated Brands Manufacturer Agreement"), which may include a term shorter than the term of your Franchise Agreement. Accordingly, we may require you to enter into an extension to that agreement or a replacement agreement to coincide with the length of the term of your Franchise Agreement. As part of our agreements with L'Oréal, if your Franchised Business meets certain standards, we may, in its discretion, annually designate your Franchised Business as having achieved a special designation (the "Special Designation"), which you may represent to the public in accordance with standards and specifications periodically established by us. We may describe in the Manuals or otherwise in writing the conditions necessary for you to achieve and maintain the Special Designation. We may change any of these conditions or standards or discontinue the Special Designation program upon written notice to you. You must allow L'Oréal or its designees (or, if L'Oréal is no longer a Designated Brands Manufacturer, any other Designated Brands Manufacturer or its designees, as specified by us) the first opportunity to recruit students trained by you.

Approval of New Suppliers

We generally do not need to provide approval of certain local suppliers (i.e., IT services, utilities, etc.) and providers of professional services (legal, bookkeeping, etc.). However, we have an approved vendor list for material services and products, including but not limited to, retail and professional products used in the student salon training area, certain products, training materials and software used in student kits, marketing services, admissions software, and financial aid services. If you want to use products or services from a supplier or source that has not been previously approved by us, you (or the supplier) must first submit a written request to us for our approval. Our criteria for approving suppliers are available upon written request. We have the right to require as a condition of our approval that our representatives be permitted to interview the supplier, inspect the supplier's facilities, and samples from the supplier be delivered either to us or an independent expert (at no cost to us or the independent expert) that we designate for testing, if applicable. We may also require the supplier to present satisfactory proof of insurance as a condition of our approval. In addition, we may require the proposed supplier to complete a beta test with you, and potentially other franchisees. The terms and scope of the beta test, if required, would be set by us. We also may require you and the supplier to grant us a full release from any potential claims related to the beta test. We will notify you of approval or disapproval of your request to use an unapproved supplier, either directly or initially through a beta test, within a reasonable time (generally, not more than 30 days) after receiving your written submission, taking into account any inspection, testing, and review of samples and documents presented by the supplier. Since we devote our resources where we deem appropriate, we are not required to consider additional or replacement suppliers. However, if we do so, you or the prospective supplier must pay a charge not to exceed the reasonable cost of inspection and the actual cost of testing. We will not approve any unapproved supplier for products or services that we determine are competitive with the products or services offered by any Designated Brands Manufacturer. Use of a non-approved vendor is a violation which may subject you to special assessments, as described herein.

We reserve the right to periodically reinspect and re-evaluate the facilities, products and/or services of any approved supplier and continue to sample the products. If the supplier fails to continue to meet our

standards and specifications, we may provide the supplier with a default notice and a reasonable opportunity to cure, or simply terminate their approval, in our sole discretion.

Construction of the Premises

You must retain a qualified architect or engineer to prepare a site plan and plans and specifications adapting our Design Specifications to your approved location and to applicable laws and lease requirements and restrictions and market conditions (collectively, the “Plans”). You shall not begin construction without our advance written approval of the Plans. Your architect or engineer must comply with all zoning, signage, seating capacity, and parking requirements, as well as with any other federal, state, or local laws pertaining to the design or construction of the Premises, including the Americans with Disabilities Act. If compliance with the requirements or laws necessitates any material modification to the Plans the modification must be approved in writing by us, and the modified Plans may not be materially changed or modified again without our additional written approval.

You must retain a qualified general contractor and any necessary and qualified subcontractors to construct the Premises according to the Design Specifications. We may designate an architect, engineer, or designer to prepare, or participate in the preparation of, the Plans, and to supervise the construction of the Premises. If you have not used one of our recommended architects, engineers or designers, and we designate an architect, engineer or designer to participate or supervise, you are responsible for all costs and expenses of our designated architect, engineer or designer. However, your use of, or our designation of, one of our recommended architects, engineers or designers is not, directly or indirectly, a representation or warranty relating to its services.

You must complete construction (including all exterior and interior carpentry, electrical, painting and finishing work, and installation of all approved fixtures, equipment and signs) in accordance with the approved Plans.

Refurbishing

You shall refurbish your Franchised Business at your expense to conform to the building design, exterior facade, Trade Dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the image then in effect for new B&W School businesses that want to operate under your Selected Trademark. However, you will not be required to undertake refurbishment more frequently than once every seven years (and you will not be required to undertake refurbishment during the first year after your Opening Date). Refurbishing may include, among other things, remodeling, redecoration, and modifications to existing improvements, as we may require in writing. However, general maintenance, repairs, additions, and replacements to maintain your Franchised Business in the highest and most uniform degree of sanitation, repair, appearance, condition and security in the manner set forth in the Manuals will not be considered refurbishing.

Insurance

You must purchase insurance policies in at least the amounts that we specify. Currently, you must, at a minimum, carry the following insurance:

- a. commercial general liability insurance of not less than \$1,000,000 each occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, and \$1,000,000 personnel and advertising injury limits;
- b. cyber-security insurance of not less than \$250,000;
- c. workers’ compensation coverage in the amounts required by statute or rule of the state in which the Franchised Business is located;

- d. B&W School professional liability insurance in the amount of at least \$1,000,000 for each accident; and
- e. any insurance required by applicable law.

Computer System

You must purchase, and install at the Premises, the Computer System that we specify for the Franchised Business. We may designate the supplier or suppliers from whom you must purchase the various items constituting the Computer System.

Curriculum

Unless required by applicable law, you shall use only our curriculum and not offer any courses that have not been approved by us. You shall use all elements of the curriculum required by us or applicable law. If you are required by applicable law to offer one or more programs or courses not approved by us in the Manuals or otherwise, you shall take all actions requested by us to distinguish the program from the other programs or courses, including: (a) at all times conspicuously displaying, in the form and manner as required by us, on one or more signs on your Premises and on all materials provided in connection with those programs or courses, a disclaimer stating that (i) only the program is affiliated with us, and no other programs or courses offered by you are affiliated with or approved by us, and (ii) we are in no way responsible for those programs or courses; and (b) before enrolling in those programs or courses, requiring all students to sign an acknowledgement that they understand this disclaimer.

Revenues Derived from Required Purchases and Leases

Except for the rebates discussed below that were received by our affiliates, we do not currently derive any revenues from your required purchases of the goods and services that you will sell or need to operate your franchised business. In 2022, our affiliate, Fuel Productions, LLC, had \$200,102 in revenues from franchisees' purchases of certain training materials. Some of the vendors that we require you to purchase from pay sponsorship fees to us that we use to reduce the costs of our annual franchisee conference and educator competition. Without those vendor sponsorship fees, your costs to attend the annual franchisee conference and help promote the educator competition program would be higher. In 2022, SPEC received no sponsorship fees for our annual franchise conference from our vendors, as the event was postponed. The educator competition was not held in 2022, so no sponsorship fees were received from Redken or L'Oréal.

The cost of purchases from designated sources or according to our specifications is estimated to represent approximately 30-35% of your total purchases in connection with the establishment of your Franchised Business. After you open, the cost of purchases from designated sources or according to our specifications is estimated to represent approximately 75-80% of your total purchases to operate your Franchised Business.

Supplier Rebates

In 2022, SPEC received no rebates from our suppliers, with one vendor providing potential credits in an amount believed to be less than \$10,000 toward future development of services for the franchise system. In prior years, SPEC received rebates based on a percentage of sales by certain vendors of products to our franchisees. We may receive such rebates in the future. Other than as we disclose in this Item, in our last fiscal year we did not derive, nor do we currently expect to derive, revenue or other material consideration from required purchases or leases by franchisees.

Purchasing or Distribution Cooperatives; Purchase Arrangements

No purchasing or distribution cooperatives exist. However, we may negotiate purchase arrangements (including price terms) with suppliers in order to obtain pricing for the Franchise System that individual franchisees may not be able to obtain by dealing directly with the suppliers.

Other than the subsidies that we describe above in this item, we do not provide material benefits to you based upon your purchase of particular products or services or use of particular 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.

FRANCHISEE'S OBLIGATIONS FOR DEVELOPING A NEW SCHOOL		
OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 2.2, 4.1 and 4.21	Items 8, 11, and 12
b. Pre-opening purchases/leases	Sections 2.3, 2.4, 4.1, 4.9, 4.12, 4.13 and 4.21	Items 7, 8 and 11
c. Site development and other preopening requirements	Sections 4.1, 4.2, 4.3, 4.4 and 4.21	Items 7, 8 and 11
d. Initial and ongoing training	Sections 2.5, 2.7 and 4.21	Item 11
e. Opening	Sections 4.4 and 4.21	Items 7 and 11
f. Fees	Article 3	Items 5, 6, and 7
g. Compliance with standards and policies/ operating manuals	Sections 4.5, 4.6, 4.7, 4.8, 4.12, 4.13, 4.21, 6.1 and 6.3	Items 8 and 11
h. Trademarks and proprietary information	Section 4.21, Articles 5 and 6	Items 13 and 14
i. Restrictions on products/services offered	Sections 4.7, 4.8, 4.20 and 4.21	Item 16
j. Warranty and customer service requirements	Sections 4.7 and 4.10	Not applicable
k. Territorial development and sales quotas	Not applicable	Not applicable
l. Ongoing product/service purchases	Sections 2.3, 2.4, 4.5, 4.6, 4.7, 4.9, 4.12, 4.15 and 4.19	Item 8
m. Maintenance, appearance and remodeling	Sections 4.5, 4.6, 4.7, 4.9, 4.19, 4.21 and 16.2	Items 6 and 17
n. Insurance	Article 9	Items 7 and 8
o. Advertising	Article 7	Items 6, 7, and 11
p. Indemnification	Sections 14.2 and 18.15	Item 6
q. Owner's participation/management/staffing	Sections 4.4, 4.11 and 4.12	Item 15

FRANCHISEE'S OBLIGATIONS FOR DEVELOPING A NEW SCHOOL		
OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
r. Records/reports	Article 8	Not applicable
s. Inspections/audits	Sections 4.12, 4.22, 4.25, Article 8, and 9.3	Item 6
t. Transfer	Article 10	Items 6 and 17
u. Renewal	Article 16	Items 6 and 17
v. Post-termination obligations	Article 12	Item 17
w. Non-competition covenants	Article 13	Item 17
x. Dispute resolution	Articles 17 and 19	Item 17

FRANCHISEE'S OBLIGATIONS FOR CONVERTING AN EXISTING SCHOOL*		
OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 4.21	Items 8, 11, and 12
b. Pre-opening purchases/leases	Sections 2.3, 2.4, 4.1, 4.9, 4.12, 4.13 and 4.21	Items 7, 8 and 11
c. Site development and other preopening requirements	Sections 4.21	Items 7, 8 and 11
d. Initial and ongoing training	Sections 2.5, 2.7 and 4.21	Item 11
e. Opening	Sections 4.4 and 4.21	Items 7 and 11
f. Fees	Article 3	Items 5, 6, and 7
g. Compliance with standards and policies/ operating manuals	Sections 4.5, 4.6, 4.7, 4.8, 4.12, 4.13, 4.21, 6.1 and 6.3	Items 8 and 11
h. Trademarks and proprietary information	Section 4.21, Articles 5 and 6	Items 13 and 14
i. Restrictions on products/services offered	Sections 4.7, 4.8, 4.20 and 4.21	Item 16
j. Warranty and customer service requirements	Sections 4.7 and 4.10	Not applicable
k. Territorial development and sales quotas	Not applicable	Not applicable
l. Ongoing product/service purchases	Sections 2.3, 2.4, 4.5, 4.6, 4.7, 4.9, 4.12, 4.15 and 4.19	Item 8

FRANCHISEE'S OBLIGATIONS FOR CONVERTING AN EXISTING SCHOOL*		
OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
m. Maintenance, appearance and remodeling	Sections 4.5, 4.6, 4.7, 4.9, 4.19, 4.21 and 16.2	Items 6 and 17
n. Insurance	Article 9	Items 7 and 8
o. Advertising	Article 7	Items 6, 7, and 11
p. Indemnification	Sections 14.2 and 18.15	Item 6
q. Owner's participation/management/staffing	Sections 4.4, 4.11 and 4.12	Item 15
r. Records/reports	Article 8	Not applicable
s. Inspections/audits	Sections 4.12, 4.22, 4.25, Article 8, and 9.3	Item 6
t. Transfer	Article 10	Items 6 and 17
u. Renewal	Article 16	Items 6 and 17
v. Post-termination obligations	Article 12	Item 17
w. Non-competition covenants	Article 13	Item 17
x. Dispute resolution	Articles 17 and 19	Item 17
*NOTE FOR CONVERSION FRANCHISEES: We may (but have no obligation to) modify our requirements under the Franchise Agreement with you if, upon signing the Franchise Agreement, you already have a B&W School that you desire to convert into a Franchised Business. In such case, we will determine which of our and your respective obligations are to be waived or modified. We will make such determinations, if any, and provide, before you sign the Franchise Agreement, notice to you of such waivers or modifications. They may vary, depending on the circumstances of your preexisting operations. They may vary, also, from terms for other franchisees, regardless of whether they may be considered similarly situated. We have sole discretion to make such determinations as we deem appropriate, and you must comply with them as part of the Agreement. They control in the event of any conflict with the terms of ARTICLE 2, ARTICLE 4, or any other terms of the Franchise Agreement. Examples may, but do not necessarily, include the following: <u>For Site Selection/Construction</u> – as a conversion school, you already are operating in an existing site. Your location has been approved to operate a Franchised Business, subject to a plan to bring it into compliance with the minimum trade dress requirements that we require of you. To the extent that you receive a waiver of certain trade dress items through the renewal of your lease or the passage of a fixed period of time, you will be required to bring your location fully into trade dress compliance in the future. <u>For Training</u> – as a Conversion School, you will not undergo the pre-opening training normally required for non-conversion schools. Instead, you will receive a similar amount of training hours that such schools prior to opening and in their first year of operation during your first year as a SPEC franchise owner. We may provide training onsite, online, at regional trainings, or otherwise as we determine is appropriate to transition your school to our standards. Because all schools are different, we cannot define the hours required for training in your transition to a Franchised Business until we have received and evaluated information about your converting B&W School. Generally, the requirements for an existing B&W School to convert to a Franchised Business will be less extensive for you and us, and will take less time and investment from you. Before you sign your Franchise Agreement with us, we will provide you with the terms specific to your B&W School of any requirements that we determine are appropriate to waive or modify. If you are not satisfied with the terms you have no obligation to enter a Franchise Agreement with us.		

ITEM 10. FINANCING

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

Historically, franchisees were eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, www.franchiseregistry.com, which was eliminated in April 2023. FRANData, which administered the SBA's program, is reportedly developing a new Franchise Registry. It is unclear if this new program will be as effective or accepted as the SBA's former program. SPEC will evaluate the FRANData offering and will consider it as a replacement for the SBA Franchise Registry.

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

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

For Developing a New School-Pre-Opening Assistance

Before you open your Franchised Business, we will:

- if upon signing your Franchise Agreement the Site for your Franchised Business has not been approved, provide you with our Site-Selection Criteria. If we consider on-site evaluation necessary or appropriate (either on our own initiative or at your request), we may make on-site evaluations of your proposed Site. Our approval of a Site is not a representation or warranty that your Franchised Business will be profitable or that your sales will attain any predetermined levels—our approval only indicates that the proposed Site meets our minimum criteria for identifying sites, if any (Franchise Agreement, Sections 2.2 and 4.1);
- provide you with specifications, if any, of our requirements for design, decoration, layout, equipment, furniture, fixtures and signs for your Franchised Business (the "Design Specifications") (Franchise Agreement, Section 2.3);
- provide you with specifications, if any, for approved apparel (dress code) for your employees and/or students (Franchise Agreement, Section 2.3);
- provide you with a list of required equipment, supplies, materials, inventory and other items necessary to operate your Franchised Business and a list of approved and/or recommended suppliers of these items (Franchise Agreement, Section 2.4);
- provide you with a list of items, if any, that you must purchase from our affiliates or us (Franchise Agreement, Section 2.4);
- provide you with a list, if any, of recommended, but not required, equipment, supplies and other items, and a list of approved and/or recommended suppliers of these items (Franchise Agreement, Section 2.4);
- provide you with an initial set of forms, including various operational forms (Franchise Agreement, Section 2.4);
- supply you with a standardized chart of accounts and designate Software that you must acquire (Franchise Agreement, Section 2.4);
- provide Initial Franchise Training for you, your Operations Director, and any of your employees that we require or approve to attend training (Franchise Agreement, Section 2.5); and
- provide you a copy of the Manuals (with periodic revisions as required), which may be provided in an electronic medium, including by download from our website (Franchise Agreement, Section 2.6 – The table of contents of the present form of the Manual, including its total number of pages and the number of pages devoted to each topic, is attached to this disclosure document as Exhibit B).

For Converting an Existing School-Pre-Opening Assistance

- provide you with specifications, if any, of our requirements for design, decoration, layout, equipment, furniture, fixtures and signs for your Franchised Business (the “Design Specifications”) (Franchise Agreement, Section 2.3);
- provide you with specifications, if any, for uniforms for your employees and/or students (Franchise Agreement, Section 2.3);
- provide you with a list of required equipment, supplies, materials, inventory and other items necessary to operate your Franchised Business and a list of approved and/or recommended suppliers of these items (Franchise Agreement, Section 2.4);
- provide you with a list of items, if any, that you must purchase from our affiliates or us (Franchise Agreement, Section 2.4);
- provide you with a list, if any, of recommended, but not required, equipment, supplies and other items, and a list of approved and/or recommended suppliers of these items (Franchise Agreement, Section 2.4);
- provide you with an initial set of forms, including various operational forms (Franchise Agreement, Section 2.4)
- supply you with a standardized chart of accounts and designate Software that you must acquire (Franchise Agreement, Section 2.4);
- provide training that we determine is appropriate to transition your school to our standards for you, your Operations Director, and any of your employees that we require or approve to attend training (Franchise Agreement, Section 2.5); and
- provide you a copy of the Manuals (with periodic revisions as required), which may be provided in an electronic medium, including by download from our website (Franchise Agreement, Section 2.6 – The table of contents of the present form of the Manual, including its total number of pages and the number of pages devoted to each topic, is attached to this disclosure document as Exhibit B).

Post-Opening Assistance

During the operation of your Franchised Business, we will:

- if we consider it advisable, make staff reasonably accessible for routine consultation or other routine assistance that is not considered “special assistance” (as defined below) in person or by telephone, fax, written communication, email, or other electronic means (including Zoom or other web-based assistance). In any year of the Term, we will not count the time we spend on routine or special assistance toward the time for Regular Training until you have obtained at least 12 hours of such assistance during such year. (Franchise Agreement, Section 2.7);
- if you request non-routine guidance or other assistance (“special assistance”) to address your unusual or unique operating problems, make multiple assistance requests in a limited period, or request training of new staff after we have provided staff training to an individual in the same role, to the extent we can reasonably accommodate your request we may furnish that special assistance. Special assistance is different than the Post-Opening Training (as defined below) that we periodically offer, and we may, in our discretion, determine whether any consultation, guidance or assistance is “special assistance” or routine assistance as stated above. (Franchise Agreement, Section 2.7);

- if we consider it advisable, generally promote our franchisees through advertising and public-relations campaigns (Franchise Agreement, Section 2.7);
- if we consider it advisable, provide you with continuing advisory assistance in the operation and promotion of your Franchised Business; this assistance may include communicating new developments, improvements in equipment and supplies, and new techniques in advertising, service, and management that are relevant to operating your Franchised Business (Franchise Agreement, Section 2.7); and
- if we consider it advisable, provide refresher, advanced or additional training programs and seminars (Franchise Agreement, Section 2.7).

Advertising

For each month you must, during or within 30 days of the end of such month, spend a minimum of 2% of such month's Gross Revenues on advertising. We may periodically, but have no obligation to, designate longer periods in which we measure your average monthly expenditure on advertising during such period, in lieu of the actual advertising expenditures you make in any particular month. Except as stated above, we do not currently require you to spend any minimum amount on advertising (although we encourage you to advertise—and, we would note that while 2% is a minimum, and revenue per location varies substantially, we believe that all our schools typically spend more than the required minimum amount, with some locations spending significantly more than the required minimum amount). (Franchise Agreement, Section 7.1.a)

All advertising and promotional materials on which our proprietary marks are used, including online materials, must follow the brand guidelines outlined in the Brand Guidebook and include the applicable designation of service mark or other designation as we may specify. We may notify you to withdraw and/or discontinue the use of any promotional materials or advertising materials, even if they were previously approved, and may require you to take down online posts that do not comply. (Franchise Agreement, Section 7.1)

Internet Restrictions

Except as stated in the next paragraph, we retain the sole right to advertise on the Internet, create or operate a website or sites, and use the Proprietary Marks as part of any domain name. We exclusively own all rights in those domain names. You have no ownership interests in those domain names or any domain names that may be confusingly similar. You shall not register any domain name in any class or category that contains the words ***The Salon Professional Academy, Elevate Salon Institute, Spa Pro Academy or Powered by SPEC***, or any abbreviation, acronym, component, or variation of these words (except that no prohibition exists to using "THE" or "SALON" independently from any other term or terms which you are otherwise restricted from using).

We shall maintain a website that provides general information about the System. In addition, in consideration of an initial website fee and an ongoing monthly fee, our designated supplier shall establish and maintain a microsite for your Franchised Business. The current website fee is \$119 per month. The approved vendor that offers the website may periodically increase the monthly fee as described in Item 6. You shall have the option to customize some elements of the content of your microsite. For administrative purposes, we may require you to pay the monthly website fee directly to us instead of the third-party supplier. As noted above, you shall have the right to advertise, market, or otherwise promote your Franchised Business on the Internet or through any social media as long as you comply with our Internet policies periodically in effect. Except as provided in this paragraph, without our prior written consent, you shall not develop, establish, operate, own, license, use or participate in a website on which the Proprietary Marks appear or otherwise use any of the Proprietary Marks on or in connection with the

Internet, including (a) in domain names (including top level or country code domain names and folder extensions in domain names), (b) in metatags in your website, (c) in social media user names, (d) by publishing, linking or deep linking to any of our websites in connection with social media websites, or (e) in sponsored advertising programs. (Franchise Agreement, Section 7.3). You must disclose to us all social media accounts which you set up and follow all requirements set forth in the Brand Guidebook. The primary Facebook business page for the school must be set up initially by an approved marketing vendor and reviewed by us prior to launch. The fees for setting up the Facebook business page are included in the initial marketing expenditures. If we review a social media posting and ask you to remove it for any reason, in our sole discretion, you must do so within two business days.

Marketing Funds, Cooperatives, and Advertising Councils

Although we currently do not have a marketing fund, cooperative, or advertising council, we reserve the right to establish a marketing fund, cooperative, or advertising council in the future. If we establish a marketing fund, we will administer the fund, and may require you to contribute to the fund. We have no company-owned units, but we expect that if we have any in the future that they will also be on the same basis. We intend to require substantially all franchisees who buy franchises after the date of this offering to contribute at the same rate. The purpose of an advertising council would be to advise us about advertising, marketing, operations, new product and services suggestions, and other matters relating to the System. (Franchise Agreement, Section 7.2). We currently do not require you to join a regional or local advertising cooperative. We are not required to spend any amount on advertising in the area or territory where your Franchised Business is located. If we establish a marketing fund in the future, the fund will not be independently audited; however, a report of the operations of the fund will be prepared every year at the expense of the fund and you will be able to obtain a copy either electronically or by mail upon written request.

Computer System

To operate your Franchised Business, you must obtain and use a Computer System according to our specifications. All systems must meet the specifications below or receive our waiver in writing. Computer hardware and the appropriate software for the Computer System must comply with specifications that are established by us. The specifications will be reviewed annually and may be revised by us in the future as needed to maintain a stable and secure information system. We may require you to use our designated suppliers. (Franchise Agreement, Section 4.9) Your Computer System must comply with US Department of Education Cybersecurity requirements as described on the following government website: <https://fsapartners.ed.gov/title-iv-program-eligibility/cybersecurity>.

Your Computer System will include point-of-sale hardware and software; at least one on premises server with hosted backup or simply a hosted offsite server equivalent; at least three PC workstations or laptop computers, with Windows 10 or greater operating system (Apple devices are not allowed due to the limited ability to control security using server-driven policies); high-capacity internet connectivity; QuickBooks (to calculate and record accounting and financial information necessary for the operation of your Franchised Business); and compliant anti-virus and firewall capabilities. Given the nature of technology, the specific requirements for the foregoing are subject to change. We estimate the cost for the Computer System to be between \$7,500 and \$10,000.

You must maintain in good repair, upgrade, replace, update, and otherwise improve your Computer System and other computer hardware and software as may be required in the future by us. There are no limitations on the frequency and cost of your obligation to maintain, upgrade, update, and otherwise improve your Computer System and other computer hardware and software. However, you will not be required to replace the entire Computer System more frequently than once every two years. (Franchise

Agreement, Section 4.9). We estimate the initial cost to maintain, upgrade and/or update QuickBooks will be between \$400 and \$700 (depending on the software options selected) There may be additional renewal/update fees every three years. We estimate the annual cost to maintain, upgrade and/or update the other components of your Computer System or other computer hardware and software will range from \$2,000 to \$5,000.

We have the right to independently access and retrieve any data and information from your Computer System. You must provide us any assistance we require to provide us with this independent access, including preparing summaries and analyses that we may request. There are no contractual limits on our right to access this information and data, including tax returns requiring reporting of income or expenses from your franchised business. (Franchise Agreement, Section 4.9)

The Site for Your Franchised Business

You are solely responsible for selecting the Site of the Premises for your Franchised Business. We merely have the right to approve or disapprove your selection. If a Site for your Franchised Business has not yet been selected and approved at the time you sign your Franchise Agreement, you must select a Site acceptable to us within the Reserved Area in the manner described below. (Franchise Agreement, Section 4.1)

If you have not selected an approved Site by the time you sign your Franchise Agreement, you must submit to us a proposed Site within the Reserved Area within 120 days after signing your Franchise Agreement. We will not unreasonably withhold approval of any site that meets our Site-Selection Criteria. Our Site-Selection Criteria include minimum standards, if any, for or concerning demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the proximity to other businesses and the nature of these businesses, the size, appearance, and other physical characteristics of the Site, and any other factors that we may consider relevant to approving or disapproving a Site. We will review Site approval submissions on a first-in basis. If we reject your selected Site, you have 90 days after delivery of written notice of rejection to submit a new Site within the Reserved Area for our written approval. If a Site has not been approved by us within 210 days of the date that you sign your Franchise Agreement, we may terminate your Franchise Agreement. Within 270 days after the date you sign your Franchise Agreement, you must, at your expense, complete the acquisition or lease arrangements to acquire or lease the Premises for your Franchised Business. If you do not complete the acquisition or lease of the Premises within this 270-day period, we may terminate your Franchise Agreement. (Franchise Agreement, Section 4.1)

We provide for certain requirements that may assist you in connection with the construction of your premises. We provide the details of those requirements in Item 8 under the heading “Construction of the Premises.”

Time between Signing Your Franchise Agreement and Opening the Franchised Business

The typical length of time between your signing of your Franchise Agreement and the opening of your business is expected to be from six to twelve months. Factors that may affect this typical time period include your ability to negotiate and obtain a lease at a satisfactory location, negotiate and obtain financing, procure the requisite building permits, comply with zoning and local ordinances, install equipment, fixtures, and signage, recruit competent staff, and schedule and complete Initial Franchise Training. However, if you do not satisfy all of the conditions pertaining to opening your Franchised Business as stated in your Franchise Agreement and open your Franchised Business within 12 months of the date you sign your Franchise Agreement, we may terminate your Franchise Agreement.

Employees

You are exclusively responsible for the terms of your employees' employment and compensation and, except for training provided by us under your Franchise Agreement, for the proper training of your employees in operating your Franchised Business. You are solely responsible for making and performing all employment decisions and functions, including those related to hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping. We may require that you have your employees execute a confidentiality agreement, of which we are a beneficiary. Whether or not we do, you are responsible for any breaches of confidentiality by your employees.

Training

Initial Franchise Training

We will provide your Trainees with a minimum of 178 hours of pre-opening Initial Franchise Training for operating your Franchised Business ("Initial Franchise Training") at a location designated by us, which may be on-site, online, at our training facilities in Fargo, North Dakota, or at another training location in the US that we designate. A "Trainee" is any person required or approved by us to attend Initial Franchise Training. Currently, the Franchise Owner and your Operations Director are required to attend Initial Franchise Training. All Trainees must complete all Initial Franchise Training to our satisfaction. At our expense, we provide instructors, facilities, and training materials in connection with Initial Franchise Training for you to provide instruction at your B&W School in all services that we authorize you to deliver to your students to help them comply with the state certification requirements in your state. It includes instruction in the following areas: B&W School education and training; recruiting and admissions; marketing, promotions, and advertising; management; hiring; operations; and computer applications. You are responsible for all other expenses the Trainees incur in connection with attending Initial Franchise Training (including travel, lodging, and meal expenses). In our sole discretion, we may provide Initial Franchise Training to multiple franchisees at the same time. You are responsible to ensure that all Trainees attend Initial Franchise Training at the applicable times and locations offered by us, which training is generally held at least 30-60 days before opening your Franchised Business and generally during normal business hours. We have no obligation to provide Initial Franchise Training at other times or locations, or on an individual franchisee basis. We reserve the right to modify the content of Initial Franchise Training. (Franchise Agreement, Section 2.5)

If we determine that any Trainee has failed to satisfactorily complete Initial Franchise Training by the scheduled Opening Date of your Franchised Business, we may, at your expense, retrain the failing Trainee or allow you to hire a substitute Trainee who must attend and satisfactorily complete Initial Franchise Training. Alternatively, we may elect to terminate the Franchise Agreement. (Franchise Agreement, Section 2.5)

The following charts show the subject, hours of classroom training, hours of on-the-job training, and the location where the training is held for Initial Franchise Training:

TRAINING PROGRAM (Initial Franchise Training-Before Opening)

SUBJECT	HOURS OF TRAINING	LOCATION WHERE TRAINING HELD
Introduction to Franchise Training and the System	6 hours	Online/webcast; telephone
Site Selection and Buildout	18 hours	Online/webcast; telephone
Marketing	3 hours	Online/webcast; telephone

SUBJECT	HOURS OF TRAINING	LOCATION WHERE TRAINING HELD
Management of Books and Records; Inventory Management	1 hour	Online/webcast; telephone
Admissions/Regulatory Training	46 hours	Online/webcast; telephone
Education/Operations Training; SSTA Management	93 hours	Online/webcast; telephone
Staff Development Training	11 hours	Online/webcast; telephone
TOTAL	178 hours	

Heather Kelts has worked in the B&W school industry for over 17 years. She was Operations Director of TSPA Fort Myers for three years after working two years in the Financial Aid role. She joined SPEC in 2016 and provides training in Financial Aid, operations, and regulatory compliance.

Kerri Schultz has been in the beauty industry for over 30 years. She holds licenses in cosmetology, esthetics, and as a beauty culture instructor. Ms. Schultz worked as an educator for TSPA Evansville, IN, for more than ten years, where she served as a Lead Educator (and was recognized as SPEC's "Educator of the Year" in 2016). She joined SPEC in 2016 and provides training in education and systems.

Amber Fox has worked in the cosmetology industry for over 17 years, including a decade at TSPA Shorewood, Illinois, where she was Director of Education, and later served as Operations Director (and was recognized as SPEC's "Operations Director of the Year" in 2017). Since 2019, she has provided training in classroom and salon area education, as well as school operations.

Kirsten Stroud has more than 20 years of marketing experience in a range of industries. She joined SPEC in March 2022 and provides training in marketing.

Becky Bloechle has more than 15 years of higher education experience, with a focus on admissions. She joined SPEC in March 2022 and provides training in student recruitment and admissions management.

Your instructional materials for the training may include the following: the Manuals, videos, job aides, workbooks other online materials.

Post-Opening Training

We will offer the following amounts of additional training programs and seminars (collectively, "Regular Training"): (i) during the first year following your Opening Date, 164 hours of Regular Training; (ii) during the second year following the Opening Date, 121 hours of Regular Training; (iii) during the third and fourth years following the Opening Date, 100 hours of Regular Training; and (iv) each of the subsequent years following the Opening Date, 76 hours of Regular Training. We may also offer refresher, advanced or additional programs and seminars over and above the Regular Training ("Advanced or Refresher Training," and collectively with the Regular Training, "Post-Opening Training"). Post-Opening Training shall be offered at a location designated by us, which may be on-site, online, at our principal training facility, or at another location designated by us. We may require you, your Operations Director and any of your other employees that we may designate to attend Post-Opening Training. At our expense, we shall provide instructors, facilities, training materials, and technical training tools in connection with the Regular Training. You are responsible for all other expenses your attendees incur in connection with attending Regular Training, including all travel, lodging, and meal expenses. However, you are solely responsible for all costs and expenses associated with any Advanced or Refresher Training, including the then current training fee we charge for this training, if any, as well as all travel, meal, and lodging expenses that your attendees incur, if any. In our discretion, we may provide Post-Opening Training to multiple franchisees

at the same time. You are responsible to ensure that your attendees attend Post-Opening Training at the applicable times and locations offered by us. We have no obligation to provide Post-Opening Training at any specific times or locations, or on an individual franchisee basis. If you do not complete the full amount of hours of the Regular Training offered to you in any year of the Term, you may not carry over any unused hours to the next year of the Term. Post-Opening Training may include instruction in one or more of the following areas: marketing, promotions, and advertising; management; B&W School education and training; recruiting and admissions; student placement; accreditation; and operations. We reserve the right to modify the content of the Post-Opening Training. (Franchise Agreement, Sections 2.5 and 2.7)

Assistance vs. Training.

Neither routine nor special assistance that we may provide as outlined above in the “Post-Opening Assistance” section of this Item shall be considered Post-Opening Training (though time devoted in excess of the limits set forth in your franchise agreement may count toward the time we offer for Regular Training). Routine and special assistance may be provided by us upon your request and are specific to your Franchised Business. Post-Opening Training will be made available by us to multiple franchisees and not necessarily upon your prior request. Accordingly, you cannot require or request Post-Opening Training, but can only participate in any Post-Opening Training offered by us.

ITEM 12. TERRITORY

Grant for a Specific Area

Your franchise is granted for a specific location that you select and we approve if acceptable. This location may not be changed. If we, in our sole discretion, decide to permit relocation of your Franchised Business, one factor we may consider is whether the proposed new site meets our then current Site-Selection Criteria (our current Site-Selection Criteria are discussed in Item 11, but these criteria may periodically change.)

You may operate your Franchised Business only at the Premises specifically designated in your Franchise Agreement and not from or at any other location, whether on a permanent or temporary basis, even if the location is within the Protected 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.

Your license of the Proprietary Marks is not exclusive. However, as long as you comply with your franchise agreement, we grant you a “protected territory.” Your Protected Territory will be designated and described in your Franchise Agreement. The size and scope of the Protected Territory will be determined according to a number of factors, including the population, demographics, competition, location of any existing franchises in the area, and site availability. A protected territory will generally consist of a geographic area that has a population of approximately 600,000 to 1 million individuals, measured according to publicly available population information (such as that produced by the U.S. Census Bureau or other governmental agency or commercial source). However, we reserve the right to define the Protected Territory by other factors. You have the right to solicit and service customers and students that reside outside of your Protected Territory (including through the Internet and direct marketing) as long as those customers or students do not reside within any other franchisee’s protected territory. During the Term, if you are not in default, we may not ourselves operate—or grant a third party the right to operate—a B&W School using your Selected Trademark and the System within your Protected Territory.

As noted in the prior paragraph, you will receive at Protected Territory, but it will not be an exclusive territory. You may face competition from other franchisees or from outlets that we own that operate under a different proprietary mark.

In addition to competition from other franchisees or outlets that we operate, additional competition may arise from various sources, as described this generally in Item 1. In addition to our right to use and grant others the right to use the Proprietary Marks anywhere outside the Protected Territory, all rights not expressly granted to you in your Franchise Agreement concerning the Proprietary Marks or other matters are reserved by us, including (a) the right to sell, within or outside your Protected Territory, through dissimilar channels of distribution (including the Internet), or through any of the trademarks you were entitled to select as your Selected Trademark but did not, under any terms that we consider appropriate, products and services similar or identical to those authorized for your Franchised Businesses using the Proprietary Marks; and (b) the right to establish, develop, and license or franchise other systems, different from our franchise system licensed under your franchise agreement, within or outside the Protected Territory, without offering or providing you any rights in, to, or under the other systems. Additionally, if we acquire a competitive system, we have a limited period of one year to transfer or close that system's schools in the Protected Territory.

There are no other circumstances that permit us to modify your Protected Territory rights.

We need not pay you any compensation if we exercise any of the rights specified above inside your Protected Territory.

The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency—it does depend, however, on complying with your Franchise Agreement.

Your Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises within your protected territory or contiguous territories.

ITEM 13. TRADEMARKS

Principal Trademarks

Under your Franchise Agreement, we grant you the right to operate your Franchised Business under **SPEC**, the **SPEC logo**, and your Selected Trademarks. These are the principal trademarks used to identify your Franchised Business and are owned by us. The following tables summarize the pertinent information concerning our principal trademarks as they pertain to you.

The following pertains to you regardless of your Selected Trademark:

TRADEMARK REGISTERED ON THE U.S. PATENT AND TRADEMARK OFFICE ("PTO") PRINCIPAL REGISTER			
TRADEMARK	OWNER	REGISTRATION NO.	REGISTRATION DATE
SPEC	SPEC	4,526,714	5/6/2014
 SPEC logo	SPEC	4,526,715	5/6/2014

On August 28, 2019, the Patent and Trademark Office accepted our Section 8 & 15 affidavits for the marks SPEC, registration number 4,526,714 and SPEC logo, registration number 4,526,715.

If your Selected Trademark is ***The Salon Professional Academy***, the following pertains to you:

TRADEMARK REGISTERED ON THE U.S. PATENT AND TRADEMARK OFFICE ("PTO") PRINCIPAL REGISTER			
TRADEMARK	OWNER	REGISTRATION NO.	REGISTRATION DATE
THE SALON PROFESSIONAL ACADEMY	SPEC	4,010,746	8/16/2011
THE SALON PROFESSIONAL ACADEMY LOGO 	SPEC	4,523,016	4/29/14

On September 29, 2020, the Patent and Trademark Office accepted our Section 8 and 9 affidavits for the mark THE SALON PROFESSIONAL ACADEMY, Registration no 4,010,746. On August 28, 2019, the Patent and Trademark Office accepted our Section 8 and 15 affidavits for the mark THE SALON PROFESSIONAL ACADEMY logo, Registration number 4,523,016.

If your Selected Trademark is ***Elevate Salon Institute***, the following pertains to you:

TRADEMARK REGISTERED ON THE U.S. PATENT AND TRADEMARK OFFICE ("PTO") PRINCIPAL REGISTER			
TRADEMARK	OWNER	REGISTRATION NO.	REGISTRATION DATE
ELEVATE SALON INSTITUTE	SPEC	5,481,260	5/29/2018

Because the mark ELEVATE SALON INSTITUTE, Registration no. 5,481,260, has not yet been registered for five years, we have not yet filed Section 8 or 15 affidavits.

If your Selected Trademark is ***Spa Pro Academy***, the following pertains to you.

TRADEMARK REGISTERED ON THE U.S. PATENT AND TRADEMARK OFFICE ("PTO") SUPPLEMENTAL REGISTER			
TRADEMARK	OWNER	REGISTRATION NO.	REGISTRATION DATE
SPA PRO ACADEMY	SPEC	6,783,919	7/05/2022

Because the mark SPA PRO ACADEMY, Registration no. 6,783,919, has not yet been registered for five years, we have not yet filed Section 8 or 15 affidavits.

Currently Effective Trademark Determinations

There are no currently effective material determinations of the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation proceedings; or pending material litigation involving the principal marks.

Agreements Significantly Limiting Your Rights to Use the Marks

There are no agreements that significantly limit our right to use or license the use of our principal marks in a manner material to you.

Protection of Your Right to Use the Trademarks

If you become aware of any claim of infringement, unfair competition, or other challenge to your right to use the Proprietary Marks, you must notify us within seven days. In our sole discretion, we determine whether to take any action in connection with any infringement, challenge or claim, and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim.

We will indemnify you for all damages for which you are held liable pursuant a final, binding, and non-appealable judgment entered in connection with any litigation or proceeding arising out of your use of our Proprietary Marks. But we need do so only if:

- your use of the Proprietary Marks was in accordance with your Franchise Agreement;
- you timely notified us of the litigation or proceeding and the underlying claim in accordance with your Franchise Agreement;
- you give us sole control of the defense and settlement of the action in accordance with your Franchise Agreement; and
- you have complied with the other provisions of your Franchise Agreement.

If we believe that it is appropriate to modify or discontinue using any Proprietary Mark or use one or more additional or substitute names or marks, you must modify or discontinue the use of that Proprietary Mark within 360 days of our request (or a shorter period we may designate if we deem necessary or desirable). We may reimburse you by granting you a credit for these expenditures against Royalty Fees due to us. If this occurs, we are liable solely to reimburse you for your reasonable direct printing and signage expenses incurred to modify or discontinue the use of the Proprietary Mark and to substitute a different mark. These reimbursable expenses do not include any expenditures you make to promote a modified or substituted mark.

Knowledge of Superior Rights or Infringing Uses

We have no actual knowledge of superior prior rights or infringing uses that could materially affect your use of the principal marks in this state or the state in which your Franchised Business is to be located.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.

No patents are material to the franchise. The Manuals may be subject to federal copyright protection, although we have not filed federal-copyright applications for these materials. We have no obligation to defend, or indemnify you for, your use of copyrighted materials.

You must maintain the confidentiality of the Manuals, as well as all knowledge, know-how, technologies, techniques and other proprietary information that we reveal to you as being confidential or a reasonable person would expect it to be considered confidential, and treat this information as trade secrets. You must strictly limit access to the confidential information to your employees who have a “need to know” in order to perform their jobs. All persons to whom you grant access to the Manuals or any other confidential information must be required to comply with the confidentiality provisions of your Franchise Agreement and may be required to sign our standard confidentiality agreement. You may use our Proprietary Property only in connection with operating your Franchised Business in accordance with the terms of your Franchise Agreement, and, without our written consent, you shall not sublicense or otherwise grant any third party the right to use our Proprietary Marks in their advertising, website or otherwise.

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

Your Franchised Business must be supervised by an operations director (your “Operations Director”). Your Operations Director shall devote, on a full-time basis, his or her best efforts to managing and operating your Franchised Business. At all times it is open for business, your Franchised Business requires your Operations Director’s day-to-day supervision. A Franchise Owner* must either serve as your Operations Director or you must hire a qualified individual to serve as your Operations Director. The initial and any successor Operations Director must, to our satisfaction, complete Initial Franchise Training and meet our minimum requirements, if any, for education, certification, as well as experience relevant to managing operating your Franchised Business. If your Operations Director is an individual other than a Franchise Owner, and your Operations Director fails to satisfy his or her obligations due to death, disability, termination of employment, or for any other reason, a Franchise Owner, who has previously completed the Initial Franchise Training shall satisfy these obligations until you designate a new Operations Director of your Franchised Business in accordance with our requirements.

We may require each Franchise Owner and your Operations Director to agree to be bound by the same confidentiality, non-competition and non-solicitation obligations as you.

*The “Franchise Owner” is: (a) if Franchisee is one or more individuals, each such individual; (b) if Franchisee is an entity, each individual that, directly or indirectly, owns any ownership or voting interests in such entity.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We currently provide the option for you to train students in hairstyling, cosmetology, esthetics, barbering, nails and/or massage. However, we may change the types of authorized goods and services that you must sell and there are no limits to our right to make changes.

You may operate your Franchised Business only at the Premises and not from or at any other location, whether on a permanent or temporary basis, even if the location is within the Protected Territory.

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

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 16.1	Initial term is 15 years.
b. Renewal or extension	Section 16.2	If you satisfy the conditions in the Franchise Agreement, you may obtain a Successor Franchise Agreement for one additional term of 15 years.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
c. Requirements for you to renew or extend	Section 16.2	Requirements to renew or extend include that you must: Provide prior notice to us; satisfy all monetary obligations to us; not be in default (and not have received three or more notices of default during term); sign a Successor Franchise Agreement, the terms of which may materially differ from the terms of your initial franchise agreement (including an increased Royalty Fee and Technology Fee, if any); sign a release; reimburse us for all expenses incurred entering the Successor Franchise Agreement (but not more than \$5,000); perform any required renovation or replacement of equipment and facilities; and be lawfully entitled to occupy the Premises for the entire Successor Term.
d. Termination by you	None	Not Applicable
e. Termination by Franchisor without cause	None	Not Applicable
f. Termination by Franchisor with cause	Sections 11.1, 11.2, and 11.3	We can terminate your Franchise only if you default under the Franchise Agreement.
g. " <u>Cause</u> " defined-curable defaults	Section 11.3	You have 30 days after notice to cure all defaults other than those in Sections 11.1 and 11.2 of the Franchise Agreement.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. <u>"Cause"</u> defined-non-curable defaults	Sections 11.1 and 11.2	Non-curable defaults include: bankruptcy; insolvency; appointment of a receiver; abandoning your Franchised Business; breach of confidentiality and non-competition covenants; forbidden transfer of your rights or the Franchise Agreement; failure to pay any amount due us within 10 days after we deliver notice of nonpayment; misuse or unauthorized use of the Proprietary Property; receiving three or more notices of default in any 12 month period (regardless of whether the defaults were cured); default by you or any of your affiliates under any agreement with third parties that we require you to enter according to your Franchise Agreement.
i. Your obligations on termination/nonrenewal	Article 12	Obligations include: ceasing current operations; at our option assigning your lease to us; distinguishing future operations; paying amounts due; removal of internet references; and returning Confidential Information.
j. Assignment of contract by Franchisor	Section 10.1	No restrictions on our right to assign.
k. <u>"Transfer"</u> by you-defined	Section 10.2	Without our prior written consent, you may not sell, assign, convey, or otherwise dispose of—voluntarily, involuntarily, directly or indirectly, by operation of law or otherwise—any direct or indirect interest in your Franchise Agreement. The term <u>"transfer"</u> refers to any of the preceding actions. A transfer of 25% or more of the ownership or voting interests in corporate, limited liability company, or partnership franchisees, is considered a transfer of an interest in your Franchise Agreement.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
l. Franchisor's approval of transfer by franchisee	Sections 10.2 and 10.4	We have the right to approve all transfers, except the following transfers (if the conditions in your Franchise Agreement are met): (a) from an individual franchisee to a wholly-owned corporation or limited liability company (as long as the individual owners guarantee all obligations of the entity); or (b) of all or part of an interest in you to one of the other original shareholders, members, or partners. However, we will not unreasonably withhold our consent to a proposed transfer if all of the conditions in Section 10.2 of your Franchise Agreement are met.
m. Conditions for Franchisor's approval of transfer	Section 10.2	Conditions include: We have not exercised our right of first refusal; you are not in default; transferee has sufficient experience; transferee satisfactorily completes our application; at our option, transferee assumes all your obligations as stated in an assignment and assumption agreement or signs our then standard form of franchise agreement (the terms of which may significantly differ from the terms of your Franchise Agreement—including an increased Royalty Fee and Technology Fee, if any); transferee agrees to perform required renovations and replacements of equipment, and completes training; transferee or transferor pays a \$25,000 transfer fee; and transferee and you satisfy any other conditions we reasonably impose.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
n. Franchisor's right of first refusal to acquire your business	Section 11.4	We can match any offer or offers for: (a) the ownership interests of one or more Franchise Owners that, if one or more of the offers are consummated, would result in the transferee owning a majority of the ownership interests or profits of the Franchisee; (b) your interest in the Franchise Agreement; or (c) for all or a material part of your assets. We have no right of first refusal if the proposed transferee is your spouse, son, or daughter, or a trust formed for those individuals.
o. Franchisor's option to purchase your business	None	Not Applicable
p. Death or disability of franchisee	Section 11.3	If a Franchise Owner is serving as your Operations Director and he or she dies or becomes disabled, you have six months to retain a replacement to perform his or her obligations under the Franchise Agreement. If a satisfactory replacement is not hired within that six-month period, that Franchise Owner (or his or her legal representative) must transfer his or her ownership interests in Franchisee in accordance with your Franchise Agreement within an additional six months.
q. Non-competition covenants during the term of the franchise	Article 13	No involvement with a competing business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Article 13	For 24 months after expiration or termination of your Franchise Agreement no involvement with a competing business within 50 miles of your Premises or the premises of any other B&W School business authorized to use your Selected Trademark that is either to open in a reserved area or specific location that we already approved, or that is already open.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
s. Modification of the agreement	Article 13 and Sections 6.3, 19.2, and 19.3	No modifications unless signed by the party against whom enforcement is sought, but we may unilaterally revise the Manuals, modify our System, and reduce the scope of your non-compete covenant.
t. Integration/merger clause	Section 19.19	Only the terms of the Franchise Agreement and other contracts that you sign in connection with such agreement are intended to be binding (subject to state law). We do not intend for any other promises or representations to be enforceable. This is not intended to disclaim, or require you to waive reliance on, any representation made in this Franchise Disclosure Document, except with respect to specific contract terms and conditions stated in this Franchise Disclosure Document that you voluntarily waive during the course of franchise-sale negotiations.
u. Dispute resolution by arbitration or mediation	Articles 17	Many types of disputes must be mediated or arbitrated in Cass County, North Dakota.
v. Choice of forum	Section 19.11	Litigation must be brought in the courts of record of the State of North Dakota, Cass County, or the District Court of the United States, District of North Dakota. But we may seek injunctive relief in any jurisdiction that has jurisdiction over you. The parties waive their right to a jury trial. All the foregoing terms are subject to state laws.
w. Choice of law	Section 19.10	Except to the extent the Lanham Act, Copyright Act, or Federal Arbitration Act governs, North Dakota law applies, subject to state laws.

NOTE: The provision in the Franchise Agreement which terminates your Franchised Business upon your bankruptcy may be unenforceable under federal bankruptcy law Title 11, United States Code Section 101.

ITEM 18. PUBLIC FIGURES

We do not currently use any public figure to promote our franchise system, but we reserve the right to do so in the future.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATION

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

The following information pertains to historic performance of a subset of existing franchised locations.

Basis and Assumptions

	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Percent Above Average</u>	<u>Percent Below Average</u>
First Quartile	2,397,472	3,486,396	1,724,521		
Second Quartile	1,466,770	1,634,066	1,364,657		
Third Quartile	989,459	1,154,436	873,581		
Fourth Quartile	677,310	868,896	349,428		
Overall	1,382,753	3,486,396	349,428	42.9%	57.1%
Note: Each quartile represents seven schools.					

We had 28 franchised locations that operated in 2022, with a 29th location opening midyear. Of the 28 locations that were open for the full year, four operated under ELEVATE SALON INSTITUTE brand and 24 operated under THE SALON PROFESSIONAL ACADEMY brand. As Title IV schools or schools in the process of qualifying for Title IV, all of the franchisees are required to have their financial statements audited by an independent auditor, which is reflected in the revenue data reported above (results for four of the schools are for the fiscal year ended June 30, 2022, one is for the fiscal year ended October 31, 2022, one is for the fiscal year ended November 30, 2022, and the balance are for the fiscal year ended December 31, 2021, as 2022 audits for these schools are not yet available as of the date of this FDD).

Schools in the top quartile are older schools that, with all but one school generally following the SPEC business model. Each of the top quartile schools qualified for Title IV for all of 2022. Five of the seven schools in the second quartile qualified for Title IV for all of 2022, with all of the schools in this quartile generally following the SPEC business model. Four of the seven schools in the third quartile qualified for Title IV for all of 2022, with all of the schools in this quartile generally following the SPEC business model. Each of the schools in the fourth quartile qualified for Title IV for all of 2021, with four of the schools in this quartile generally following the SPEC business model and the other three schools being the poorest performers in the system and among the least compliant.

Median: In 2022, twelve (44.8%) B&W franchised locations had revenue above the overall average of \$1,382,753. In 2022, sixteen (55.2%) B&W franchised locations had revenue below the overall average of \$1,382,753.

Some outlets have earned the amounts specified. Your individual results may differ. There is no assurance that you will do as well. If you rely upon our figures, you must accept the risk of not doing as well. Written

substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income from us, our employees or our representatives, you should report it to the franchisor's management by contacting Jill Krahn at SPEC, 4377 15th Avenue South, Fargo, ND 58103, 888-478-6856 (or JKrahn@SPECfranchise.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2020 TO 2022

TABLE 1

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR TSPA/ESI/SPA	OUTLETS AT THE END OF THE YEAR TSPA/ESI/SPA	NET CHANGE TSPA/ESI/SPA
FRANCHISED	2020	29/7/0	27/7/0	-2/0/0
	2021	27/7/0	28/7/0	+1/0/0
	2022	28/7/0	27/7/0	-1/0/0
COMPANY- OWNED	2020	0/0/0	0/0/0	0/0/0
	2021	0/0/0	0/0/0	0/0/0
	2022	0/0/0	0/0/0	0/0/0
TOTAL OUTLETS	2020	29/7/0	27/7/0	-2/0/0
	2021	27/7/0	28/7/0	+1/0/0
	2022	28/7/0	27/7/0	-1/0/0

**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR THE YEARS 2020 TO 2022**

TABLE 2

STATE	YEAR	NUMBER OF TRANSFERS TSPA/ESI/SPA
MICHIGAN	2020	0/0/0
	2021	0/0/0
	2022	0/0/0
WASHINGTON DC	2020	0/0/0
	2021	0/0/0
	2022	0/0/0
NORTH CAROLINA	2020	0/0/0
	2021	0/0/0
	2022	0/0/0
TOTAL OUTLETS	2020	0/0/0
	2021	0/0/0
	2022	0/0/0

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2020 TO 2022**

TABLE 3

STATE	YEAR	OUTLETS AT START OF YEAR TSPA/ESI/ SPA	OUTLETS OPENED TSPA/ESI/ SPA	TERMI- NATIONS TSPA/ESI/ SPA	NON-RE- NEWALS TSPA/ESI/ SPA	REAC- QUIRED BY FRAN- CHISOR TSPA/ESI/ SPA	CEASED OPERA- TIONS- OTHER REA- SONS TSPA/ESI/ SPA	OUTLETS AT END OF THE YEAR TSPA/ESI/ SPA
CA	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
CO	2020	1/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
	2021	1/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
	2022	1/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
FL	2020	4/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/1/0
	2021	4/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/1/0
	2022	4/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/1/0

STATE	YEAR	OUTLETS AT START OF YEAR TSPA/ESI/ SPA	OUTLETS OPENED TSPA/ESI/ SPA	TERMI- NATIONS TSPA/ESI/ SPA	NON-RE- NEWALS TSPA/ESI/ SPA	REAC- QUIRED BY FRAN- CHISOR TSPA/ESI/ SPA	CEASED OPERA- TIONS- OTHER REA- SONS TSPA/ESI/ SPA	OUTLETS AT END OF THE YEAR TSPA/ESI/ SPA
IA	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
IL	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0
ID	2020	1/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
	2021	1/1/0	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
IN	2020	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
	2021	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
	2022	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
MI	2020	2/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/0
	2021	2/1/0	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/0
	2022	2/2/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/0
MN	2020	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
	2021	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
	2022	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
NC	2020	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0
	2021	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0
	2022	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0
NJ	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
NY	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
ND	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
OH	2020	1/0/0	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2021	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2022	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0

STATE	YEAR	OUTLETS AT START OF YEAR TSPA/ESI/ SPA	OUTLETS OPENED TSPA/ESI/ SPA	TERMI- NATIONS TSPA/ESI/ SPA	NON-RE- NEWALS TSPA/ESI/ SPA	REAC- QUIRED BY FRAN- CHISOR TSPA/ESI/ SPA	CEASED OPERA- TIONS- OTHER REA- SONS TSPA/ESI/ SPA	OUTLETS AT END OF THE YEAR TSPA/ESI/ SPA
PA	2020	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
	2021	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
	2022	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
SC	2020	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0
	2021	0/1/0	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0
	2022	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
SD	2020	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
TN	2020	1/0/0	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2021	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2022	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
TX	2020	4/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/1/0
	2021	4/1/0	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	4/2/0
	2022	4/2/0	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	4/1/0
VA	2020	0/0/0	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2021	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Wash. D.C.	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
WI	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2022	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Manitoba, Canada	2020	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
	2021	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2022	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
TOTAL	2020	29/7/0	1/0/0	3/0/0	0/0/0	0/0/0	0/0/0	27/7/0
	2021	27/7/0	1/2/0	0/2/0	0/0/0	0/0/0	0/0/0	28/7/0
	2022	28/7/0	0/1/0	1/1/0	0/0/0	0/0/0	0/0/0	27/7/0

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2020 TO 2022**

TABLE 4

STATE	YEAR	OUTLETS AT START OF YEAR TSPA/ESI/ SPA	OUTLETS OPENED TSPA/ESI/ SPA	OUTLETS REACQUIRED FROM FRANCHISEE TSPA/ESI/SPA	OUTLETS CLOSED TSPA/ESI/ SPA	OUTLETS SOLD TO FRANCHISEE TSPA/ESI/SPA	OUTLETS AT END OF THE YEAR TSPA/ESI/SPA
TOTAL	2020	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2021	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
	2022	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0

PROJECTED OPENINGS AS OF DECEMBER 31, 2022

TABLE 5

STATE	FRANCHISE AGREE- MENTS SIGNED BUT OUTLETS NOT OPENED TSPA/ ESI/ SPA	PROJECTED NEW FRAN- CHISED OUTLETS IN THE NEXT FISCAL YEAR TSPA/ ESI/ SPA	PROJECTED NEW COM- PANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR TSPA/ ESI/ SPA
Florida	1/0/0	0/0/0	0/0/0
Minnesota	1/0/0	0/0/0	0/0/0
Virginia	1/1/0	0/0/0	0/0/0
Texas	0/1/0	0/0/0	0/0/0
Total	3/2/0	0/0/0	0/0/0

A list of the names, addresses and telephone numbers of all the franchises under franchise agreements with us as of December 31, 2022, is attached as Exhibit E to this disclosure document.

A list of the names, addresses and telephone numbers of franchisees who have had a franchise agreement terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date, is attached as Exhibit F to this disclosure document. There are two former franchisees listed in that attachment.

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

Confidentiality Clauses

In the last three fiscal years, no franchisees have entered any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

Trademark-Specific Franchisee Organizations

There are no trademark-specific franchisee organizations.

ITEM 21. FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit C are our audited, fiscal year-end financial statements for December 31, 2020, December 31, 2021, and December 31, 2022. If the date of our most recent audited balance sheet and statement of operations is as of a date more than 90 days before the application date, Exhibit C will also contain an unaudited balance sheet and statement of operations as of a date within 90 days of the issuance date.

ITEM 22. CONTRACTS

The Franchise Agreement is attached to this disclosure document as Exhibit A. The Franchisee Questionnaire is attached to this disclosure document as Exhibit G. The SBA Loan Addendum is attached to this disclosure document as Exhibit H. A sample form of General Release is attached to this disclosure document as Exhibit I.

ITEM 23. RECEIPTS

Two copies of a document acknowledging your receipt of this disclosure document appear at the end of this disclosure document (following the exhibits and attachments). Please sign both copies, return one copy to us and retain the other copy for your records.

Exhibit A to the Franchise Disclosure Document

FRANCHISE AGREEMENT

(see attached)

Exhibit B to the Franchise Disclosure Document

TABLE OF CONTENTS-OPERATING MANUAL

SUBJECT	NUMBER OF PAGES DEVOTED TO SUBJECT
Table of Contents and Introduction	6
Franchisor Responsibilities, Rights and Limitation of Liability Regarding Vendors	1
Pre-Opening Procedures	12
Training and Support	13
Staff Development	18
Operating Procedures	58
Financial Reporting and Data Collection	1
Training Protocol	1
Closing	1
TOTAL	111 PAGES

Exhibit C to the Franchise Disclosure Document

FINANCIAL STATEMENTS

(see attached)

Exhibit D to the Franchise Disclosure Document

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

(see attached)

Exhibit E to the Franchise Disclosure Document

**CURRENT FRANCHISEE OUTLETS
(AS OF FISCAL YEAR END DECEMBER 31, 2022)**

THE SALON PROFESSIONAL ACADEMY (TSPA)

California

The Salon Professional Academy San Jose
Westgate Shopping Center
1600 Saratoga Ave, Suite 103
San Jose, CA 95129
Viola Wozniakowski: (408) 307-2109

Colorado

The Salon Professional Academy Colorado Springs
4388 Austin Bluffs Parkway
Colorado Springs, CO 80918
Marla Knapp: (719) 266-9400

District of Columbia

The Salon Professional Academy Washington DC
90 K Street, NE, Suite 103
Washington, DC 20002
Patrick Guarniere: (703) 304-3648

Florida

The Salon Professional Academy Delray Beach
14610 South Military Trail
Delray Beach, FL 33483
Kristen Kohl: (321) 863-4995

The Salon Professional Academy Ft. Myers
1388 Colonial Blvd
Fort Myers, FL 33907
Min Wermuth: (321) 266-6080

The Salon Professional Academy Melbourne
1700 W New Haven Ave
Melbourne, FL 32904
Kristen Kohl: (321) 863-4995

The Salon Professional Academy Orlando (TBD 2024 Opening)
Min Wermuth: (321) 266-6080

Idaho

The Salon Professional Academy Nampa

120 Holly Street
Nampa, ID 83686
Margarita Castellanos: (208) 464-7660

Iowa

The Salon Professional Academy Cedar Falls
1350 University Avenue
College Square Mall
Cedar Falls, IA 50613
Deb McFarland: (319) 830-6648

Indiana

The Salon Professional Academy Evansville
5545 Vogel Road
Evansville, IN 47715
Robin Halter: (812) 437-8772

The Salon Professional Academy Fort Wayne
10200 Coldwater Road, Pine Valley Shopping Center
Fort Wayne, IN 46825
Kerri Schultz: (812) 893-2144

Michigan

The Salon Professional Academy Battle Creek
1416 W. Columbia Ave
Battle Creek, MI 49015
Dr. Opal Murphy: (313) 461-5556

The Salon Professional Academy Holland
2975 West Shore Drive
Holland, Michigan 49424
Scott Harned: (616) 403-3391

Minnesota

The Salon Professional Academy Maplewood
3000 White Bear Avenue
Maplewood, MN 55109
Julie Mitchell: (715) 246-4701

The Salon Professional Academy Duluth (TBD 2024 Opening)
Dawn Anderson: (320) 296-9518

New Jersey

The Salon Professional Academy Howell
4741 US Route 9
Howell, NJ 07751
Suja! Wadhia: (732) 236-7467

New York

The Salon Professional Academy Buffalo
2309 Eggert Road
Tonawanda, NY 14150
Paul Grenauer: (716) 440-3034

North Dakota

The Salon Professional Academy Fargo
4377 15th Avenue South
Fargo, ND 58103
Jill Krahn: (888) 478-6856

Pennsylvania

The Salon Professional Academy Altoona
415 D Orchard Avenue
Altoona, PA 16601
Kim Hofer: (814) 931-5636

The Salon Professional Academy Collegeville
130 West Main
Collegeville, PA 19460
Jennifer Killeen: (610) 348-6395

South Dakota

The Salon Professional Academy Rapid City
623 West St. Joseph St.
Rapid City, SD 57701
Wendy Beaumont (605) 430-3216

Texas

The Salon Professional Academy Dallas
2440 B S Stemmons Fwy
Lewisville, TX 75067
Anna Geleske: (469) 585-0309

The Salon Professional Academy San Antonio
16640 San Pedro Ave
San Antonio, TX 78232
Dana Robinson: (210) 602-3420

The Salon Professional Academy Georgetown
901 South I-H35, Suite 102
Georgetown, TX 78635
Shane Wilson: (512) 818-4163

The Salon Professional Academy Whitehouse
610 North Hwy 110
Whitehouse, TX 75791

Melinda Meler: (903) 283-8633

Virginia

The Salon Professional Academy Harrisonburg (TBD 2023 Opening)
Judith Crawford: (540) 746-8188

Wisconsin

The Salon Professional Academy Appleton
3355 West College Avenue
Appleton, WI 54914
Josif Witnik: (920) 968-0434

ELEVATE SALON INSTITUTE (ESI)

Colorado

Elevate Salon Institute Westminster
6775 W. 88th Ave
Westminster, CO 80031
Cameron Letterman: (303) 638-6057

Florida

Elevate Salon Institute Miami Beach
1500 Bay Rd C1
Miami Beach, FL 33139
Kristen Kohl: (321) 863-4995

Michigan

Elevate Salon Institute Royal Oak
4050 Crooks Road
Royal Oak, MI 48073
Mike Bianchi: (586) 405-3591

Elevate Salon Institute Utica MI
45320 Utica Park Place Blvd.
Utica, MI 48315
Mike Bianchi: (586) 405-3591

North Carolina

Elevate Salon Institute Durham
300 East Main Street, Suite 100
Durham, NC 27701
Matt Haverkamp: (202) 276-0978

Texas

Elevate Salon Institute Houston (TBD 2024 Opening)
Lynette Davis: (832) 731-4390

Virginia

Elevate Salon Institute Richmond (TBD 2023/2024 Opening)
Desaree Clements: (570) 262-3075

Exhibit F to the Uniform Franchise Disclosure Document

FRANCHISEE OUTLETS TERMINATED, NOT-RENEWED, ETC.

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

2022 Terminated Agreements

Illinois

The Salon Professional Academy Plainfield
16108 Illinois Rte 59, Unit 200
Plainfield, IL 60586
Rich Dramato: (708) 567-7696

Texas

Elevate Salon Institute Austin
Shoshanna Salsman: (818) 621-9636

Exhibit G to the Uniform Franchise Disclosure Document

FRANCHISEE QUESTIONNAIRE

(see attached)

Exhibit H to the Uniform Franchise Disclosure Document
SBA LOAN ADDENDUM

State Effective Dates

The following states have franchise laws that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	
Illinois	
Indiana	May 20, 2022
Maryland	
Michigan	March 12, 2022
Minnesota	May 19, 2022
New York	
North Dakota	May 5, 2022
Utah	Not Filed
Virginia	June 13, 2022
Washington	
Wisconsin	June 10, 2022

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.

RECEIPT**STATE OF _____**

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

If SPEC 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 State Law requires a franchisor to provide the 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.

If SPEC 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, D.C. 20580 and the appropriate state agency listed in Exhibit D to this disclosure document.

Our agent in this state authorized to receive service of process is listed in Exhibit D to this disclosure document.

Franchise seller(s) who assisted in the offer/sale of the franchise: Jill Krahn at SPEC, LLC, 4377 15th Avenue South, Fargo, ND 58103, (888) 478-6856, or JKrahn@SPECfranchise.com; Samuel Shimer at SPEC, LLC, 4377 15th Avenue South, Fargo, ND 58103, (888) 478-6856, or sam@SPECfranchise.com; Jodi Brown at SPEC, LLC, 4377 15th Avenue South, Fargo, ND 58103, (888) 478-6856, or jbrown@specfranchise.com; Heather Kelts at SPEC, LLC, 4377 15th Avenue South, Fargo, ND 58103, (888) 478-6856, or hkelts@SPECfranchise.com; or Ethan Woods at SPEC LLC, 4377 15th Avenue South, Fargo, ND 58103, (888) 478-6856.

Issuance date: April 20, 2023

I have received a disclosure document dated April 20, 2023, that included the following Exhibits:

Exhibit A – Franchise Agreement
Exhibit B – Table of Contents-Operating Manuals
Exhibit C – Financial Statements
Exhibit D – List of State Administrators/Registered Agents
Exhibit E – Current Franchisee Outlets
Exhibit F – Franchise Outlets Terminated
Exhibit G – Franchisee Questionnaire
Exhibit H – SBA Loan Addendum
Exhibit I – Sample Form of General Release
Exhibit J – State Addenda

Date: _____

Signature

Print Name:

You should return one copy of the signed receipt either by signing, dating, and mailing it to Jill Krahn at SPEC, LLC, 4377 15th Avenue South, Fargo, ND 58103, 888-478-6856, or by faxing or emailing (as an attachment) a copy of the signed receipt to Jill Krahn at 701-461-9180 or at JKrahn@SPECfranchise.com. You should keep the second copy for your records.

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Date: _____

Signature

Print Name:

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