

TAN REPUBLIC

FRANCHISE DISCLOSURE DOCUMENT

TAN REPUBLIC FRANCHISE COMPANY, LLC.

An Oregon Limited Liability Company
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We are **TAN REPUBLIC FRANCHISE COMPANY, LLC** an Oregon limited liability company. We offer franchises to qualified individuals to own and operate a Tan Republic franchise under the "**TAN REPUBLIC**" names, logos, and Service Marks. Our franchisees offer upscale tanning, skin care, beauty treatments, and related spa services and merchandise to the public under the Service Marks (the "Method of Operation"). A Co- Branded franchise is a Tan Republic franchise operated in connection with another compatible concept.

The total estimated initial investment necessary to begin operation of a Tan Republic franchise ranges from **\$112,250** to **\$577,000**. This includes from **\$5,000** to **\$47,500** that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least **14** calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Lance Donnelly at 1124 Wallace Road NW, Suite 115, Salem, Oregon 97304, 888-611-8268 franchise@tanrepublic.com. The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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.

Issuance Date: **March 31, 2024**

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit K.
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 A 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 Tan Republic business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Tan Republic franchisee?	Item 20 or Exhibit K lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Oregon. 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 Oregon than in your own state.
2. **Spousal Liability.** In community property states, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin, franchisees must sign the franchise agreement or a guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The agreement or guaranty will place your and your spouse's marital and personal assets, perhaps even your house, at risk if your franchise fails.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

TABLE OF CONTENTS

ITEM

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

Exhibits

- A. Audited Financial Statements
- B. List of State Franchise Administrators and Registered Agents
- C. Operations Manual Table of Contents
- D. Standard Franchise Agreement and Exhibits
- E. Conditional Assignment
- F. Abandonment, Relinquishment, and Termination of Assumed Name Addendum
- G. State Law Addendum
- H. Confidentiality, Non-Disclosure, and Non-Compete Agreement
- I. Electronic Debit Authorization Form
- J. List of Franchisees and Certain Former Franchisees
- K. Additional Representations and Terms
- L. State Effective Dates
- M. Acknowledgments of Receipt of Disclosure Document by Prospective Franchisee

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

We are **TAN REPUBLIC FRANCHISE COMPANY, LLC**. We do business under the names “**TAN REPUBLIC**” and “**TAN REPUBLIC FRANCHISE COMPANY**”. We do not intend to do business under any other names. **TAN REPUBLIC FRANCHISE COMPANY, LLC** is called “Us” or “We” in this Franchise Disclosure Document, “You” means the purchaser of a franchise from us, and includes owners or partners of a corporation, partnership or other legal entity that purchases a franchise.

We are an Oregon limited liability company that was formed on January 17, 2008. Our principal place of business is 1124 Wallace Road NW, Suite 115, Salem, Oregon 97304. Our telephone number is 888-611-8268. Our email address is franchise@tanrepublic.com. A list of state regulatory authorities and our agents for service of process are listed in Exhibit B.

We license our franchisees in specified territories to own and operate a franchise under the name and logo “**TAN REPUBLIC**”. We authorize our franchisees to operate, promote and advertise businesses that offer highest quality tanning, skin care, beauty treatments, and related spa services to the public and to use our Method of Operation and Service Marks in the process.

A Co-Branded franchise is a Tan Republic operated in connection with another compatible concept purchased with the Co-Branding Addendum to the Franchise Agreement.) There is no limit to the type of business in which could be co-branded with a Tan Republic franchise. The decision whether an existing business is compatible with and can be co-branded will be made by you and us jointly before the related franchise agreement is signed. If you and we cannot agree, then such an agreement will not be signed.

We retain the right to own or operate Tan Republic offices, salons, and franchises.

We do not have any parents or predecessors.

We have not operated any businesses of the type being offered under this Disclosure Document.

We have created the franchise programs that include use and promotion of the service mark “**TAN REPUBLIC**” and related salon interior and exterior trade-dress, standards, specifications and procedures for quality, efficient service and uniformity of products and services, procedures and computer software for inventory and management control, training, advertising, promotional programs and ongoing assistance.

The typical location for a franchise salon is placed in a strip mall that has a high-end anchor tenant and has a size of 1,200 to 2,500 square feet. We do not currently own or operate any salons of the type we are franchising.

The market for tanning salons, skin care and beauty salons, and spa services and related products is well developed. The tanning market is seasonal, with a January to June peak season. The skin care and beauty salon and spa service market is not seasonal. Our tanning target market is 18- to 70-year-old Caucasian women and men. Our skin care, beauty and spa target market is 18 to 70 year old women and men of all races. The principal sources of direct competition for our franchise salons are similar upscale tanning salons, skin care salons, health and athletic clubs and spas, some of which are part of existing franchise chains. Other tanning, skin care and health related services and supply outlets also are sources of indirect competition. Our competitive market is fragmented with over 7,000 units including skin care salons and beauty salons and spas in the United States. Our services and products are likely to be sold primarily to persons seeking fast, friendly and clean facilities and related products and services and who appreciate the opportunity to have access to all our locations.

In some states, there are legal regulations that relate specifically to our industry apart from those that apply to all businesses. These may include the following: eyewear usage, daily usage limits, issuing and storing client cards, maintenance records for equipment, operator training log, approved sanitizers, skin typing charts, photosynthesizing agent lists, and similar restrictions or requirements. You must comply with general employment laws and regulations.

At your cost and expense, you must investigate and ensure that you comply with all payment card industry ("PCI") and data security standard ("DSS") standards, regulations, and requirements. You are not permitted to collect, store, transfer, etc., any unnecessary customer information. Additional information can be found at <https://www.pcisecuritystandards.org/>.

The details of state, county and local laws and regulations vary from place to place. It is your responsibility to research these matters. Please be aware that the changes in these laws may increase the cost to operate your business. You are solely responsible to determine what local or state regulations, permits and licenses you will need to comply with and/or obtain to conduct the franchise business in a particular state, city, or town.

We began to offer Tan Republic franchises in March 2008. We have not offered franchises in other lines of business.

2. BUSINESS EXPERIENCE

The following are the occupational histories for at least the last five years of our officers, directors and persons having management franchise sales responsibility in connection with our franchise operations.

PRESIDENT – LANCE DONNELLY: Mr. Donnelly has served as our President since our inception in 2008, in Salem, Oregon. Since October 11, 2022, he has owned and operated In the Black Financial Services, LLC, an Oregon limited liability company involved in merchant processing. Since January 17, 2008, Mr. Donnelly has owned and been President of Sunergy Group, Inc.

VICE-PRESIDENT & CIO – STEPHAN WURZBURG: Mr. Wurzburg has served as our Vice-President and Chief Information Officer since April 2014, in Salem, Oregon. He has been the managing member of Limitless Lifestyles, LLC, an Oregon limited liability company based in Salem, Oregon, that owns and operates Tan Republic franchises in Idaho and Oregon.

3. LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

5. INITIAL FEES

You will be required to pay an Initial Franchise Fee. It is calculated based upon the population of your franchise territory (per census, chamber of commerce, or other reasonable population statistical calculators);

<u>Population of Territory</u>	<u>Initial Franchise Fee</u>
Over 30,000	\$25,000
15,000 to 30,000	\$15,000
Under 15,000	\$7,500

It is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of the Franchise Agreement and the opening of the Franchise Premises and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others. Contemporaneously with the execution of the Franchise Agreement, you must pay us the Initial Franchise Fee.

You may have the opportunity to obtain and pay for signage and name branded inventory received from us or from our affiliates before you open your franchise for business.

In consideration for the reduced costs for sales and training, if you purchase additional franchises, the Initial Franchise Fee for each is reduced to **\$7,500** to be paid in full upon execution of the Franchise Agreement.

Conversion Credit Promotion

We offer a special **\$5,000** initial-fee promotion to the owners of existing tanning salons who desire to convert their salon to the Tan Republic franchise system. We reserve the right to terminate this promotion at any time.

1. Initial Franchise Fee is **\$5,000** for conversion of your existing tanning salon to a Tan Republic franchise.
2. Based upon your execution of our standard Franchise Agreement and conversion to our methods of operation, décor, signage, and systems.

You or your manager must complete mandatory training program to our exclusive satisfaction or we may terminate the Franchise Agreement upon refunding all of the Initial Franchise Fee. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate the Franchise Agreement because you or your manager fails to satisfactorily complete the mandatory training course.

You must secure a satisfactory location for the franchise (the "Franchise Premises"), complete all mandatory training to our satisfaction, and open the franchise within **180** days after the date of the Franchise Agreement. If these obligations are not fulfilled, we may elect to terminate the Agreement by refunding one-half of the Initial Franchise Fee. These time requirements may be extended for multiple franchise purchases.

6. OTHER FEES

Our recurring and isolated fees under the Franchise Agreement, at their current rates, include*:

INDIVIDUAL UNIT FRANCHISES*

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Monthly Royalty Fee	You will pay to us 6% of your Gross Monthly Revenue for the preceding month as a monthly Royalty Fee.	The Royalty Fee will be paid by the 10 th day of each month.	Payments will begin on and will be prorated from the date the Franchise opens for business. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual. ¹
Monthly Advertising Fee	You will pay to us 1% of your Gross Monthly Revenue for the preceding month as an Advertising Fee.	The Advertising Fee will be paid by the 10 th day of each month.	Payments will begin on and will be prorated from the date the Franchise opens for business. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.
Local Advertising Requirement	An amount equal to 2% of your Gross Revenue	Each month	This amount is spent in your local market to advertise and promote the Franchise as outlined in the Operations Manual. You will report the nature, extent and amount of these local expenditures, in the form and at the times we require in the Operations Manual.
Regional Advertising Cooperative Fund	Up to 2% of Gross Revenue	As voted	If at any meeting of the franchisees in an advertising region, 65 percent of the franchises vote to contribute to a regional advertising program, all franchises within that region will

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
			be obligated to make a contribution to a regional advertising fund in the amount established by the vote. Your contributions to the Regional Advertising Fund will be credited toward Your Advertising Assessment described above.
<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Additional Training	Currently up to \$500 per day plus expenses	Before training	This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.
Additional Assistance	Currently up to \$500 per day plus expenses	As incurred	This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual. Certain tasks may be subject to invoicing for custom work for you or performing work you are responsible for.
Transfer	The then current Transfer Fee that is not more than \$5,000	Before transfer	Paid when you sell your franchise according to our then current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer.
Renewal	\$1,000	Upon renewal	To reimburse us for our reasonable out-of-pocket costs concerning renewal. In addition, you will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the then current Operations Manual and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing, remodeling and replacement.

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Late Charges	Prime plus 10% , Bank America Main Branch in Portland, Oregon	While amounts owed remain unpaid	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.
Fines for Non-Compliance with Franchise Agreement	From \$1 to \$500 per occurrence as outlined in the Operations Manual	As Incurred	You will not be compelled to pay fines at a rate greater than the maximum allowed by applicable law. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.
Audits	You must reimburse us for audit costs including the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit.	As Incurred	You must periodically submit to us your sales reports, quarterly and annual financial statements, and tax returns. We may audit your books, business records, sales reports, financial statements, merchant processing accounts and records, and tax returns at any time. The audits will be conducted at our expense, unless you understate by more than 2 percent the Gross Revenue for any reported period or periods. Your failure to report Gross Revenue for any period will be deemed a willful understatement by more than 2 percent.
Collection Costs	You will cover all collection costs, including reasonable attorney fees	As Incurred	If we are required to retain an attorney or collection agency to collect delinquent payments you owe to us.
Default Termination Security Deposit	You must pay us an upfront deposit of \$5,000 to help cover any payments or damages you may owe to us under your franchise agreement and to cover our losses and expenses that may result because of early	This amount is payable in a lump sum at the time you sign your franchise agreement.	No interest will be paid to you on this amount. This security deposit, less any amounts owing to us, and less our damages, will be released to you within 90 days of the termination or expiration of your franchise agreement.

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
	termination of your franchise agreement by you or by us.		

*All fees are imposed by and payable to us. All fees are non-refundable.

¹ Reports. By the **10th** day of each month, our system wide computer accounting and records programs will deliver to us an itemized report of your business activities for the preceding month. The report will be in the form we designate. Royalty and Advertising Fees due based upon the Gross Revenue for the preceding month will be paid based upon the report. We may require you to prove that you have paid the required local advertising expenditures. "Revenue" means all receipts generated by the Franchise from any source, including sales (based upon the "suggested retail prices" expressed in the Operations Manual, without regard to discounts), rentals, exchanges, repairs, services, labor, service charges, service contracts, etc., and excludes refunds and sales taxes. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Revenue." "Gross Monthly Revenue" means the total Revenue for any calendar month.

¹ Automatic Payment Processes: We may require that payments may be required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet. If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a **\$50** fee for each unsatisfied attempt.

We reserve the right to require you to process some or all membership applications and payment plans submitted by your customers, together with the related automatic account withdrawal, automatic payment, credit and debit card payment, automatic pre-authorized payment plan, electronic funds transfer and other forms of direct or Internet payment, through us or through service providers and using processes we designate and outline in the Operations Manual. We may take monthly Royalty Fee, Advertising Fee, product purchase and other payments you owe to us out of the automatic payments made by your customers and remit to you the balance. The companies we designate to process memberships and related payment arrangements may include companies that are affiliated with us or in which we or our owners otherwise have ownership or control. If we elect, the designated companies may charge you not more than 5% for the service and will allocate and distribute payments received to you, while delivering to us all related royalty, advertising and other fees as outlined in the Franchise Agreement and pursuant to the processes we outline in the Operations Manual.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

<u>EXPENDITURE</u>	<u>AMOUNT</u>	<u>PAYMENT METHOD</u>	<u>WHEN DUE</u>	<u>TO WHOM</u>
Initial Franchise Fee	\$5,000 to \$25,000 (See Item 5, above)	Cash	Upon Execution of the Franchise Agreement	Us
Utilities Deposits and Payments	\$0 to \$2,000	As Incurred	As Incurred	Landlord, Utility Companies and Suppliers
Furnishings	\$2,000 to \$5,000	As Incurred	As Incurred	Approved Suppliers
Fixtures	\$2,000 to \$5,000	As Incurred	As Incurred	Approved Suppliers
Equipment (including Tanning Beds; Spray Tanning or Skin Care, and Spa Equipment) ^A	\$50,000 to \$300,000	As Incurred	As Incurred	Approved Suppliers
Computer Hardware and Software, Scanner, Digital Camera and Closed-Circuit TV Advertising and Security System	\$1,500 to \$5,000	As Incurred	Before Opening	Suppliers
Signage	\$2,000 to \$15,000	As Incurred	As Incurred	Us or Approved Suppliers
Franchise Premises Rent and Buildout/Leasehold Improvements (deposit & 3 months) ^B	\$20,000 to \$150,000	As Incurred	As Incurred	Landlord
Washer, Dryer and Start-up Equipment	\$500 to \$2,000	As Incurred	Before Opening	Suppliers
	\$2,500 to \$5,000	As Incurred	Before Opening	Us or Approved Suppliers
Inventory (including lotions, materials, towel and supplies) ^C				
Employee Wages (3 months)	\$12,000 to \$24,000	As Incurred	As Incurred	Employees
Initial Advertising and Promotion	\$2,500 to \$5,000	As Incurred	Before and 90 days after Opening	Suppliers
Travel and Living Expenses While Training	\$500 to \$2,000	As Incurred	During Training	Airlines, Hotels, , etc.

<u>EXPENDITURE</u>	<u>AMOUNT</u>	<u>PAYMENT METHOD</u>	<u>WHEN DUE</u>	<u>TO WHOM</u>
Insurance (year)	\$2,000 to \$7,000	As Incurred	Before Opening	Insurers
Miscellaneous Opening Costs ^D	\$1,000 to \$5,000	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds - 3 Months ^E	\$10,000 to \$20,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL ^{F, G, H, I, J}	\$112,250 to \$577,000			

- A. You are required to have a telephone, email access, computers, and reliable transportation. We anticipate that you can obtain lease financing for tanning beds, skin care equipment, spa furnishings, fixtures and equipment, and computer hardware and software for your cash register/computer system, as well as your start-up equipment package. The lower figure in the Table above represents the estimated range for the security deposits and lease payments during the first three months of operation. If you elect to purchase tanning beds, skin care equipment, and spa fixtures, furnishings and equipment outright the total cost is reflected in the high-end estimate and could be \$110,000 to \$250,000.
- B. You are solely responsible for obtaining and paying for a location for the franchise. The cost of purchasing or leasing premises for the franchise varies with the location and size of the premises. The recommended minimum size of a franchise premises is 900 to 2,500 square feet. We will provide all specifications for your build out so that all Tan Republic locations are regimented. A typical build out cost for your premises is \$30 to \$60 per square foot, which is usually paid for by the landlord as tenant improvements under the lease arrangement. You will be responsible for any build out costs not covered by your landlord as tenant improvements.
- C. Inventory is required as outlined in the Operations Manual.
- D. You will have the other usual expenses involved in establishing a business. These expenses vary greatly. They include, but are not limited to, attorney fees, license fees, deposits, sales tax bonds (where required), pre-opening advertising and recruiting expenses, employee wages, utility costs, supply expenses, utility costs, insurance premiums, incorporation costs, business licenses and permits and office supplies. The specific requirements for operation of your **Tan Republic** franchise will be outlined in the Operations Manual.
- E. We strongly recommend at least \$20,000 working capital. You should plan on other sources of income to cover your living expenses.
- F. You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of a franchise. You must obtain all permits, certificates or licenses necessary for the full and proper conduct of the franchise.
- G. Except as provided in Item 5 above, any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you. We do not finance any of these initial expenses. The availability and terms of financing will depend on various factors including the availability of financing generally, your credit worthiness, security available to you, lending institution policies concerning the type of business to be operated by you, and other comparable elements.
- H. This table estimates your initial startup expenses. These figures represent our estimates

based upon our experience and the experience of our owner. This estimates your expenses during the first three months of operation.

- I. We require no other payments.
- J. You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.

8.

RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

It is essential to the proper marketing of our products and to the preservation and promotion of our reputation and acceptance by the public that uniform standards of quality and appearance are maintained; that uniform quantities, volumes, and types of tanning and skin care products are offered; and that cartons and other paper goods displaying our commercial symbols are of uniform size, quality, texture, absorbency, strength, finish, and appearance. Therefore, you will at all times dispense, serve, sell or offer for sale to the public only articles, lotions, eyewear and other products that meet the reasonable specifications and standards we, from time to time, designate in writing. You are required to obtain all lotions and other tanning and skin care products from us or sources we approve and according to our specifications. Currently, we offer our own extensive line of name branded tanning and skin care products and we believe these products give our franchise system strong consumer appeal and a definite competitive advantage over other tanning and skin care related businesses. You are required to obtain all tanning beds and sunless tanning booths and skin care equipment, and spa fixtures, furnishings and equipment from us or sources we approve and according to our specifications. We currently use UV-Free **Norvell™**, **Mystic Tan™** and **Versa-Spa™** for sunless tanning services. We currently exclusively use lotions developed and offered by New **Sunshine** pursuant to rebate programs paid directly to our franchisees.

We will lend to you a copy of our Operations Manual at the mandatory training course described in Section 11, below. From time to time, we may amend the Operations Manual, including changes that may affect minimum requirements for your franchise operations. You will strictly follow the requirements of the Operations Manual as we amend it from time to time; its requirements are incorporated as part of the Franchise Agreement. You will carry out immediately all changes at your cost, unless we otherwise specify. We reasonably may designate your business format and sales and distribution guidelines, as specified from time to time in the Operations Manual. The Operations Manual is confidential and our exclusive property.

The Operations Manual contains tanning bed and sunless tanning booth and skin care equipment standards, spa fixtures and furnishings, health and safety requirements, specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, art work, distribution techniques, advertising layouts, lotion and product specifications, operation requirements, public relations guidelines and other rules that we may prescribe from time to time.

All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will upon request provide them to approved suppliers and suppliers seeking approval. We will use our best judgment to set and modify specifications to maintain the integrity and quality of our franchise system.

You may be able to purchase some signs and name branded inventory products from us or from persons affiliated with us. There are no other obligations for you to purchase or lease from us or our persons affiliated with us and except as explained above, we have no required specifications, designated suppliers, or approved suppliers for goods, services, or real estate related to your franchise business.

With advance written notice, you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, durability, value, cleanliness, texture, composition, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control requirements and standards, for a reasonable license fee, to produce and deliver our products to you but to no other person. Our confidential tanning and skin care standards, requirements, designs, systems and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose within **30** days of your request.

From time to time, we or our agents may inspect any approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. Should we find from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

We may derive income from providing signs and some name branded product inventory to you. This income results from the difference in the amount we pay for them and the amount we charge you for them. We estimate that approximately **6 to 10** percent of our total revenues will be from signs and products (such as clothing, lotions, lamps, and parts) purchased from us, or entities affiliated with us, by our franchisees. In fiscal year 2023, this represented approximately **\$276,160** or 19% of our total revenues of **\$1,467,731**. We estimate that purchases from us or from approved suppliers will be from **65 to 80** percent of the total purchases you make to establish and from **25 to 75** percent of the total purchases you make to operate your franchise. We may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers. Currently this amounts to a 3% discount on products we purchase from our suppliers.

We and our affiliates may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers. We are an approved supplier of some logo clothing and salon supplies and related products to our franchisees. We make a profit from sales to our franchisees. We or companies owned by our officers received the following rebates and consideration from the following suppliers in 2023:

*Four Seasons (lotions, tanning products, salon supplies) approximately 3% on purchases. **\$26,217 in 2023***

*In the Black Financial Services, LLC receives 12% of JK Products' software processing partnership with TSYS/Global Payments for merchant processing. **\$8,400 in 2023.***

*Ascentium Capital has agreed to pay us a 1% referral fee on financing obtained by our franchisees through them. **\$0 in 2023.***

*Sunless Inc. (sunless spray tanning supplies and equipment) approximately 3% on purchases. **\$14,541 in 2023.***

Products purchased directly from us or our affiliate may carry a manufacturer's warranty. You must look directly to the manufacturer to replace defective products. For items purchased through third parties, you must work directly with your supplier or manufacturer of such items regarding warranties, defective products, training and support.

You are required to purchase a computer and point of sale system that will integrate and work to run the

SUNLYNC software and related online linkages, pursuant to the system requirements and configurations outlined in the Operations Manual. You must purchase and use the hardware and software we designate to connect to the Tan Republic franchise database. You must maintain active and up-to-date antivirus software.

Our franchise auditors may inspect your franchise business operations up to two times per a week and your daily sales results may be audited daily by us. You are required to sell all tan, skin care and spa services and packages as outlined in the Operations Manual and subject to our approved pricing structures.

We have specific warranty and customer service requirements. You must honor our 72-hour cancellation/refund policy that is outlined in the Operations Manual (or a more stringent policy if required by your local or state laws). If a customer requests (via certified mail) a refund of purchase within 72 hours of the purchase date, you must refund the purchase amount or allow them to exchange type of service package purchased (or follow a more stringent policy if required by your local or state laws).

You will participate in and cooperate with us in all gift card and customer service programs we establish or adopt. This includes, but is not limited to, our “Bronze Without Borders” program that allows a Tan Republic customer to use the facilities of any Tan Republic location pursuant to processes, procedures, and rules outlined in the Operations Manual. You will use the customer loyalty and gift card programs we designate to capture customer contact information, track purchases, reward repeat purchases or issue cash value for gift redemption in any Tan Republic Salon. You agree to accept all “Bronze Without Borders” customers and to accept the unused cash value from gift cards issued through your franchise and through any Tan Republic Salon. We will settle balances owed inter-store through an automatic reconciliation process and issue credit or debit notes for amounts owed and due.

At our request, you will use reasonable efforts to secure the names, addresses and other information we reasonably require of your clients and customers and will allow us to use the information. You will not divulge your customer names, addresses or other information, with or without remuneration, to any third party. You will respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer’s satisfaction.

We attempt to negotiate volume purchase arrangements with suppliers or purchasing cooperatives for the benefit of our franchises, including volume pricing on products, lotions and tanning beds, skin care equipment and spa related items.

Unless you have received our prior written approval, you may not sell or dispense any products, lotions or services or activities other than those specifically recognized and approved by us as part of our franchise system and as specified for Tan Republic operations. You may not offer distilled spirits, beer or wine. You may not install or use any vending machines, juke boxes, games, or musical devices in your franchise without our prior written approval.

9. FRANCHISEE’S OBLIGATIONS

THESE TABLES LIST YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. THEY WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

INDIVIDUAL UNIT FRANCHISE AGREEMENT

<u>OBLIGATION</u>	<u>SECTION IN AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
a. Site selection and acquisition or lease	Sections 1.1, 1.2, 1.3, 1.4, 1.5 & 4.2	Items 6 & 12
b. Pre-opening purchases and leases	Sections 4.1, 5.1 & 8.2	Items 7 & 8
c. Site development and other pre-opening requirements	Sections 1.3, 1.4, 2.9, 3.1, 4.1, 4.2 & 5.1	Items 7, 8 & 12
d. Initial and ongoing training	Sections 3.1 & 3.2	Items 6 & 11
e. Opening	Sections 4 & 5.1	Item 11
f. Fees	Sections 2, 3.2 & 7.1	Items 5, 6 & 17
g. Compliance with standards & policies/ Operations Manual	Sections 5 & 6.3	Items 11 & 17
h. Trademarks and proprietary information	Recitals & Sections 1.1, 5.1, 5.3, 5.4, 5.5, 5.6, 6.5, 9.2 & 9.10; Abandonment of Name form	Items 13, 14 & 17
i. Restrictions on products and services offered	Sections 1.2, 1.6, 5.1, 5.2, 5.5, 5.6, 5.7, 5.10, 6.3, 6.5	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	Sections 5.1, 5.2 & 5.5	Item 11
k. Territorial development and sales quotas	Sections 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.9, 5.1, & 5.5	Items 7 & 12
l. Ongoing product & service purchases	Sections 2.9, 5.1, 5.2, 5.5, 5.8, 5.10 & 8.2	Items 7 & 8
m. Maintenance, appearance and remodeling requirements	Sections 1.4, 5.1, 5.2, 5.5 & 6.5	Items 7, 11 & 17
n. Insurance	Section 8.2	Item 7
o. Advertising	Sections 1.6, 2.3, 2.4, 2.6, 5.1, 5.2, 5.3, 5.4, 5.5 & 6.5	Items 9 & 11
p. Indemnification	Sections 6.7 & 8.1	Item 6
q. Owner's participation/ management/ staffing	Sections 1.7, 2.9, 3, 4.1, 5, 6.5, 6.8, 7, 9.3, 9.6, 9.9, 9.12 & 9.16	Items 11, 15 & 17
r. Records and reports	Sections 2.7, 5.1, 5.2 & 5.5	Items 6, 11 & 17
s. Inspections and audits	Sections 2.8, 5.1, 5.2 & 5.5	Items 6, 11 & 17
t. Transfer	Section 7	Item 17
u. Renewal	Section 6.1	Item 17
v. Post-termination obligations	Sections 5.6, 5.7, 6.5, 6.6, 6.8, 9.9, 9.12	Item 17

<u>OBLIGATION</u>	<u>SECTION IN AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
w. Non-competition covenants	Sections 5.6, 5.7, 6.5, 6.8, 9.9 & 9.12	Item 17
x. Dispute resolution	Sections 9.7 & 9.8	Item 17

10. FINANCING

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

Our franchisees are eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, www.franchiseregistry.com.

11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTERS SYSTEMS, AND TRAINING

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

INDIVIDUAL UNIT FRANCHISES:

Pre-Opening Obligations

BEFORE YOU OPEN YOUR FRANCHISE, WE WILL:

- 1) Designate your Franchise Territory. (Franchise Agreement, Section 1.1)
- 2) Approve or disapprove a site for your franchise location. We generally do not own franchise premises and then lease them to our franchisees. We will analyze your market area, to help determine site feasibility and to help in selection of the franchise location. In analyzing a proposed site, we examine its general location, traffic patterns, parking, size, physical characteristics, proximity to competing businesses, lease terms, sign visibility, neighborhood economic profile, population density and accessibility. The exact determination of the location for the franchise premises will depend upon our approval and your and our market analysis, market penetration plans, and franchise placement strategies and prior franchise commitments. You must obtain our prior written approval for the site of the franchise premises and your lease related to it. Our response to your request for approval of a site will be given within 30 days after we receive your written request.

We will reasonably assist you but it is your sole responsibility and expense to investigate and conform to all applicable zoning, licensing, leasing and other requirements for any proposed site. Your location

must conform to any specific state or local regulations and requirements related to radiation protection. You must ensure that the site you select complies with all local requirements. We will reasonably assist you but

As mentioned in Item 6, above for additional assistance, you will pay \$500 per day plus out of pocket expenses for travel, meals, and lodging we incur to help you locate sites and to negotiate a lease for you. You will bear all other site selection and negotiation expenses.

Before you enter a lease or purchase agreement for the Franchise Premises, you will submit the lease or purchase documents to us for review. Lease documents must include an assignment of the lease in a form we approve, under which we may assume the lease as provided in Section 4 of the Franchise Agreement. (Franchise Agreement, Sections 1.1 and 1.3).

- 3) Approve or disapprove your franchise premises site-plan. We will furnish to you a schedule of interior finishes and equipment packages for the franchise premises. All costs for site-specific plans will be your responsibility. Site plans, and any modifications to them, must be approved in writing by us before construction. We will reasonably assist you but it is your sole responsibility and expense for all construction, remodeling, and decorating, and for the hiring and training of your employees. All approvals will be solely within our discretion to maintain a uniform image and décor, consistent with our franchise system concepts. (Franchise Agreement, Sections 1.4 and 5.1).
- 4) Provide you the Operations Manual and various selling aids. The Operations Manual contains our specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, customer service requirements, inventory requirements and control techniques, plans, fixture and décor requirements, co-branding requirements, opening public relations, and other rules that we may prescribe and identify as part of the Operations Manual. The table of contents for our Operations Manual as of the date of this Disclosure Document is found in Exhibit C. (Franchise Agreement, Section 5.1).
- 5) We will provide to you the name branded products you are required to purchase from us or from persons affiliated with us.
- 6) We will assist you to obtain equipment, signs, fixtures, opening inventory, and supplies according to our specifications from designated or approved suppliers. These specifications, designations, and approvals are contained in the Operations Manual. We do not arrange for, deliver, or install any equipment, fixtures, or items.

Time to Open

The typical length of time between the signing of the franchise agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is about 120 days. You are expected to complete the mandatory training and commence your franchise business operations within **180** days after you sign the franchise agreement. Factors that may affect this time are finding and negotiating for the Franchise Premises, arranging for the training session, remodeling and equipping the Franchise Premises, obtaining initial inventory, financing and business permit requirements, and your personal operational needs. Any failure caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a time that is reasonable under the circumstances.

If the training and commencement of operation obligation is not fulfilled, we may terminate the franchise agreement by refunding not less than one-half of the Initial Franchise Fee. (Franchise Agreement, Section 4.1).

Obligations After Opening

DURING THE OPERATION OF YOUR FRANCHISE BUSINESS, WE WILL:

- 1) Provide ongoing assistance, for your training, advertising, sales assistance, and use of the Operations Manual. (Franchise Agreement, Section 3.2). Among other things, this may include, payroll calculations, sales audits, sales performance reports for employees, marketing plan development, management training, franchise financial analysis and franchise future projections of income.
- 2) Administer our franchise advertising programs and formulate and conduct national and regional promotion programs.
- 3) Inspect the Franchise Premises from time to time and conduct activities to ensure compliance with the terms of the Franchise Agreement and Operations Manual to assure consistent quality and service throughout our franchise system. (Franchise Agreement, Section 5.2). We may make periodic inspections of your franchise business, which may be done in person or through remote access such as video or live video conferencing and may be performed through a third-party provider. Upon our request, at all reasonable times, you will provide us with video and digital images of the interior and exterior of your franchise business as set forth in the Operations Manual.
- 4) Inspect the facilities of your manufacturers, suppliers, and distributors from time to time and notify you and the manufacturers, suppliers, and distributors in writing of any failure to meet our specifications and standards. (Franchise Agreement, Section 5.1).
- 5) We may provide other supervision, assistance, or services although we are not bound by the Franchise Agreement or any related agreement to do so. These may include, among other things, advertising materials, literature, additional assistance in training, secret shopper programs, promotional materials, bulletins on new tanning, skin care and spa products, merchandise, fixtures, furnishings and equipment, and new sales and marketing developments and techniques.

Advertising

Advertising Funds

See Item 6 concerning advertising assessments and required contributions. We currently have a local franchisee advertising cooperative in the Portland Oregon Metropolitan area that collects and administers advertising funds. The funds are not audited. Annual financial statements of the funds are available for your review once they have been prepared, usually within 60 days after the end of the relevant period.

Summary of Advertising Fund Contributions and Expenses for Fiscal Year 2023

Expenses:	Corporate overhead	\$45,000	34%
	Production and market research	\$74,270	57%
	Market level advertising	\$4,892	3.7%
	Other (Sponsorship)	\$5,255	5.3%
Total expenses:		\$129,417	100%
Advertising fund contributions:		\$144,899	100%
Excess of contributions over expenses:		\$15,482	10.7%

About 1% of the advertising expenditures was used primarily on solicitation of new franchisees.

We will make an accounting of the operation of any regional advertising funds annually and will make such accounting available to you upon request.

Locations that we operate will contribute to the advertising fund in the same manner as our franchisees. While advertising materials note that franchises are available from us, approximately 1.5% of the advertising fees or assessments we collect from our franchisees are used for advertising that is principally a solicitation for the sale of franchises.

We may receive payment for providing advertising goods or services to our franchisees.

We are not required to spend any amount on advertising in the area or territory where you are located. Any advertising fees not spent in the fiscal year in which they accrue will be carried over for use in future years.

Refer to Items 6, 8, and 9 for more information about advertising.

Promotional Materials and Other Advertising Information

We or our designee will direct all advertising programs used to promote the products and services offered by franchise salons. We will have sole discretion over all creative concepts, materials and media used in these programs. These may relate to joint or individual promotion of the Tan Republic concepts as we deem appropriate for our franchise system as a whole. Advertisements generally will be in both print and broadcast media, initially with local and regional coverage. We may use an outside advertising agency to create

advertising. We may make available to you, from time to time, approved advertising and promotional plans and materials at our cost. (Franchise Agreement, Sections 2.3 and 2.4)

In addition to the telephone directory advertisements described above, you must spend not less than an amount equal to **2** percent of your Gross Revenue on local advertising ("Local Advertising Requirement"). We may in our sole discretion, require you to join a local advertising cooperative organized or approved by us and to contribute to such a cooperative not less than an amount equal to **2** percent of your Gross Revenue. Any cooperative, if organized or approved by us, will consist of one or more franchise owners that are located in the same geographic area, newspaper circulation area, or radio and television broadcasting area. Your contributions to a cooperative, if required by us, will be credited toward satisfaction of your local advertising obligation. As of the date of this Disclosure Document, no advertising cooperatives have been organized. (Franchise Agreement, Section 2.4)

We will supply to you an Advertising Manual which will contain samples of local advertisements we approve. You will use only the advertising materials contained in the Advertising Manual, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Advertising Manual. (Franchise Agreement, Section 2.4).

Advertising Cooperatives

We currently have one local franchise advertising cooperative in the Las Vegas, Nevada metropolitan market. At any time, we may create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification, geographical boundaries and governing rules for regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise salon and each salon we own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each salon we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, **65** percent of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **2** percent of that franchisee's Gross Revenue. Your contributions to the Regional Advertising Fund will be credited toward Your Local Advertising Requirement.

Each Regional Advertising Fund will be administered by representatives elected by each region, at a meeting we call for this purpose. (Franchise Agreement, Section 2.4).

Advertising Council

We currently do not have, but retain the right to organize, an advertising council composed of franchisees.

Operations Manual Table of Contents

The Operations Manual is confidential and remains our property. It is found in password protected websites at www.support.tanrepublic.com and www.training.tanrepublic.com. It contains mandatory and suggested standards, specifications, fixtures, furnishings, equipment, health and safety requirements, standards and procedures. We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the franchise agreement. The revisions may include advancements and developments in our standards, fixtures, furnishings, equipment, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise. (Franchise Agreement, Section 5.1). It consists of approximately 245 pages. The current Table of Contents is found in Exhibit C to this Disclosure Document.

Training

The cost of the following is included in the Initial Franchise Fee:

Within **60** days after you sign the Franchise Agreement, you and any designated full-time manager must attend and complete the **Initial Training Program** to our satisfaction or we may terminate the Franchise Agreement upon refunding the Initial Franchise Fee. You are encouraged to attend the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you or the manager fails to complete the mandatory training to our satisfaction. If you are a corporation, a partnership or a limited liability company, one of those two people must be one of your principal owners. If you or your principal owners will not be directly involved in the supervision of the franchise business, you must employ a designated manager who also has completed the Initial Training Program to our satisfaction. (Franchise Agreement, Section 3.1).

We do not schedule training on any regular recurring basis; we schedule training based on the number of franchisees which need training at any given time and our logistic needs, such as scheduling, travel, etc. We strive to make training available when convenient for the trainees and online training is available. The Initial Training Program will be held at our offices and at a franchise salon in Portland or Salem, Oregon or at other mutually agreed upon locations. You are responsible to cover all transportation, lodging, food, and living expenses you and your trainees incur related to the Initial Training Program. (Franchise Agreement, Section 3). The current training schedule includes:

TRAINING PROGRAM

SUBJECT	Hours of Class Room Training	Hours of On-The-Job Training	Location
Operations and Site Selection	1 hours	4 hours	Oregon
Point of Sale Training	4 hours	4 hours	Oregon
Sales Training	4 hours	24 hours	Oregon
Marketing Training	4 hours	4 hours	Oregon

The relevant background of our trainer Lance Donnelly is disclosed in Item 2, above. On occasion, we may use other qualified trainers to assist in the training course under the direction and supervision of Mr. Donnelly.

The training materials are the Operations Manual, the Sunlync Training Manual, and our Forms, Sales Training, Marketing Guides and Advertising Manual.

At the time the Franchise opens for business and upon not less than thirty days prior written notice to us, we will provide the full-time services of a trainer at the Franchise Premises for up to **2** work days to assist with employee training, computer software and form use, salon decor,

merchandise display, sales assistance, and use of the Operations Manual. We will bear the trainer's expenses for this assistance.

At your option and upon not less than thirty days' prior written notice to us, you or your managers and employees may receive additional training at our training center or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates. You will not receive any compensation for services rendered by the trainee during this or any other training. (Franchise Agreement - Section 3.2).

From time to time, we may provide refresher training programs or seminars and may require that you and your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you and the designated managers of your Franchise will be required to attend up to **12** hours of programs and seminars, depending upon program and seminar availability. (Franchise Agreement - Section 3.2).

Non-Disclosure. All attendees at a training must sign a non-disclosure agreement acceptable to us before attending a training.

COMPUTER SYSTEMS

You will be required to acquire, prior to the opening of your franchise salon, and to exclusively use during the operation of the franchise, a computer system, the components of which are specifically identified below. They will be used to produce sales reports, inventory control, and post sales tax, refunds, credits and allowances. You should maintain the system in good working order at all times, and upgrade or update it during the term of the Franchise Agreement as we will require from time to time. It will be your responsibility to enter into contracts for the maintenance, support, upgrades and updates to your computer system with suppliers you chose but, we may suggest sources to you. (Franchise Agreement - Section 5.8).

You purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, software, computer terminals, scanners, security cameras, camcorders and cash registers). These must be totally compatible with and strictly conform to all requirements, standards, and specifications we set in the Operations Manual. You must have these systems in operation when you open your franchise for business. We have no obligation to maintain, repair, upgrade or update your computer hardware or software.

The cost of this computer software and hardware is \$1,500 to \$5,000.

You must use the latest version of Windows operating system software and tanning related control and business operations software we require in the Operations Manual. Currently we require that your PC system must be built to the specifications of the required Sunlync Salon Software. You must use the Sunlync software version with TRFC (Transactional Remote Function Call). You must be on a Cisco Meraki system compatible and up to do date to connect to the Tan Republic Franchise database. The POS System specifications include a cash drawer and receipt printer and is designed to handle service and product sales, credit card and scrip transactions, and business operations and management functions. The principal function of the POS system is to access the network server in our corporate office. This connects your franchise with our central network database, thus allowing any franchise customer to receive services at any of our franchise salons. Another purpose of the system is to ensure all sales are properly reported for auditing and control purposes. In addition, you must have adequate firewall and anti-virus protection and a static IP address.

You must purchase and use the hardware and software we designate to connect to the Tan Republic

franchise database. You must keep this system up-to-date. This system costs approximately \$1,000 up front and \$150 per month and includes updates.

You must maintain active and up-to-date antivirus software. This software costs approximately \$100 to \$250 per year.

You are required to purchase the latest Sunlync and POS system software upgrades and the annual support contract. The initial purchase price and support contract costs of the Sunlync software is approximately \$79 per month per license, including upgrades. Sunlync software is produced, sold and maintained through our offices.

The PC / IT maintenance is handled by us or a third-party IT company. The cost of PC / IT maintenance ranges from \$100 to \$200 per hour depending on the scope of the repairs or maintenance you need. You may have to pay for additional work you request beyond the scope of standard operations as laid out in the Operations Manual.

All of the hardware items may be purchased from and maintained by any supplier you select, but we may suggest sources to you. Or, you may elect to have us purchase for you and pay us an agreed markup on the equipment and pricing.

We require independent access to your computer systems for reporting purposes. You are required to upgrade your computer systems to keep pace with technological advances, as expressed in updates to the Operations Manual. There are no contractual limits on the frequency or cost of these upgrades. The computer systems and software are used to generate receipts and reservations for the customer, and daily sales and reservation reports for you. The computer system collects and generates sales, reservations, and availability, rate, and operating information and data. There are no contractual limits on our access to the information and data stored in your computer systems.

Data Security Standards. At Your cost and expense, you must investigate and ensure that You comply with all payment card industry ("PCI") and data security standard ("DSS") standards, regulations, and requirements; however, we reserve the right to approve of the supplier You use for compliance. You must meet the requirements of, and comply with enhancements and changes to, the PCI and DSS and maintain PCI compliance with the current version of the PCI and DSS. We reserve the right to require an audit (and to designate the auditor) to verify compliance. You must reimburse us for all costs related to the audit if You are not in compliance. You are responsible to use all required tools, systems, and vendors to complete ongoing PCI requirements, Including quarterly external security scans and annual self-assessment questionnaires. You are solely responsible for all costs relating to PCI compliance and data security issues, Including, security threats, breaches, and malware. It is your responsibility to alert us, not later than 24 hours following a suspected or confirmed data security breach, so that appropriate action can be taken to protect Customer Data and to notify relevant parties. You are not permitted to collect, store, transfer, etc., any unnecessary customer information.

Security System. You are required to install a security system in Your Premises. You are solely responsible for the maintenance and upgrades to this system. Upon our written request, you must provide us with independent access to the security system, but our access does not obligate us to monitor your Premises for safety or compliance. We do not regulate the type of security system you install, but it must have both inside and outside cameras, must be of sufficient capabilities to adequately protect your Franchise Business, your Premises and your inventory, and it must provide storage capabilities as required in the Operations Manual. You may not install any cameras in places where employees and customers have a reasonable expectation of privacy, e.g., bathrooms, changing rooms, etc. You are required to provide us notice of its installation. By installing the security system, you and your employees are waiving their right to privacy in non-private areas of the Premises, and you agree to include a provision in all your employment applications and other applicable documents requiring your employees to sign and waive their right to privacy with respect to the use of the security system in non-private areas of the Premises. You agree to indemnify and hold us harmless from and against any claim related to your security system. We estimate the cost of such system to be between \$1,000 and \$5,000 for initial installation and depending on the number of cameras and type of

system used, an ongoing cost of approximately \$50 to \$175 per month.

Email Address. You must at all times use and maintain the email address provided by us or approved by us for use in relation to your Franchise Business, frequently checked by you to facilitate our communications, and that you must use as the sole email for all franchise business-related communications and accounts. If we provide you with an email account/address, we have the right to access your email account at any time and without notice to you, and you understand and acknowledge that you and your employees and agents have no expectation of privacy in the assigned email accounts. All Social Media you are allowed to develop or use must be attached only to the email address we provide to you or that is approved by us.

INSURANCE

- A Comprehensive general liability insurance, including products liability, completed operations, Dram Shop or host liquor liability (if alcoholic beverages are served), property damage, contractual liability, independent contractors' liability, owned and non-owned automobile coverage, cyber security, and personal injury coverage with a combined single limit of at least **\$1,000,000**, including umbrella coverage.
- B Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.
- C Business interruption and lost profit insurance.
- D Employer Practice liability insurance.
- E Cyber Security.
- F Molestation and Abuse.

E-Problem Disclaimer: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 and similar date related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We have taken reasonable steps so that E-Problems will not materially affect our business. We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E- Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

Except as disclosed in this Item 11, we need not provide any additional assistance to you.

12. TERRITORY

INDIVIDUAL UNIT FRANCHISE AGREEMENT:

Franchise Premises and Territory

You will receive a defined territory (the "Franchise Territory") defined by zip codes, political, geographical or similar boundaries or outlined in a map attached to the Franchise Agreement as an Exhibit. You will

operate your Franchise from a location in the Franchise Territory approved by us (the "Franchise Premises"). You must receive our permission before relocating the Franchise Premises within your Franchise Territory. You will be able to relocate the Premises if the lease for the site expires or terminates and it is not your fault, or if the site is destroyed, condemned or otherwise rendered unusable, or if you and we otherwise agree. (Franchise Agreement, Sections 1.1, 1.2, 1.3 and 1.5) The Franchise Territory will be identified before you sign the Franchise Agreement. It generally will have a population of from 15,000 to 50,000 persons depending upon the demographics and competitive environment of the area and our then current Franchise placement standards. Population estimates will be based upon federal or state census counts and other locally available and reliable information, such as chamber of commerce statistics. Among the factors we consider in determining the location of your franchise are: the 1-3-5-mile demographics, annual household income, average education level of local demographics, mall traffic counts, cost per square foot, tenant improvement allowance per square foot, ingress and egress to the location, customer parking, distance to major freeways or highways and distance to other franchise and competing locations.

While the Franchise Agreement is in effect and you are not in default, we will not establish nor license anyone other than you to establish any Tan Republic facility or any substantially similar competitive businesses under a different trademark or trade name in the Franchise Territory.

Certain franchise promotions and sales of tanning or skin care packages will require you to provide services to the clients and customers of other franchise salons. As expressed from time to time in the Operations Manual, you will honor all sales and promotions we have approved and you will offer full service to all customers and clients whether or not the sale or promotion was made at your Franchise Premises. We will require our other franchisees salons to honor all of your promotions and sales that have been approved by us.

A typical franchise location consists of a lease retail space with from **900** to **2,500** square feet of space. The exact determination of the Franchise Territory and Franchise Premises will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies and prior franchise commitments. You must obtain our prior written approval for the site of the Franchise Premises and your lease related to it. When the exact location for the franchise is decided, the Franchise Agreement will be updated to identify the Franchise Premises.

We will help analyze your market area, help determine site feasibility, and assist in the selection of the franchise location, subject to your approval.

We may establish company-owned or franchised operations using our method of operation, trade names or service marks that will compete with you. We have not established and do not intend to establish other franchises or company-owned outlets selling similar products or services under a different method of operation, trade name or service mark.

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.

RELOCATION

You must receive our written permission before you relocate your franchise. If you chose to move, you will have to move to a location that does not conflict with any of our existing Franchisees approved territories. We will allow a location to relocate in the event of a landlord raising the rent of a location above fair market value rates, if an existing location is experiencing chronic maintenance issues, if an existing location is not making the revenues expected; but only if there are no legal complications with the landlord of the building they are trying to vacate. Any relocation will be at your sole expense. You must satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

CONTINUATION OF YOUR FRANCHISE

Your franchise is not dependent upon achievement of a certain sales value, market penetration, or any other contingency. There are no other circumstances that permit us to modify or alter your territorial rights

during the term of your franchise agreement.

FIRST RIGHT OF PURCHASE AND RIGHT OF FIRST REFUSAL

Unless we otherwise specifically agree in writing, you have no options, rights of first refusal or similar rights to acquire additional franchises within the Franchise Territory or in contiguous territories.

OUR USE OF THE SERVICE MARKS AND OUR PRODUCTS AND SERVICES

We retain all rights not specifically granted to you in the Franchise Agreement. This includes our right to use or license the use of our service marks and trademarks to others. Neither we nor our affiliates are restricted from participating in other distribution methods, whether or not within the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels under marks and product configurations different than those offered through your franchise. We reserve the right to market; solicit sales, and sell, lease, rent or otherwise dispose of franchise products and services to any person or customer we want. These include national accounts, commercial customers, franchisees, end users or any other customer we may select. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers.

We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta- tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee web site be accessed only through our home page. Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

Some of our Franchises may be placed at a location where another, separate business is operated under another business name, such as a business or financial consultation office or accountant's office. If the Franchise Premises is at that type of location, it will be deemed "co-branded" for the purposes of the Franchise Agreement.

YOUR USE OF THE SERVICE MARKS AND OUR PRODUCTS AND SERVICES

Except as follows, you may not establish or operate any other franchise establishment without executing a separate Franchise Agreement for that facility.

Except with our prior written permission, you may not do business, operate or place advertisements using our trade names or service marks in or originating from any area other than the Franchise Territory. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media. All Internet marketing is part of our marketing programs described in the Operations Manual (which includes an Advertising Manual) and defined in the Franchise Agreement, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site.

Only we may place national or regional advertising.

All issues related to local customers who deal with several of our franchisees and local opportunities that could involve more than one franchise will be addressed and resolved by our franchisees in the involved

local area, subject to our right to give reasonable direction and oversight and approval.

We have not established and do not intend to establish other franchises or company-owned outlets selling similar products or services under a different method of operation, trade name or service mark. We are not contractually restricted from doing so.

You do not receive the right to acquire additional franchises or to grant sub-franchises. There is no minimum sales quota upon which your rights to the Franchise Territory depend.

Except as described in this Item 12, there are no other circumstances that permit us to modify your territorial rights.

13. TRADEMARKS

We grant you the right to operate your franchise under the service mark "**TAN REPUBLIC**" and related logos. You also will be granted the right to use other current or future service marks that we may from time to time designate in the confidential Operations Manual. The "service marks," will include any trade names, trademarks, service marks and logos we use to identify your franchise salon.



We obtained registration of the "**TAN REPUBLIC**" service mark on the Principal Register of the United States Patent and Trademark Office on October 7, 2008. (Registration Number 3511496) for tanning salons. All required maintenance filings have been submitted and are current.

We also claim common law rights to the names "**Tan Republic**," "**Beauty Has Evolved**," "**Bronze Without Borders**," "**Look Good Naked**," "**Tan is Beautiful**" and "**Tan Republic Salons**" and the Tan Republic logos. These names and marks are part of our franchise system. While we have a federal registration for our principal service mark, we do not have a federal registration for some of the other marks we use. Therefore, our other marks do not have many legal benefits and rights as a federally registered trademark. If our right to use any of these marks is challenged, you may have to change to an alternative mark, which may increase your expenses. We claim common law rights to the service marks and any other marks used by us in interstate commerce in the United States. This claim is based upon our widespread use of the names in interstate commerce.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding and any pending material litigation involving the service

marks in any state.

There are no agreements currently in effect that limit our rights to use or license the use of the service marks. We know of no infringing uses that could materially affect your use of the service marks.

You must follow our rules when you use the service marks. You cannot use the service marks as part of your corporate, partnership or other entity name. You may not use our service marks in connection with the sale of an authorized product or service or in a manner we have not authorized in writing.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any of the service marks, or any claim by any person of any rights in any of our service marks. You must not communicate with any person other than us and our legal counsel in connection with any such infringement, challenge or claim. We have the sole discretion to take such action as we may deem appropriate to protect our service marks and to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out any such infringement challenge or claim or action otherwise relating to our service marks. You must execute such comments, render such assistance, and do such acts and things as may in the opinion of our counsel be necessary or advisable to protect and maintain our interests in connection with any such litigation or proceeding, to otherwise protect and maintain our interests in our service marks.

The Franchise Agreement does not require us to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you.

The service marks are our sole and exclusive property. You must follow our rules when you use the service marks. You may not use the service marks in any manner we have not authorized in writing.

All goodwill associated with the service marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law.

You may not use or give others permission to use the service marks, or any colorable imitation of them, combined with any other words or phrases.

We may change or modify any part of the service marks from time to time at our sole discretion. You will accept, use, and protect, for the purposes of the franchise, all changes and modifications as if they were a part of the service marks at the time the franchise agreement is executed. You will bear all costs and expenses which may be reasonably necessary because of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

Registered Domain Names:

We have registered the following Uniform Resource Locator (domain name): <https://tanrepublic.com>. You may not register or own a domain name, social media account, email account, etc., using the Service Marks or any derivative of the Service Marks in a domain name, and you may not create or register any domain name, social media account, email account, etc., in connection with your franchise business or the franchise system without our prior written permission.

14.

PATENTS, COPYRIGHT & PROPRIETARY INFORMATION

We intend to affix a statutory notice of copyright to Our Operations Manual, to most of our advertising products, and to our tanning and skin care products, and to all modifications and additions to them. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights to the copyrighted material. You are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement.

The Operations Manual is described in Item 11. Although we have not filed applications for copyright registration, all copyrighted materials are our property. Item 11 describes limits on use of the copyrighted materials by you and your employees. You must contact us immediately if you learn of any unauthorized use of our proprietary information. You must also agree to not contest our rights to and interest in our copyrights and other proprietary information.

Protection Against Infringement

You must also promptly tell us when you learn about unauthorized use of our copyrights, manuals, and any other proprietary information. We are not obligated to take any action but will respond to this information as we believe appropriate. We have the right to control any administrative proceedings or litigation.

If you use (and do not disclose) our confidential information in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third-party alleging infringement by your use of the confidential information, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Improvements to the System

Any improvements you make to the system will be owned by us and considered a “work-made-for-hire” or will otherwise be assigned to us.

We have no patents material to your franchise.

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

We recommend that you, or one of your owners if you are a corporation or partnership, participate fully in the actual day to day operation of the franchise business. Managers you employ to help you to operate the franchise must successfully complete the mandatory training program described in Item 11. The manager and all of your owners must agree to be bound by the confidentiality and non-compete provisions of the franchise agreement.

Each of your owners must assume and agree to discharge all of your obligations under the franchise agreement.

Your operating principals are not required to be involved in the day-to-day operations, however, during the term of your franchise agreement, your operating principals are required to participate in your franchise business as follows: (i) be directly responsible for overseeing all accounting, reporting and bookkeeping, and all financial components of the franchise business; (ii) attend and complete all training and retraining courses required by us; (iii) attend any annual or special meetings of franchisees required by us; (iv) be directly involved with site selection, construction, remodeling; (v) be directly involved in all personnel decisions affecting the franchise business; (vi) conduct frequent inspections of the franchise business operations to ensure the highest standards of professionalism, cleanliness and a general pleasant appearance, and compliance with our approved methods; and (vii) work sufficient hours to operate your franchise or supervise

your managers so that your franchise business is operating at maximum capacity and efficiency.

No Competing Enterprises

Neither you, your operating principals, nor your management employees can have an interest in or business relationship with any competing business during the term of the franchise agreement and must keep free from activities that would be detrimental to or interfere with the operation of your franchise business or detrimental to the franchise system. You, your partners, directors, members, shareholders, and operating principal must sign our standard principal brand protection agreement agreeing to protect and keep confidential our trade secrets and confidential information and to conform with the covenants not to compete described in Item 17 and your franchise agreement. Your employees will also be required to sign a confidentiality agreement, and that agreement also imposes certain non-competition restrictions on management employees. Some states may impose certain restrictions on non-competition agreements. We provide you this form, but it is your responsibility to conform it to the laws and regulations of your state. We have the right to communicate directly with your operating principal(s), designated manager(s), and assistant managers concerning operational matters that we reasonably believe may affect our goodwill, the Service Marks, the Method of Operation, or our franchise system.

Our Step-In Rights. To prevent any interruption of the franchised business that would cause harm to the franchise and to our franchise system and lessen their value. We may step in to operate the franchise when we deem necessary. Reasons may include our determination that: You are incapable of operating the franchise; You are absent or incapacitated because of illness or death; You have failed to pay when due any leases, taxes or assessments against the franchise or property used in connection with the franchise; You have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or we decide that operational problems require us to operate the franchise for a time.

All Revenue derived from our operation of the franchise will be for your account. We may pay from that Revenue all expenses, debts, and liabilities we incur during our operation of the franchise. We will keep in a separate account all Revenue generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you use, offer and sell only those tanning and skin care products, goods and services that we approve in writing. You must offer all tanning and skin care products, goods and services that we designate as required by our franchisees. We reserve the right, without limitation, to modify, delete, and add to the authorized products, goods and services.

17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

These tables list 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

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Length of Franchise Term	Section 1.1	7 years or to match the initial term of your real estate lease.
b. Renewal or Extension of the Term	Section 6.1	If you are in good standing, you may renew for periods of 5 years under the terms of our then current franchise agreement forms.
c. Requirements for Franchisee to Renew or Extend	Section 6.1	Pay \$1,000 Renewal Fee, give notice at least 6 and not more than 9 months before expiration of the initial term; faithfully perform under the initial agreement; refurbish, remodel, or replace the Franchise Premises and replace obsolete equipment; sign general release; sign a new agreement (that may contain terms materially different from those contained in the franchise agreement attached to this disclosure document); and go through retraining.
		If at the time for renewal we are not offering franchises in your area or cannot by law offer a renewal franchise to you, your existing franchise agreement will terminate at the end of its term. You will not have any further renewal or extension rights.
d. Termination by Franchisee	Section 6.2	Subject to State Law, you may terminate the Franchise Agreement if you comply with the provisions of the Franchise Agreement and if we breach any material provision and fail to cure or reasonably to begin to cure that breach within 30 days after receipt of written notice from you. Termination will be effective 10 days after you deliver to us a written declaration of termination for failure to cure within the allowed period.
e. Termination by Franchisor Without Cause	None	

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
f. Termination by Franchisor With Cause	Section 6.3	We can terminate only if you default.
g. "Cause" Defined – Curable Defaults	Section 6.3(A)	You have 30 days to cure any default not listed in Section 6.3 (B).
h. "Cause" Defined – Noncurable Defaults	Section 6.3 (B)	Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, non-payment of fees, repeated under reporting of sales, disclosure of information.
i. Franchisee's Duties and Obligations on Termination or Nonrenewal.	Section 6.5	De-identification, return of manuals, release of phone numbers and listings, de-identification of premises, payment of sums owed, confidentiality, and non-competition. At Our option, assign your lease and sell all Franchise related equipment, furnishings, and inventory to us, at the depreciated book value (straight line depreciation over five years) for equipment and furnishings and at your invoice cost for tanning and skin care products inventory less a 10 percent restocking charge. We will not be liable for any payment
		to you for intangibles, including, without limitation, goodwill.
j. Assignment of Contract by Franchisor	Section 7.1	There are no restrictions on our right to transfer.
k. "Transfer" by Franchisee - Definition	Section 7.1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the franchise agreement, substantial assets of the franchise, or ownership or control of You.
l. Franchisor's Approval of Transfer by Franchisee	Section 7.1	We have the right to approve all transfers.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
m. Conditions for Franchisor Approval of Transfer	Section 7.1	<p>Subject to local laws, the transferee must qualify as a franchisee, he must assume your obligations, you may not be in default, the transferee must successfully complete the mandatory training, the current transfer fee will not be more than \$5,000, the transferee must sign a new franchise agreement on our then current terms, and you must release us.</p> <p>You must also coordinate with the transferee to ensure coverage at the location during the transferee's initial training.</p>
n. Franchisor's Right of First Refusal to Acquire Franchisee' Business	Section 7.3	If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, 30-day notice and right to decide.
o. Franchisor's Option to Purchase Franchisee's Business	Section 6.3 & 6.5	<p>Upon termination or expiration of the franchise agreement, we can elect to buy all or part of your business assets at fair market value.</p> <p><i>Additionally, if we receive an offer to acquire a majority of the franchises or an offer to purchase a majority of our assets or stock, or to merge or go public or similar transactions, we have the option to purchase all your rights and interests in and under the franchise agreement and your franchise business at fair market value.</i></p>
p. Death or Disability of Franchisee	Section 7.2	Within 180 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise, or transfer Franchise interest.
q. Non-Competition Covenants During the Term of the Franchise	Sections 5.6 & 5.7	Subject to State Law, you may not disclose confidential information or compete.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
r. Non-Competition Covenants After the Franchise is Terminated or Expires	Sections 5.6, 5.7 & 6.8	Subject to State Law, no competition is allowed for 730 days in or within 100 miles of you Franchise Territory or 100 miles of any other Tan Republic operation or within any part of the United States of America.
s. Modification of the Agreement	Sections 5.5 and 9.7	We may modify the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement of the parties.
t. Integration/Merger Clause	Sections 5.1, 5.5 and 9.7	Subject to State Law, only the terms of the franchise agreement and operations manual are binding. Any other promises may not be enforceable. This does not disclaim representations we make in this disclosure document.
u. Dispute Resolution by Arbitration or Mediation	6.5 and 9.7	Subject to State Law, dispute related to post-termination purchase price is required to be arbitrated. All disputes are subject to be mediated.
v. Choice of Forum	Section 9.7	Subject to State Law, arbitration and litigation must be in Salem, Oregon, except as stated in the State Addenda to this Disclosure Document.
w. Choice of Law	Section 9.7	Subject to State Law, Oregon law applies except to the extent governed by the United States Trademark Act and except as stated in the State Addenda to this Disclosure Document and in those states whose franchise laws require exclusive application

See The State Law Addendum for disclosures related to specific states.

18. PUBLIC FIGURES

No public figure is involved in our franchise program at the present time.

19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lance Donnelly, 1124 Wallace Road NW, Suite 115, Salem, Oregon 97304, 503- 409-2623, lance@tanrepublic.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISE INFORMATION

Table No. 1
SYSTEM-WIDE OUTLET SUMMARY
As of December 31, 2021, 2022, and 2023

<u>Column 1</u> <u>Outlet Type</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the Start of</u> <u>the Year</u>	<u>Column 4</u> <u>Outlets at the End of</u> <u>the Year</u>	<u>Column 5</u> <u>Net Change</u>
Franchised	2021	63	65	+2
	2022	65	64	-1
	2023	64	65	+1
Company or Affiliate Owned	2021	1	2	+1
	2022	2	2	0
	2023	2	1	-1
Total Outlets	2021	64	67	+3
	2022	67	66	-1
	2023	66	66	0

Table No. 2
FROM FRANCHISEES TO NEW OWNERS (other than the
Franchisor) As of December 31, 2021, 2022, and 2023

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Number of Transfers</u>
Oregon	2021	7
	2022	7
	2023	5
Washington	2021	0
	2022	2
	2023	2
Totals	2021	7
	2022	9
	2023	7

Table No. 3
STATUS OF FRANCHISED OUTLETS
As of December 31, 2021, 2022, and 2023

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the Start of the Year</u>	<u>Column 4</u> <u>Outlets Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-Renewals</u>	<u>Column 7</u> <u>Reacquired by Franchisor</u>	<u>Column 8</u> <u>eased Operation – Other Reasons</u>	<u>Column 9</u> <u>Outlets at End of Year</u>
Arizona	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
California	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	2	1	0	0	0	0	3
Idaho	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Montana	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Nevada	2021	6	2	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	1	0	0	0	1	8
Oregon	2021	48	0	0	0	0	2	46
	2022	46	0	1	0	0	0	45
	2023	45	0	0	0	0	3	42
Utah	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Washington	2021	5	2	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Totals*	2021	63	4	0	0	0	2	65

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at</u> <u>the Start of</u> <u>the Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-Renewals</u>	<u>Column 7</u> <u>Reacquired by</u> <u>Franchisor</u>	<u>Column 8</u> <u>eased Operation</u> <u>- Other Reasons</u>	<u>Column 9</u> <u>Outlets at</u> <u>End of Year</u>
	2022	65	0	1	0	0	0	64
	2023	64	5	0	0	0	4	65

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS
As of December 31, 2021, 2022, and 2023

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the</u> <u>Start of the Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Outlets Reacquired</u> <u>from Franchisees</u>	<u>Column 6</u> <u>Outlets Closed</u>	<u>Column 7</u> <u>Outlets Sold to</u> <u>Franchisees</u>	<u>Column 8</u> <u>Outlets at End of</u> <u>Year</u>
Oregon	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	1
Washington	2021	0	0	0	1	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Totals	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	1	0	1

Table No. 5
PROJECTED FRANCHISE OUTLET OPENINGS AS OF DECEMBER 31, 2023

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Franchise Agreements</u> <u>Signed but Outlet Not</u> <u>Opened</u>	<u>Column 3</u> <u>Projected New Franchised</u> <u>Outlets in the Next Fiscal Year</u>	<u>Column 4</u> <u>Projected New Company-</u> <u>Owned Outlets in the</u> <u>Current Fiscal Year</u>
Arizona	2	2	0
Oregon	2	2	0
Nevada	2	2	0
Utah	2	2	0
Washington	2	2	0
TOTALS	10	10	0

Exhibit K includes a complete listing of all of our current franchisees and the addresses and telephone numbers of all of their operations as of **March 31, 2024**.

The following franchisees had outlets terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or have not communicated with us within **10** weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Nevada:

1. Las Vegas Sunset, NV - CLOSED April 2023 - Vince Imes 4675 Sussex Ct Depoe, OR 97341 PH:541-992-3882 (Divine Holdings, LLC) Vince@tanrepublic.com

Oregon:

1. Corvallis King, OR - CLOSED July 2023 - Tony Wilson - 8438 Valley Way SE Turner, OR 97392 PH:503-979-2060 (LKT LLC) - Tony@tanrepublic.com

2. Salem Market - CLOSED November 2023 - Alesha Stanage - 5833 Cobalt Loop SE Salem, OR 97306 PH:503-428-7585

3. Salem W.C.S - CLOSED November 2023 - Lance Donnelly - 1124 Wallace Rd NW Suite 115 Salem, OR 97306 PH:503-409-2623

During the last three fiscal years, in some instances, current and former franchisees may have signed provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. In addition, we sign agreements with current and former franchisees that include confidentiality clauses that protect our intellectual property and our proprietary information. The confidentiality clauses in these agreements may also relate to specific negotiated franchise agreement terms and conditions.

The following is a list, to the extent known by us, of the names, addresses, telephone numbers, email address and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed: **None.**

The following is a list of any independent franchisee organizations that have asked to be included in this disclosure document: **None.**

21. FINANCIAL STATEMENTS

Attached in Exhibit A are our audited financial statements as of December 31, 2023, 2022, and 2021. Our fiscal year-end is December 31.

22. CONTRACTS

Attached are sample copies of the following agreements you may have to sign when you purchase your franchise.

- Exhibit D: Standard Franchise Agreement, with Exhibits
- Exhibit E: Conditional Assignment of Phone Number

- Exhibit F: Abandonment, Relinquishment, and Termination of Assumed Business Name
- Exhibit G: State Law Addendum
- Exhibit H: Confidentiality Agreement
- Exhibit I: Electronic Debit Authorization Form

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

23. RECEIPTS

Attached to this Disclosure Document are two Acknowledgments of Receipt. They evidence your receipt of this Disclosure Document: one is to be retained by you, the other by us (Exhibit M).

Exhibit A
TAN REPUBLIC FRANCHISE COMPANY, LLC.
AUDITED FINANCIAL STATEMENTS

TAN REPUBLIC
FRANCHISE COMPANY, LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023, 2022, AND 2021



TAN REPUBLIC FRANCHISE COMPANY, LLC

Table of Contents

	<u>Page</u>
Independent auditor's report.....	3
Balance sheets	5
Statements of operations.....	6
Statements of member's deficit	7
Statements of cash flows	8
Notes to the financial statements	9



Independent Auditor's Report

To the Member
Tan Republic Franchise Company, LLC
Salem, Oregon

Opinion

We have audited the accompanying financial statements of Tan Republic Franchise Company, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tan Republic Franchise Company, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of Tan Republic Franchise Company, LLC as of December 31, 2021 were audited by other auditors whose report dated March 15, 2022 expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Spavia International, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezar J. Dinkley

St. George, Utah
March 20, 2024

TAN REPUBLIC FRANCHISE COMPANY, LLC
BALANCE SHEETS
As of December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 12,414	\$ 121,941	\$ 110,403
Accounts receivable, net	122,146	137,045	105,507
Inventory	6,060	5,503	-
Loan to member	111,101	197,835	274,655
Total current assets	<u>251,721</u>	<u>462,324</u>	<u>490,565</u>
Non-current assets			
Right of use assets	103,071	154,674	-
Property and equipment, net	323,843	129,782	97,926
Total non-current assets	<u>426,914</u>	<u>284,456</u>	<u>97,926</u>
Total assets	<u>\$ 678,635</u>	<u>\$ 746,780</u>	<u>\$ 588,491</u>
Liabilities and Member's Deficit			
Current liabilities			
Accounts payable	\$ 269,227	\$ 361,381	\$ 332,311
Accrued expenses	22,960	12,385	15,403
Credit card liability	5,123	22,885	48,347
Lines of credit	200,000	300,000	200,000
Deferred revenue	55,000	87,500	15,000
Notes payable, current	29,696	3,225	43,921
Operating lease liabilities, current	41,355	52,063	-
Total current liabilities	<u>623,361</u>	<u>839,439</u>	<u>654,982</u>
Non-current liabilities			
Notes payable, non-current	255,621	146,775	148,147
Operating lease liabilities, non-current	65,093	106,448	-
Total non-current liabilities	<u>320,714</u>	<u>253,223</u>	<u>148,147</u>
Total liabilities	<u>944,075</u>	<u>1,092,662</u>	<u>803,129</u>
Member's deficit	(265,440)	(345,882)	(214,638)
Total liabilities and member's deficit	<u>\$ 678,635</u>	<u>\$ 746,780</u>	<u>\$ 588,491</u>

The accompanying notes are an integral part of the financial statements.

TAN REPUBLIC FRANCHISE COMPANY, LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Operating revenue			
Royalty and marketing fees	\$ 886,337	\$ 865,850	\$ 1,262,267
Initial franchise fees	90,000	7,500	-
Technology fees	146,350	111,186	109,884
Product sales	62,250	83,438	170,417
Service revenue	516,569	560,807	229,370
Other revenue	42,385	41,994	-
Total operating revenue	<u>1,743,891</u>	<u>1,670,775</u>	<u>1,771,938</u>
Cost of revenue	276,160	199,966	409,403
Gross profit	<u>1,467,731</u>	<u>1,470,809</u>	<u>1,362,535</u>
Operating expenses			
General and administrative	1,074,869	1,130,829	820,814
Professional fees	67,658	177,888	59,321
Marketing and advertising	79,525	80,254	87,638
Depreciation	40,250	32,035	31,503
Total operating expenses	<u>1,262,302</u>	<u>1,421,006</u>	<u>999,276</u>
Income from operations	<u>205,429</u>	<u>49,803</u>	<u>363,259</u>
Non-operating expense			
Bad debt	-	-	(11,263)
Interest expense	(17,321)	(14,282)	(17,813)
Interest income	-	11,024	-
Total non-operating expense	<u>(17,321)</u>	<u>(3,258)</u>	<u>(29,076)</u>
Net income	<u>\$ 188,108</u>	<u>\$ 46,545</u>	<u>\$ 334,183</u>

The accompanying notes are an integral part of the financial statements.

TAN REPUBLIC FRANCHISE COMPANY, LLC
STATEMENTS OF MEMBER'S DEFICIT
For the years ended December 31, 2023, 2022, and 2021

Balance as of January 1, 2021	\$ (652,278)
Member contributions	103,457
Net income	334,183
Balance as of December 31, 2021	<u>(214,638)</u>
Adoption of ASC 842, <i>Leases</i>	(2,852)
Member distributions	(174,937)
Net income	46,545
Balance as of December 31, 2022	<u>(345,882)</u>
Member distributions	(107,666)
Net income	188,108
Balance as of December 31, 2023	<u><u>\$ (265,440)</u></u>

The accompanying notes are an integral part of the financial statements.

TAN REPUBLIC FRANCHISE COMPANY, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:			
Net income	\$ 188,108	\$ 46,545	\$ 334,183
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	40,250	32,035	31,503
Amortization of right of use asset	51,603	49,778	-
Changes in operating assets and liabilities:			
Accounts receivable	14,899	(31,538)	(105,507)
Loan to shareholder	86,734	76,820	(274,655)
Inventory	(557)	(5,503)	3,103
Overdraft liability	-	-	(55,247)
Credit card liability	(17,762)	(25,462)	(86,841)
Accounts payable	(81,579)	26,052	143,581
Lease liability	(52,063)	(48,793)	-
Deferred revenue	(32,500)	72,500	15,000
Net cash provided by operating activities	<u>197,133</u>	<u>192,434</u>	<u>5,120</u>
Cash flows from investing activities:			
Purchases of property and equipment	(234,311)	(63,891)	-
Net cash used in investing activities	<u>(234,311)</u>	<u>(63,891)</u>	<u>-</u>
Cash flows from financing activities:			
Net activity on line of credit	(100,000)	100,000	200,000
Principal payments on notes payable	135,317	(42,068)	(198,174)
Member contributions (distributions)	(107,666)	(174,937)	103,457
Net cash provided by (used in) financing activities	<u>(72,349)</u>	<u>(117,005)</u>	<u>105,283</u>
Net change in cash and cash equivalents	(109,527)	11,538	110,403
Cash at the beginning of the year	121,941	110,403	-
Cash at the end of the year	<u>\$ 12,414</u>	<u>\$ 121,941</u>	<u>\$ 110,403</u>
Supplementary disclosures of cash flows			
Cash paid for interest and taxes	<u>\$ 17,321</u>	<u>\$ 14,282</u>	<u>\$ 17,813</u>

The accompanying notes are an integral part of the financial statements.

TAN REPUBLIC FRANCHISE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Tan Republic Franchise Company, LLC (the "Company"), based in Salem, Oregon, is an Oregon limited liability company formed on January 17, 2008 for the purpose of marketing and franchising Tan Republic, which offers a full-service tanning salon, throughout the United States of America.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission ("SEC"), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2023, 2022, and 2021, the Company had cash and cash equivalents of \$12,414, \$121,941, and \$110,403.

(e) Accounts Receivable

Accounts receivable primarily consist of amounts from franchisees for initial franchise fees. Based on an assessment of the franchisees' credit history and current relationship with the Company, management has concluded that realized losses on balances outstanding at year-end will be immaterial. Accordingly, no reserve for uncollectible amounts has been recorded as of December 31, 2023, 2022, and 2021. As of December 31, 2023, 2022, and 2021, the Company had accounts receivable of \$122,146, \$137,045, and \$105,507, respectively.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items in excess of \$1,000 that meet specific guidelines are capitalized. Expenditures for major renewals and improvements are capitalized. Minor replacements, maintenance, and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the result of operations for the respective period. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives for significant property and equipment categories are as follows:

Vehicles	5 years
Equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of the useful life or lease term

TAN REPUBLIC FRANCHISE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

(g) *Leasing*

The Company adopted ASC 842, *Leases* as of January 1, 2022, using the modified retrospective method. The Company has an operating lease for office space, which required adjustments to record the right-of-use assets and lease liabilities as of the date of implementation. Upon adoption, the Company recorded a right-of-use asset of \$204,452 and a lease liability of \$207,304. The net effect on the Company's equity on January 1, 2022 was a reduction of \$2,852. The lease liability reflects the present value of the Company's estimated future minimum lease payments over the lease term, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company's cash flows.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term.

(h) *Revenue Recognition*

The Company's revenues consist of initial franchise fees, and royalties based on a percentage of gross revenues, technology fees, product sales, and service revenue.

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that royalties from locations operated by a franchisee, which are based on a percentage of gross revenue, are to be recognized at the time the underlying sales occur. Technology and service revenues are recognize at the time services are provided. Product sales are recognized upon shipment.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, and are recognized as revenue when all pre-opening obligations are provided – which is generally upon commencement of operations.

TAN REPUBLIC FRANCHISE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

(i) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Oregon. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2023, the 2022, 2021, and 2020 tax years are subject to examination.

(j) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, pre-paid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(k) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Loan to Member

During the year ended December 31, 2021, the Company entered into a promissory note with its member. The note has an initial principal balance of \$275,000, accrues interest at a rate of 3.75% per annum, and requires regular payments. As of December 31, 2023, 2022, and 2021, the receivable had a balance of \$111,101, \$197,835, and \$274,655, respectively.

(3) Property and equipment

As of December 31, 2023, 2022, and 2021, the Company's property and equipment consisted of the following:

	2023	2022	2021
Equipment	\$ 172,758	\$ 107,063	\$ 107,063
Vehicles	271,179	107,950	107,950
Leasehold improvements	69,278	63,891	-
	513,215	278,904	215,013
Accumulated depreciation	(189,372)	(149,122)	(117,087)
	<u>\$ 323,843</u>	<u>\$ 129,782</u>	<u>\$ 97,926</u>

Depreciation expense for the years ended December 31, 2023, 2022, and 2021 was \$40,250, \$32,035, and \$31,503, respectively.

TAN REPUBLIC FRANCHISE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

(4) Operating Lease

The Company is the lessee in a number of operating leases with expiration dates between 2023 and 2026. As the Company adopted ASC 842, *Leases*, on January 1, 2022, there are no right of use assets or operating lease liabilities on the balance sheet as of December 31, 2021. As of December 31, 2023 and 2022, the Company recorded a right of use asset of \$103,071 and \$154,674, respectively. As of December 31, 2023 and 2022, the Company had the following operating lease liability:

	2023	2022
Operating lease liability, current	\$ 41,355	\$ 52,063
Operating lease liability, non-current	65,093	106,448
	<u>\$ 106,448</u>	<u>\$ 158,511</u>

As of December 31, 2023, the maturities of the Company's lease liability were as follows:

For the year ended December 31,	
2024	\$ 41,355
2025	44,875
2026	20,218
	<u>\$ 106,448</u>

(5) Notes Payable

As of December 31, 2023, 2022, and 2021, the Company's notes payable consisted of the following:

	2023	2022	2021
Economic Injury Disaster Loan ("EIDL") payable to the Small Business Administration ("SBA") with an initial principal balance of \$150,000. The note accrues interest at a rate of 3.75% per annum and requires monthly payments of \$731. The loan matures on June 10, 2052. The balance includes the initial principal balance and accrued interest.	\$ 146,012	\$ 150,000	\$ 148,147
Loan from a third-party financial institution for the purchase of a vehicle with an initial principal balance of \$147,229. The note accrues interest at a rate of 6.9% and requires monthly payments of \$2,923.	139,305	-	-
Loan from a credit union for the purchase of a vehicle. The note accrued interest at a rate of 4.254% and required monthly payments of \$1,078.	-	-	37,302
Loan from a credit union for the purchase of a vehicle. The note accrued interest at a rate of 4.70% and required monthly payments of \$800.	-	-	6,619
	<u>285,317</u>	<u>150,000</u>	<u>192,068</u>
	<u>(29,696)</u>	<u>(3,225)</u>	<u>(43,921)</u>
Less: current maturities	<u>\$ 255,621</u>	<u>\$ 146,775</u>	<u>\$ 148,147</u>

TAN REPUBLIC FRANCHISE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022, AND 2021

(6) Lines of Credit

The Company has lines of credit from third-party financial institutions. The lines of credit accrue interest at various rates and have various maturity dates. As of December 31, 2023, 2022, and 2021, the outstanding balances were \$200,000, \$300,000, and \$200,000, respectively.

(7) Franchise Agreements

The Company's franchise agreements generally provide for the payment of initial fees as well as continuing royalties and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Tan Republic system for a period of 5 years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

As of December 31, 2023, 2022, and 2021, the Company had deferred revenue of \$55,000, \$87,500, and \$15,000, respectively, all of which was classified as current.

(8) Accrued Expenses

The Company's accrued expenses consist of accrued payroll, commissions, and excise tax liabilities. The balance as of December 31, 2023, 2022, and 2021 was \$22,960, \$12,385, and \$15,403, respectively.

(9) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC 450, *Contingencies*, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(10) Subsequent Events

Management has reviewed and evaluated subsequent events through March 20, 2024, which is the date on which the financial statements were issued.

Exhibit B

TAN REPUBLIC FRANCHISE COMPANY, LLC.

**NAMES AND ADDRESSES OF STATE REGULATORY
AUTHORITIES AND REGISTERED AGENTS IN STATES**

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
CALIFORNIA	<p>California Commissioner of Financial Protection and Innovation:</p> <p>Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505</p> <p>Sacramento: 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205</p> <p>San Diego: 1350 Front Street San Diego, CA 92101-3697 (619) 525-4233</p> <p>San Francisco: 71 Stevenson Street, Suite 2100 San Francisco, CA 94105 (415) 972-8559</p>	<p>Commissioner Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 (213) 576-7505</p>
CONNECTICUT	<p>Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232</p>	<p>Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232</p>
FLORIDA	[Not Applicable]	<p>Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770</p>
HAWAII	<p>Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 548-2021</p>	<p>Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722</p>
ILLINOIS	<p>Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	<p>Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892</p>
INDIANA	<p>Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681</p>	<p>Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>
IOWA	[Not Applicable]	<p>Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441</p>

MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328	Deputy Commissioner Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
NEW YORK	Secretary of State of the State of New York 99 Washington Street Albany, NY 12231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387 OREGON AGENT CORPORATION 1011 COMMERCIAL ST NE STE 210 Salem, OR 97301	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	Franchise Administrator Division of 124 S. Euclid, Suite 104 Pierre, SD 57501-5070 (605) 773-4013
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769

UTAH	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9672	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Securities Administrator Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128
ALBERTA, CANADA	N/A	Rob Phillips Executive Director, Consumer Services Branch Alberta Government Services, Consumer Programs 3 rd Floor, Commerce Place 10155 – 102 Street Edmonton, Alberta, Canada T5J 4L4 (780) 422-8177

Exhibit C
TAN REPUBLIC FRANCHISE COMPANY, LLC.
Online Operations Manual Table of Contents from www.support.tanrepublic.com

- Operations Manual
- Advertising and Branding Guidelines
- Sunlync Timer Server
- VersaPro - Sunless Codes
- Forms
- 2024 General Marketing Calendar

Point of Sale

- Upgrading/Downgrading at POS
- POS Message for Your Staff
- Remove Upgrades
- Suspend/Recall a Sales Transaction
- Process a Refund
- Cancel BWB Membership at POS
- Cancel BWB Memberships - Back Office
- Freeze BWB Memberships

Reporting

- Set Store Goals
- Change Locations
- Report For Seeing All Cancelled BWBS Made From POS
- Customer EFT Status Report
- Customer Activity Report
- Customer Activity Report - EFT Courtesy
- Declined EFT Dues
- Daily Sales

Inventory/Product

- Disable Promotions on Product
- Show/Hide Product at POS
- Inventory Maintenance - Purchase Orders
- Inventory Maintenance Tab
- Inventory Maintenance - Insert Transaction

Troubleshooting

- Sunlync Timer Server
- VersaPro - Sunless Codes
- M400 Genius Upgrade

Training

- Initial Inventory for Opening a New Store

IT/Network

- Sunlync on 2nd Computer or BYOD
- Meraki Client VPN Setup
- Computers
- Cameras/Security
- Network Security/Wireless Access Points (Wi-Fi)
- In Store Wi-Fi
- Tan Republic Email Accounts
- Troubleshooting VPN Connection

Marketing

- Advertising and Branding Guidelines
- Meta Business Suite - Add User
- Store Hours
- SlickText FAQ
- Groupon Campaign - 2023
- Online Reviews
- 2024 General Marketing Calendar
- Ongoing Promotions

Employees

- Employee Maintenance - Inserting a New Employee
- Employee Memberships
- Link Employee Profile
- Time Card Management
- Sunlync Training Manual
- Smart Tan

Audio/Visual – Store Needs

- Audio/Visual
- CloudCover Music
- Google Chromecast - Ambient Mode

FAQ

- Operations Manual
- Vendor Contact List
- TR18 - Under 18 Sunless Spray Membership
- 2023 Marketing Calendar
- Store Build Out - Interior Choices
- EFT Statements
- Guides, Knowledge Bases (KB's), etc...
- Forms

FRANCHISE AGREEMENT



TAN REPUBLIC FRANCHISE COMPANY, LLC

**TAN
REPUBLIC**

1124 Wallace Road NW, Suite 115
SALEM, OREGON 97304

503-409-2623

TABLE OF CONTENTS

1 GRANT OF FRANCHISE AND FRANCHISE TERRITORY

- 1.1 Grant of Franchise and Franchise Territory
- 1.2 One Location for Franchise Premises
- 1.3 Assistance in Site Location
- 1.4 Franchise Premises Development
- 1.5 Relocation of the Franchise Premises
- 1.6 You Will Not Advertise Outside Territory
- 1.7 Rights We Reserve
- 1.8 Nonexclusive

2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

- 2.1 Initial Franchise Fee
- 2.2 Monthly Royalty Fee
- 2.3 Monthly Advertising Fee
- 2.4 Advertising Fund and Standards
- 2.5 "Revenue" Defined
- 2.6 You Will Pay Taxes and Indebtedness
- 2.7 Royalty Fees, Advertising Fees, Local Advertising Contributions, and Other Sums to Be Paid Promptly
- 2.8 Records
- 2.9 Audits
- 2.10 You are to Pay all Franchise Costs
- 2.11 Attendance at Conventions
- 2.12 Application of Payments

3 TRAINING

- 3.1 Mandatory Training
- 3.2 Supplemental Training

4 COMMENCEMENT OF OPERATIONS

- 4.1 Time to Complete Training and Commence Operation
- 4.2 You are to Obtain Permits and Licenses
- 4.3 Lease Assumption and Real Property Security Assignments

5 FRANCHISE STANDARDS OF OPERATION

- 5.1 Operations Manual, Minimum Inventory, Supplies, Decor, Plans and Specifications, and Public Relations
- 5.2 Standards to Be Maintained
- 5.3 Trademarks, Operations Manual, and Method of Operation Are Our Exclusive Property
- 5.4 You Will Not to Use Names or Marks in Combination
- 5.5 Trademarks, Operations Manual, and Method of Operation May Be Changed
- 5.6 You Will Not Communicate Confidential Information
- 5.7 Conflicting or Competing Interests
- 5.8 Computer Systems
- 5.9 Working Capital Requirements
- 5.10 Terms of Product Sales
- 5.11 Employees and Contracted Staff

6 RENEWAL, TERMINATION AND STEP-IN RIGHTS

- 6.2 Termination by You
- 6.3 Termination by Us
- 6.4 Time Frames Subject to Applicable Law

- 6.5 You Will Discontinue Use of Trademarks, Operations Manual, and Operation on Termination of Agreement
- 6.6 We May Assign Territory Upon Termination
- 6.7 Our Step-In Rights
- 6.8 You and Your Owners Not to Compete on Expiration, Termination or Agreement

7 TRANSFER

- 7.1 Sale or Assignment
- 7.2 Your Death or Disability
- 7.3 Right of First Purchase
- 7.4 **First Right of Refusal**

8 INDEMNITY, INSURANCE, CONDEMNATION and CASUALTY

- 8.1 Indemnity
- 8.2 Insurance
- 8.3 Condemnation
- 8.4 Casualty

9 NOTICE AND MISCELLANEOUS

- 9.1 Notices
- 9.2 Business Name
- 9.3 We and You Are Not Joint Venturers, Partners, or Agents
- 9.4 Waiver
- 9.5 Time Is of the Essence
- 9.5 Documents
- 9.6 Construction
- 9.7 Enforcement
- 9.8 Other Agreements
- 9.9 Agreement Binding on Successors and Assigns
- 9.10 Our Acceptance
- 9.12 Approval by Shareholders, Members or Partners
- 9.13 Personal Guarantee
- 9.14 Representations and Acknowledgments

10 SIGNATURES

FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this ____ day of _____, 202_. It is by and between **TAN REPUBLIC FRANCHISE COMPANY, LLC**, an Oregon limited liability company, and our successors and assigns ("we, us") and _____, ("you"). For purposes of this Agreement "you" may include an individual, corporation, partnership, limited liability company or other legal entity. "You" includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to, "**TAN REPUBLIC**" and the **TAN REPUBLIC** logos (the "Service Marks"). We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that offer tanning salon, skin care salon, beauty treatment, and spa services and related merchandise to the public under the Service Marks (the "Method of Operation").

You want to operate a high-caliber salon and to use our Method of Operation and Service Marks.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

If you operate your Franchise below the standards we require, customers who patronize that location will be less likely to patronize other Tan Republic locations. This would damage the business of others. It will be difficult for us to obtain new franchisees for salons if a prospective purchaser observes that you do not maintain the required standards.

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at (1) the first personal meeting with us (in Maryland, New York, and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:

- receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
- if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

You realize that entering into this Agreement will obligate you to operate your franchised business in strict accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manual that we will loan to you. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If you operate your Franchise below the standards we require, customers who patronize that franchise location will be less likely to patronize other salon locations in our franchise system. This would damage the business of others. It will be difficult for us to obtain

new franchisees if a prospective purchaser observes that you do not maintain the required standards.

You acknowledge that the terms of our prior franchise offerings may have materially differed from the terms of this Agreement.

We expressly disclaim the making of and you acknowledge that you have not received, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Franchise Disclosure Document. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any of our franchise operation that is inconsistent with disclosures in our Franchise Disclosure Document. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1) **GRANT OF FRANCHISE AND FRANCHISE TERRITORY**

1.1 **Grant of Franchise and Franchise Territory.** We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, for 7 years [or to match the term of your real estate lease] from the date of this Agreement. This grant solely is for the operation by you of one Tan Republic franchise salon in the geographical territory identified in the attached Exhibit 1 ("the Franchise Territory"). Co-branding is permitted between our Tan Republic concept and other compatible concepts. If either the Franchise Territory or the location for your franchised operations has not been determined when this Agreement is executed, you are responsible for selecting the site for your franchise within the area designated in Exhibit 1. The Franchise Territory and your franchise site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

During the term of this Agreement, we agree not to establish, or license anyone else to establish, any business using the applicable Service Marks or the Method of Operation within the Franchise Territory without your prior written consent. However, we may purchase or be purchased by, or merge or combine with, competing business, wherever located. We will not operate a Tan Republic salon, or grant to ourselves or another person a Tan Republic franchise within the Franchise Territory.

We will designate your Franchise Territory. We will analyze your market area, to help determine site feasibility and to help in selection of the franchise location. In analyzing a proposed site, we examine its general location, distance from warehouse, traffic patterns, parking, size, physical characteristics, proximity to competing businesses, lease terms, sign visibility, neighborhood economic profile, population density and accessibility. The exact determination of the location for the franchise premises will depend upon our approval and your and our market analysis, market penetration plans and franchise placement strategies and existing franchise commitments. You must obtain our prior written approval for the site of the franchise premises and your lease related to it. Our response to your request for approval of a site will be given within 30 days after we receive your written request.

If you and we cannot agree on a site for your franchise premises, we may terminate the Franchise Agreement by refunding to you the Initial Franchise Fee and any amounts paid for purchases of products and supplies from us or our affiliates (you must return the products and supplies to us or our affiliates).

Some of our franchises may be placed at a location where another, separate business is operated under another business name, such as a beauty salon or spa. If the Franchise Premises is at that type of location, it

will be deemed "co-branded" for the purposes of this Agreement. [Exhibit 2 to this Agreement is the "Co-Branding Addendum" for operation of the Franchise Premises.]

1.2 **One Location for Franchise Premises.** You will operate the Franchise at only one location within the Franchise Territory. All land, buildings, and improvements at the location, including parking, are called the "Franchise Premises." Relocation of the Franchise Premises will require our prior written approval. Among other things, we may require as a condition to our approval of your relocation or of your purchase of additional franchises from our existing franchisees or affiliates, or your purchase of additional franchises from us that you sign a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

1.3 **Assistance in Site Location.** You are responsible for finding the location of the Franchise Premises within the Franchise Territory. If you request assistance in selecting a site for the Franchise Premises, we will provide reasonable assistance in finding a location acceptable to you. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

You acknowledge and agree that any location we select or approve, and any lease we approve will be approved solely on the basis and with the understanding that it meets our minimum acceptable criteria. You acknowledge that you are responsible for reviewing and determining the appropriateness and desirability of the lease and of the location.

You will pay all out-of-pocket expenses for travel, meals, and lodging we incur to help you locate sites and to negotiate a lease for you. You will bear all other site selection and negotiation expenses.

Before you enter a lease or purchase agreement for the Franchise Premises, you will submit the lease or purchase documents to us for approval. Lease documents must include the Franchise Premises Lease Agreement Rider attached in Exhibit 3 or otherwise include an assignment of the lease in a form we approve, pursuant to which we may assume the lease as provided in Section 4, below.

If you request, we in our sole discretion may find and develop premises to lease to you for your Franchise. If you lease premises from us, the lease may provide for reasonable compensation and profit to us for our primary liability and responsibility under the lease.

1.4 **Franchise Premises Development.** You will be responsible to construct, remodel, furnish, decorate and equip the Franchise Premises.

A. We will furnish standard construction plans and a schedule of interior finishes and equipment packages for the Franchise Premises to you. Final construction and site plans must be prepared by an architect we approve. All costs for site-specific plans will be your responsibility. Site plans, and any modifications to them, must be approved in writing by us prior to construction. All approvals will be solely within our discretion to maintain a uniform image and decor, consistent with our franchise system concepts.

B. Any construction and remodeling must be done by a licensed and bonded contractor whom we approve in advance in writing in a sound and workman-like manner in compliance with applicable codes and regulations.

C. You will comply with the standards and specifications we establish for architectural design, salon layout, equipment, furnishings and fixtures, among other things. Modifications or variations require our prior written consent.

D. You will comply within a time we deem reasonable with any requirement we impose to modify the Franchise Premises layout, furnishings, fixtures, equipment, decorations, and decor. In any calendar year, such modifications will not result in direct out-of-pocket costs to you of more than **\$10,000**, and if not used in a given year, this amount will be carried over to the next year(s).

E. All equipment will conform to our equipment specifications as adopted from time to time. If

we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

1.5 **Relocation of the Franchise Premises.** You will not relocate the Franchise Premises without our prior written approval. Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchise Premises. You may decide to relocate the Franchise Premises for the following reasons:

- If the lease for the site of the Franchise Premises expires or terminates and cannot be renewed during the term of this Agreement,
- the site is destroyed, condemned or otherwise rendered unusable,
- in your and our judgment there is a change in character of the location of the Franchise Premises sufficiently detrimental to your business potential to warrant its relocation, or
- you reasonably decide to relocate the Franchise Premises for cause.

If so, you may relocate the Franchise Premises to another site within the Franchise Territory, if:

- i) You are not in breach of this Agreement;
- ii) Your lease was not ended by the lessor because of your breach of the lease agreement;
- iii) You evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;
- iv) You develop, construct, remodel, furnish, decorate and equip, at your sole expense, the new location according to our then current specifications and standards; and
- v) You pay all reasonable out-of-pocket expenses we incur because of the relocation. The term "Franchise Premises" will include the relocated business site;
- vi) You satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

1.6 **You Will Not Advertise Outside Territory.** Except with our prior written permission, you will not place, under any circumstances, advertisements using the Service Marks in or originating from any area other than the Franchise Territory. Except as authorized in Section 2 of this Agreement, only we may place national or regional advertising.

1.7 **Rights We Reserve.** We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

- A To use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement. We expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis that will not carry a Tan Republic brand.
- B To operate and grant to others the right to operate Tan Republic businesses outside the Franchise Territory on such terms and conditions as we deem appropriate.
- C. To sell products or services anywhere, including within the Franchise Territory, through channels of distribution other than the Tan Republic retail business currently reserved to you in the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in

the Operations Manual.

- D. To establish, operate, own or franchise any business, including competitive businesses, outside of the Franchise Territory.

1.8 **Nonexclusive**. We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of franchise products and services to any person or customer we want. These include national accounts, commercial customers, franchisees, end users or any other customer we may select. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. We will not place nor authorize anyone else to place a Tan Republic salon in the Franchise Territory. You acknowledge that we have made no other representation concerning exclusivity in any geographic territory or for any customer segment. You acknowledge that certain promotions and sales of tanning or skin care or spa packages will require you to provide services to the clients and customers of other Tan Republic salons. As expressed from time to time in the Operations Manual, you will honor all sales and promotions we have approved and you will offer full service to all Tan Republic customers and clients whether or not the sale or promotion was made at your Franchise Premises. We will require other Tan Republic salons to honor all of your promotions and sales that have been approved by us.

We may advise or offer guidance to you relative to your prices for the goods and services you offer for sale that in our judgment constitute good business practices. This guidance will be based on our experience and the experience of our franchisees and an analysis of the costs of the products and services and the prices charged by our competitors.

We will, to the extent permitted by relevant law, establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell. Except as so specified by us or as otherwise required in this Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale.

2) **PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS**

2.1 **Initial Franchise Fee**. The Initial Franchise Fee is \$ _____. It is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise Premises and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others. Contemporaneously with the execution of this Agreement, you will pay to us the Initial Franchise Fee.

Except as provided in Sections 3 & 4, below, none of the Initial Franchise Fee is refundable.

2.2 **Monthly Royalty Fee**. You will pay to us a Royalty Fee equal to 6 percent of the total Gross Revenue derived from the franchise. The Royalty Fee is paid monthly in the manner prescribed from time to time in the Operations Manual. In addition, you agree that we may develop and impose fines for your failure to comply with our requirements as outlined in the Operations Manual. You agree to pay these fines when we apply them to you.

This payment may be required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet. If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a **\$50** fee for each unsatisfied attempt.

We reserve the right to require you to process some or all membership applications and payment plans submitted by your customers, together with the related automatic account withdrawal, automatic payment, credit and debit card payment, automatic pre-authorized payment plan, electronic funds transfer and other forms of direct or Internet payment, through us or through other service providers and using processes we designate and outline in the Operations Manual. We may take Royalty Fee, advertising fees, product purchase and other payments you owe to us out of the automatic payments made by your customers and remit to you the balance.

The companies we designate to process memberships and related payment arrangements may include companies that are affiliated with us or in which we or our owners otherwise have ownership or control. If we elect, the designated companies may charge you not more than 5% for the service and will allocate and distribute payments received to you, while delivering to us all related royalty, advertising and other fees as outlined in this Agreement and pursuant to the processes we outline in the Operations Manual.

2.3 **Monthly Advertising Fee.** You will pay to us an Advertising Fee equal to **1** percent of the total Gross Revenue derived from the franchise. The Advertising Fee is paid monthly in the manner prescribed from time to time in the Operations Manual.

This payment may be required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet. If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a **\$50** fee for each unsatisfied attempt.

We may use all contributions and earnings from the Advertising Fee we receive from you in local, regional, national, internet, and international advertising for:

- maintaining, administering, researching, directing, and preparing advertising and promotional materials (including, among other things, the costs of preparing and conducting television, radio, magazine, and newspaper advertising campaigns, public relations programs and press releases);
- direct mail and outdoor billboard advertising;
- marketing research and development, marketing surveys and public relations activities;
- development and maintenance of internet or e-commerce programs;
- marketing materials;
- decor and promotional materials
- artwork; advertising services;
- training related to marketing, customer service, and sales augmentation;
- production and distribution of periodic newsletters to provide you with industry news, suggestions, and advice on franchise operations; and
- our reasonable salaries, accounting, collection, legal, and other costs related to the above.

Our internal artwork, advertising, promotion and newsletter production costs and associated administrative costs are paid from the Advertising Fees. These will be calculated at our cost as established from time to time.

We will use your Advertising Fee to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system.

We will direct all regional and national advertising programs. We will have sole discretion over the creative concepts, materials, endorsements, placement, and allocation of moneys from the Advertising Fee. The Advertising Fee will be used to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we will in our sole discretion deem proper. We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that you or any other franchisee benefits directly or proportionately from the development or placement of advertising. We will not be obligated to expend all or any part of the Advertising Fee during any specific period of time. Upon your written request, we will provide to you the most recent annual accounting of our advertising fee receipts and expenditures.

A **You are Not A Third-Party Beneficiary of Advertising Fees.** We will have the sole right to enforce the obligations of you and all our other franchisees, who contribute Advertising Fees. Neither you nor any other of our franchisees who are obligated to contribute Advertising Fees will be deemed a third-party beneficiary with respect to Advertising Fees or have any right to enforce any obligation to contribute Advertising

Fees.

B Restrictions Upon Use of Advertising Fee Proceeds. We may not expend any portion of the Advertising Fee to defray our general operating expenses, salaries, administrative costs, or overhead except as directly relating to the administration or operation of our franchise advertising.

C Discretion in Use of Advertising Fee. In our sole subjective discretion exercised in good faith, we will determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to franchise advertising, public relations, marketing, market research and promotional campaigns. In our sole discretion, we will have the right to expend the Advertising Fee in any geographic area that we, in good faith, deem appropriate, regardless of the geographic distribution of our franchises. We may use portions of the Advertising Fee as we deem appropriate as a contribution to joint or collective advertising campaigns of the suppliers of franchise equipment, inventory and supplies.

2.4 Advertising Fund and Standards.

We have organized an Advertising Fund (the "Fund") in which we will place the advertising fees we receive from our franchisees. You recognize the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Tan Republic system and the Method of Operation. The Fund will be administered by us. We will direct all regional and national advertising programs. We will have sole discretion over the creative concepts, materials, endorsements, placement, and allocation of moneys from the Fund. The Fund will be used to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we will in our sole discretion deem proper. It also will be used to cover our costs of collecting and administering the advertising fees we collect from our franchisees, including incurred legal fees. The Fund will be used to pay for joint marketing programs, including programs with our suppliers, sister corporations and co-branding partners. We are under no obligation to administer the Fund to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We will not be obligated to expend all or any part of the Fund during any specific period of time. Upon your written request, we will provide to you the most recent annual accounting of the Fund:

We will administratively segregate all Advertising Fund Payments paid to us by our franchisees. All payments to the Advertising Fund will be deposited in our general operating account; will be commingled with our general operating funds; and will be deemed to be our asset, subject however to our obligation to expend it in accordance with the terms of this Agreement.

We will furnish annual financial statements of the Advertising Fund. Our books and records relating to the Advertising Fund will be available for your inspection during our normal business hours, upon reasonable notice.

If the Fund has excess money, we may borrow from the Fund and will pay interest to the fund equal to the rate at which we may borrow on our line of credit or, if none exists, at the prime rate. If the Fund borrows money from us, it will be charged and will pay interest to us on the same basis.

Although we intend the Fund to be of perpetual duration, we maintain the right to terminate the Fund. The Fund will not be terminated, however, until all monies in the Fund have been expended.

An accounting of Fund contribution and expenditures will be prepared annually and will be made available to you upon request. Such accounting may include an audit of the contributions to and expenditures of the Fund prepared by an independent certified public accountant selected by us, at the Fund's expense.

The Fund may be used for marketing, advertising, public relations, production and media expenses related to promotion of the Service Marks, our franchise system and our products and services. The Fund may also be used for operational, administrative, office, rent, automobile, and collection expenses. We will not use any

part of the Advertising Fund for franchise sales, but may include references to the availability of franchises in materials produced and placed in media by the Fund.

We may create an advertising advisory board made up of Tan Republic franchisees. These franchisees will make recommendations on your behalf as to types of advertising, promotion and public relations. We will use these and other recommendations which we feel are appropriate when drafting a budget and program each year for the Fund.

We anticipate that all contributions and earnings of the Fund will be expended for the advertising and promotional purposes during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the Fund at the end of such taxable year, all expenditures in the following taxable year(s) will come first from earnings and contributions from the prior year and next out of earnings in the current year.

We will have the sole right to enforce the obligations of you and all our other franchisees, who contribute to the Advertising Fund. Neither you nor any other of our franchisees who are obligated to contribute to the Advertising Fund will be deemed a third-party beneficiary with respect to the Fund or have any right to enforce any obligation to contribute to the Fund.

We will make disbursements from the Advertising Fund for the purpose of national, regional or local advertising, public relations, marketing, market research and promotional campaigns designed to promote and enhance the value of the Service Marks and general public recognition and acceptance of the Service Marks. The Fund may also be used to support the administration and operation of the Advertising Fund, including operational, administrative, office, rent, automobile, and collection expenses. We will be entitled to reimbursement from the Fund for our actual administrative expenses incurred in connection with the administration of the Fund, which will not exceed 15% of the annual gross contribution to the Fund, and such other actual costs and expenses as may be incurred in connection with the programs paid for by the Fund.

A. Establishment of Advertising Programs. At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each open and operating franchise, and each salon we own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each salon we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, **65** percent of the franchises vote to contribute to a regional advertising program, all franchises within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **2** percent of that franchisee's Gross Revenue.

We will administer each Regional Advertising Fund in the same manner and upon the same terms and conditions as the Advertising Fees established above and as the Fund. We may require that each Regional Advertising Fund be administered pursuant to standards and procedures outlined in the Operations Manual by representatives elected by each region, at a meeting we call for this purpose.

We may, but are not required to, attempt to expend the Advertising Fund in geographic areas so as to equitably reflect the contributions made to the Advertising Fund by you and all similarly situated franchisees. You acknowledge that if we chose to do so, geographic allocations cannot be affected with precision, and we will not be liable to you, or our other franchisees for failure to make geographic allocations or to do so with precision. We will have the right to expend all, or any portion of, the Advertising Fund for the following purposes:

1. for regional or local co-op advertising or promotional programs provided, however, that such programs will be available to all similarly situated franchisees; and,

2. if in our sole judgment, you or any other franchisee is located in a geographic territory not adequately serviced by our national or regional advertising programs, we may rebate all or a portion of the Advertising Fund Payment paid by that franchisee for use by that franchisee for local advertising. Expenditures by that franchisee will be in addition to the local advertising requirements set forth in this Agreement.

B. Obligation to Deliver Price Lists. You will deliver to us current price lists of all goods and services you sell in, at or through your Franchise. We will have the right to rely upon the accuracy of the price lists, and may use the information to advertise, market and promote the Franchise, and the goods and services you sell. At any time, you may amend, modify or change the price list by notifying us in writing. Price changes will not be effective for a period of **30** days after the notification, to enable us to modify advertising or promotional materials we use to advertise your goods or services. You will adhere to the price lists while they are effective. You may not sell any membership rights at a price less than that we specify from time to time in the Operations Manual.

C. We May Advertise "Suggested Retail Prices". In national or regional advertising programs, we may include "suggested retail prices" for the goods or services sold by you and our other franchisees. We will include within all our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested retail prices may not be adhered to by all our franchisees. We may compel you to charge "suggested retail prices" to the extent permitted by state and federal laws and regulations.

D. Discount Programs. From time to time, we may develop and market special discount or free coupon programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or coupon program. Within **5** days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We will establish the discount or coupon programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon established pursuant to any program.

We may develop and market special promotional items which will be made available to you at our cost plus a reasonable mark up. You will maintain a representative inventory of such promotional items to meet public demand. You will have the right to purchase alternative promotional items provided that alternative goods conform to our specifications and quality standards. You must fully and accurately participate in, honor, accept and redeem all promotional and marketing materials that we authorize.

We may establish and require you to join, participate in, and pay into, Multi-Area Marketing Programs. "Multi-Area Marketing Programs" include regional, national or international programs designed to increase business, such as multi-area customers, Internet, directory, affinity, vendor, and co-branding programs. These programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to maximum pricing to the extent permitted by law. All these programs are our confidential information.

E. Your Obligation to Advertise Locally and to Participate in Internet and Social Media Marketing. In addition to your obligation to contribute to the Advertising Fee, each month you will expend in your Franchise Territory at least **2** percent of your Gross Revenue to advertise and promote the Franchise (the "Local Advertising Contribution"). You will report the nature, extent and amount of these local expenditures, in the form and at the times we require in the Operations Manual. If you do not spend your Local Advertising Contribution within a calendar year on local advertising, you will contribute the difference between the amount expended and the amount you should have expended to the Fund.

You will submit to us all advertising copy and other advertising and promotional materials, public relations

programs and press releases, radio and television advertising, specialty and novelty items, signs, boxes, bags and papers before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it. As a condition of our approval, you must permit us and our other franchisees that we authorize to use your materials without compensation to you. Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement.

You will advertise your franchise in a dignified manner to enhance our franchise system's reputation for quality and integrity. At any time and from time to time, we may require you to submit to us advertising copy, promotional materials, public relations programs and press releases you use in your local advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with our franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the franchise system, we will promptly notify you. You will immediately cease using any such material.

All Internet marketing is part of our marketing programs described in the Operations Manual and defined below, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site. You may not independently market using any digital, electronic or computerized form or any form of media now or in the future developed (e.g., materials to be made available through the internet, interactive electronic transmissions, etc.). For the purposes of this Agreement, "Internet" means any of one or more local or global interactive communications media, that is now available, or that may become available, and successor technology to the internet and or wireless communication, and includes web sites and domain names and social media, and the successor technology to internet, web sites, web page or wireless communication and social media. Unless the context otherwise indicates, Internet includes, but is not limited to, online document completion and purchasing systems, and methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.

You specifically acknowledge and agree that placing any information related to the Franchise or the Franchise Premises on a web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchise, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages and social media.) In connection to any web site, you agree to the following:

1. We will allow you to establish a web page as part of our web site.
2. You will not establish or use any other web site or web page without our prior written approval.
3. Before establishing the web page or any other web site, you will submit to us a sample of the content, format and information in the form and manner we may reasonably require.
4. In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us from time to time in the Operations Manual or otherwise in writing or on a franchisee forum intranet system. By "Intranet" we mean all communications systems utilized by us to communicate with you and our other franchisees, or by which you report data or information to us, or receive data, information or other materials from us. This includes, as applicable, as many different systems or processes as may in fact be used from time to time, including any banking remote or Internet access system.
5. If you propose any material revision to the web page or site or any of the information contained in the web site, you will submit the revision to us for our prior written approval.
6. You may only offer approved products or services on your web page or site. Any web site changes made without our approval will put you in default of this Franchise Agreement.
7. We retain the sole right to market on the Internet, including all use of web sites, domain

names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee web site be accessed only through our home page. All Internet marketing is a part of Multi-Area Marketing Programs, and must be coordinated through us and approved by us.

8. If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us.
9. Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.
10. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are required to have DSL or other high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

F You Are to Use Local Advertising Materials We Supply. We will have the right to approve or disapprove the content of all of your advertising. We will supply to you an Advertising Manual which will contain samples of local advertisements we approve. You will use only the advertising materials contained in the Advertising Manual, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Advertising Manual.

G Use of Advertising Fees for Co-Op Advertising. From time to time, we may use portions of the Advertising Fee for co-op advertising programs. The terms and conditions required for participation in any co-op advertising program will be specified in the Operations Manual.

H Varying Advertising Contributions. You understand that certain of our other franchisees do or will operate under different agreements with us. These franchisees may be required to contribute Advertising Fees, if at all, at rates that differ from the rate provided in this Agreement or based on formulae that differ from the formulae provided in this Agreement. We do not represent that you or other franchisees will contribute to or benefit from franchise advertising equally.

I Your Grand Opening Expenditures. Within 30 days after commencement of the Franchise, you will conduct a grand opening advertising program in accordance with the provisions of the Operations Manual. You will spend not less than **\$2,500** for advertising and promotional materials, in connection with the grand opening program.

J Trademark and Copyright Notices. You will use the Service Marks in strict conformity to the Operations Manual, and will include in any advertisement, or promotional materials which use the Service Marks, trademark notices as are required by the Operations Manual. All copyrighted materials we supply to you or otherwise used by you in connection with the Franchise will contain copyright notices as required by the Operations Manual.

K Association with Causes; Co-Branding. You cannot, without first receiving our written approval, in the name of your franchise business or in any manner associated with the Service Marks: (i) donate money, products, or services to any charitable, political, social, religious, or other for-profit or non-profit organization, cause, or position; or (ii) act in support of or against any such organization, cause, or position. You cannot "co-brand" or use the Service Marks or your franchise business to associate any other business activity in a manner which is likely to cause the public to perceive the activity to be related to or sponsored by the Tan Republic brand or our franchise system.

2.5 **"Revenue" Defined.** "Revenue" means all receipts generated by the Franchise from any source, including, but not limited to, sales, rentals, vending, exchanges, repairs, services, viewings, labor, service charges, service contracts, etc., and excludes discounts, refunds and sales taxes. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Revenue." "Gross Monthly Revenue" means the total Revenue for any calendar month.

If the Franchise Premises is located in the premises of a beauty salon, spa, or other co-branded location, the exact basis and calculation of Gross Revenue will follow the requirements and procedures we outline in the Operations Manual to take into consideration the needs and requirements of the co-branded location although Revenue will be limited to franchise related receipts. The exact basis and calculation of gross receipts will follow the requirements and procedures outlined in the Operations Manual to take into consideration the needs and requirements of the co-branded location. You will obtain and keep, or make arrangements for us to have access to a complete and accurate set of books and records of the operation of all businesses operating at and all business done through the co-branded location although gross receipts will be limited to franchise related sales.

2.6 **You Will Pay Taxes and Indebtedness.** You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you at the Franchise Premises, you will pay these taxes. You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement.

You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the Method of Operation. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease. You authorize us to communicate with all the lease holders, suppliers, distributors, manufacturers and vendors with whom you do business and you authorize them to communicate with us regarding all aspects of your purchases from and dealings with them. You authorize us to instruct the suppliers, distributors, manufacturers and vendors (and you instruct them to comply with our instruction) to immediately cease sales and deliveries to you upon the occurrence of any default by you under this Agreement.

2.7 **Royalty Fees, Advertising Fees, Local Advertising Contributions, and Other Sums to Be Paid Promptly.** You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due.

The late charge will equal the **Prime Interest Rate** then in effect at the main branch of Bank of America in Portland, Oregon, plus **10** percent. These late charges will not exceed any limits placed upon late charges by applicable local laws.

Our acceptance of late charges will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account. You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you, or for any other reason whatsoever.

2.8 **Records.** You will keep a complete and accurate set of books and records of the operation of the Franchise, produce quarterly financial statements in accordance with generally accepted accounting practices for each calendar quarter and furnish copies of these statements to us within 30 days after the end of each quarter.

In addition to information we obtain from your computer systems, we may require you to furnish to us, as outlined in the Operations Manual on or before the **10th** of each month, an itemized report of the Gross Revenue for the prior calendar month. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time. Royalty and Advertising Fees due based upon the Gross Revenue for the preceding month will accompany the report. If you fail to deliver any report in a timely fashion, we may unilaterally estimate the Royalty and Advertising Fees you owe and we may draw such fees from your accounts pursuant to automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual. The estimates will be based upon your historically reported Gross Revenue and our experience with other franchised and company owned locations. These withdrawals will be adjusted to reflect actual amounts owed, once reasonably determined. If the Franchise Premises is in a co-branded location, you will maintain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all business done through the co-branded location, although Revenue will be limited to franchise related receipts.

You will keep records of all business done and Revenue received through the Franchise. These records will include, but are not limited to, order sheets, cash register tapes, sales and rental agreement forms, daily sales summaries, tax returns, financial statements, and invoices. You will date, file in consecutive order, retain for a period of **5** years, and make available to us for inspection and audit all of your records.

Our right to inspect will include the right to examine your books, tax returns, tanning tax reports, and records of other businesses owned, in whole or in part, or operated by you to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require. You agree to maintain your books and records in the manner we require. You will submit to us financial and operational reports and information as we may require to (i) provide you with consultation and advice in accordance with this Agreement; (ii) monitor your compliance with the obligations to pay fees on actual Gross Revenue; (iii) monitor performance under this Agreement generally and your purchases, revenue, operating costs, expenses and profitability; (iv) develop chain-wide statistics; (v) develop new operating procedures; (vi) develop new proprietary products, remove unsuccessful authorized products, including unsuccessful proprietary products, and improve and enhance the Method of Operation; and (vii) implement changes in the Method of Operation to respond to competitive and marketplace changes.

You will submit to us a list of all shareholders, members, partners or other owners of the franchise business

and the respective interests held by each as of the end of each fiscal year. Provided, however, if your shares are publicly traded, the list of shareholders required will include only those owning **5** percent or more of the shares outstanding. The required report will be submitted to us within **90** days after the end of your fiscal year.

2.9 **Audits.** We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than **2** percent or unless you fail to deliver any required report of Gross Monthly Revenue or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees, Advertising Fees, Local Advertising Contributions and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law.

2.10 **You are to Pay all Franchise Costs.** All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will control your own employees and contractors. You will take all steps necessary to maintain a safe and healthy environment for your workers and customers.

You will pay all of the operating expenses of your franchise business in a timely manner. You understand and agree that your failure to do so could materially harm the reputation of Method of Operation and of the Service Marks and our ability and the ability of our franchisees to obtain favorable purchase, lease or finance terms. If you have a bona fide dispute with any supplier or vendor which you believe justifies non-payment or partial payment, you must promptly notify the supplier or vendor of the particulars of your claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt which remains unpaid for more than 30 days after the date it is due will constitute a breach of this Agreement unless, before the end of the 30-day period (i) you and the supplier or vendor agree to alternative payment terms; or (ii) you initiate appropriate legal action to contest the trade debt. We will have no liability for your debts or obligations to third parties.

Default Termination Security Deposit: You will pay us an upfront deposit of \$5,000 to help cover any payments or damages you may owe to us under this Agreement and to cover our losses and expenses that may result because of early termination of this Agreement by you or by us. No interest will be paid to you on this amount. This Default Termination Security Deposit, less any amounts owing to us, and less our damages, will be released to you within 90 days of the termination or expiration of this Agreement.

2.11 **Attendance at Conventions.** We may hold conventions for the franchisees that make up our franchise salon. They may be held at a different location each time. The convention may include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals and entertainment.

2.12 **Application of Payments.** We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied. For the purposes of this Agreement, and all other instruments and agreements relating to it, we will have the right to treat any payment received from you as payment on account. We may apply any monies received from you in the following priority:

- a) to the payment of any sales or use taxes required to be paid in connection with any dealings between you and us pursuant to this Agreement;

- b) to the payment of interest on overdue amounts;
- c) to the payment of accrued late charges;
- d) to the payment of overdue or outstanding amounts;
- e) to the payment of current Royalty Fees;
- f) to the payment of current Marketing Fund contributions;
- g) to the payment of the purchase price for all or any items you purchase from us or Tan Republic Suppliers,
- h) to the payment of rent and any other amounts payable by you to us, and
- i) to the payment of all attorney's fees and costs of collection associated with the collection of any sum,

in any order that we, in our discretion, decide and notwithstanding any contrary designations by you as to the application your payments.

3) **TRAINING**

3.1 **Mandatory Training.** We will provide a mandatory training course for you or your franchise manager at a location we will designate. This training course will cover all aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. You or the manager will complete the course no later than **2** weeks prior to opening the Franchise for business. You must ask us to schedule a training session for you or the manager at least **30** days before the session is to start. You or the manager must complete this mandatory training program to our exclusive satisfaction or we may terminate this Agreement upon refunding the Initial Franchise Fee. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your manager fails to satisfactorily complete the mandatory training course.

You will pay the transportation, board and lodging expenses you or the manager incur related to this training.

If the Franchise is managed by any persons other than you, you will notify us of these managers. Each manager you hire must successfully complete the mandatory training program within one month after being hired. You will bear all costs of the training, including a reasonable training fee at our then current rates. Each of your employees will complete a training program as prescribed in the Operations Manual. All training programs for your employees will be conducted under the direction of you or your designated manager who has successfully completed the mandatory training course. Many small businesses fail when the owner does not take an active day-to-day role in the operation and management of the business. If you do not act as the daily manager at the business location you must have in your employ a manager who runs your day-to-day operations. We strongly recommend that all individual franchisees and all partners and owners of franchisee entities devote their full time and best efforts to the day-to-day operation of the franchise with no operational or management commitments in other businesses except other franchises offered by us.

Individuals:

If you will be operating your franchise as an individual, you must [we strongly recommend that you] devote your full time and best efforts to the day-to-day operation of your franchise with no operational or management commitments in other businesses except other franchises offered by us.

Partnerships:

If you will be operating your franchise as a partnership, one or more partners must participate in the actual day to day operation of your franchise or you must have in your employ a manager who runs your day-to-day operations. The partner or partners who are in charge of running your franchise or your manager must have successfully completed our training course.

Corporations, Limited Liability Companies:

If you will be operating your franchise as a corporation, limited liability company, or other legal entity, you must have in your employ a general manager. This general manager can be you, any member of your board, an officer of your corporation or member of your limited liability company. The general manager who is in charge of running your franchise must have successfully completed our training course.

Managers/Training:

No matter what form of business you decide to use, the person assigned to running the day-to-day operations of the business must have completed our training course and must, in our view, have a sufficient command of the English language to serve customers and conduct business with us, with suppliers and with other parties. Anyone in your employ who is a manager or crew leader of your franchise operations must also have completed our required training course.

3.2 **Supplemental Training.** At the time the Franchise is ready to be opened for business and upon not less than **30** days prior written notice to us, we will provide the full-time services of a trainer at the Franchise Premises for up to **2** work days to assist with employee training, form use, salon decor, merchandise display, sales assistance, and use of the Operations Manual. We will bear the trainer's expenses for this assistance.

At your option and upon not less than **30** days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates.

This additional training consists of visits to our franchises, work experience, and observation of franchise operations. The duration of training is negotiable depending upon your needs.

You will not receive any compensation for services rendered by the trainee during this or any other training.

From time to time, we may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise will be required to attend up to **12** hours of programs and seminars, depending upon program and seminar availability.

4) **COMMENCEMENT OF OPERATIONS**

4.1 **Time to Complete Training and Commence Operation.** You or your manager will complete to our exclusive satisfaction the mandatory training defined above and commence full and continuous operation of the Franchise within **180** days after execution of this Agreement. Prior to commencing operation, you will procure all necessary licenses, permits and improvements and purchase initial inventory. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

If this commencement of operation obligation is not fulfilled, we may terminate this Agreement by refunding one-half of the Initial Franchise Fee.

4.2 **You Are to Obtain Permits and Licenses.** Prior to commencing business operations, you will obtain all local permits and licenses necessary to operate the Franchise, including all equipment permits and employee training required by relevant state laws, if any.

4.3 **Lease Assumption and Real Property Security Assignments.** Unless otherwise agreed in writing, any lease you enter into will provide that you may assign that lease to us without penalty or charge. The lease will further provide that upon termination or expiration of this Agreement, we will have an option, exercisable within 30 days after termination or expiration, to be substituted for you in all respects under the lease and to sublease the premises to another franchisee. You will deliver to us a true copy of the lease and any additions or amendments to it promptly after they are executed.

If you own the premises used for the operation of the Franchise, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval. Upon termination or expiration of this Agreement, you will give us a reasonable and good faith opportunity to lease the premises and to continue business operations there. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined in Salem, Oregon by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option we may enter into the lease at the price and upon the terms determined by the appraisers.

Any lease or sublease of the Franchise Premises will contain substantially the following provisions: (see the Franchise Premises Lease Rider attached in Exhibit 3)

- A. Anything contained in this lease to the contrary notwithstanding, lessor agrees that without lessor's consent, this lease and your right, title and interest, may be assigned by you to us, without cost or penalty;
- B. You agree that lessor may, upon our written request disclose to us, all reports, information or data in lessor's possession respecting sales made in, upon or from the leased premises;
- C. Lessor will give written notice to us (concurrently with the giving of notice to you) of any breach by you under the lease. We will have the right, in our sole discretion, to cure any breach at your expense. Notice will be sent to the address we may, from time to time, specify in writing to lessor;
- D. A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant;
- E. A provision which expressly permits the lessor of the premises to provide us all sales and other information lessor may have related to the operation of the Franchised Premises, as we may request;
- F. A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants to us, in our sole discretion, the right (but not obligation) to cure any deficiency under the lease, should you fail to do so within **15** business days after the expiration of the period in which you had to cure any such default;
- G. A provision which evidences your right to display the Proprietary Marks in accordance with the specifications required by the Confidential Operations Manual, subject only to the provisions of applicable law;
- H. A provision that the premises be used for the operation of your franchise facility; and
- I. A provision that expressly states that any default by you under the lease will be considered a default

by you under this Agreement and any default by you under this Agreement will be considered a default by you under the lease.

- J. You will not extend, renew or cancel the lease without our prior written consent, which consent will not be unreasonably withheld.

If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

5) **FRANCHISE STANDARDS OF OPERATION**

5.1 **Operations Manual, Minimum Inventory, Supplies, Decor, Plans and Specifications, and Public Relations.** Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments we will make for the benefit of our Franchise System as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you a copy of our Operations Manual once you have paid to us the Initial Franchise Fee, in full. The Operations Manual describes the Method of Operation, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, inventory requirements and control techniques, plans and specifications, fixture and decor requirements, co-branding requirements, fines for your failure to comply with our requirements, opening public relations and other rules that we may prescribe from time to time and identify as part of the Operations Manual. The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason. Nothing in this Agreement may be construed as an incorporation of the Operations Manual or as making the Operations Manual part of this Agreement.

Among other things, the Operations Manual may contain information, requirements and standards related to:

- Planning and consulting
- Site selection assistance
- Permitting and zoning assistance
- Facility design assistance
- Tenant build-out assistance
- Furnishing and fixture design and standards
- Equipment standards and assistance
- Computer programs for point of sale, marketing, accounting, scheduling and reporting
- Inventory management assistance and training
- Written operations standards and assistance
- Initial and ongoing operational training
- Management and employee training
- Marketing and advertising
- Standards, ongoing training and ongoing support
- Insurance guidance and standards
- Warranty programs

The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

The Operations Manual, in part, may consist of confidential:

- A. Manual or manuals;

- B. Any intranet or password protected portion of an Internet site;
- C. Any other embodiment of the Method of Operations, including notices of new standards and techniques including all media identified by us as part of the Operations Manual; or
- D. Any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

We develop minimum requirements for product preparation, merchandise, inventory, supplies, stationery, business forms, advertising, decor, plans and specifications, materials, fixtures, and signs, among other things. These requirements are outlined in the Operations Manual. You will purchase all initial inventory items and additional items specified in the Operations Manual. We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manual as we amend. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods, from time to time, as specified in the Operations Manual.

You may purchase some equipment, inventory, and supply items from us at our then current prices. If you desire to purchase any items from us, payment must be made when you place your order. The items we offer include among other things equipment, merchandise, and supplies that bear the Service Marks. You may offer these items only at the Franchise Premises to retail customers. You must purchase items that bear the Service Marks from us or suppliers we approve from time to time.

Proprietary items and supplies may be private labeled by us. We retain the right to make a reasonable profit on any items, supplies and materials you buy from us. We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you.

We may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts. We will accumulate them, annually account to our franchise salon for them and either add them to the Advertising Fund, use them for programs that benefit all franchisees such as conventions, use them to provide supplemental training and promotional services to our franchisees, or return them at reasonable times to all our franchisees pro rata, based upon the volume of related business.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED.** UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES.

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You will purchase all products, supplies and materials required for the operation of the Franchise from

manufacturers, suppliers or distributors approved by us. All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual. You must sell or offer to sell all approved items and services. You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

You are required to maintain an inventory of authorized and approved equipment and supplies sufficient in quantity to satisfy customer demand.

Restrictions on Resale of Products. You, your family, employees, partners, principals, members, managers, directors and shareholders may not resell the products, supplies or equipment that you buy from us that are used in the operation of your franchised business.

With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, aroma, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We may require a Confidentiality, Non-Use and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose.

From time to time, we or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. Should we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within **30** days, the manufacturer, supplier or distributor will no longer be approved.

5.2 Standards to Be Maintained. You will follow the Method of Operation and maintain standards of product preparation, merchandising, and service that we prescribe.

- A You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. The Franchise Premises will be used only as a Franchise operating under this Agreement. You will only use signs, fixtures, equipment, materials, food products, inventory, decor, plans, and services that conform to our specifications to conduct the Franchise.
- B You will maintain signs approved by us on the Franchise Premises. These signs must comply with local sign ordinances, regulations, and bylaws. The signs will describe the premises only as a Tan Republic Franchise.

Subject to local law, illuminated outdoor signs will be lighted 24 hours a day, seven days a week.

- C We may enter upon the Franchise Premises at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may:

- (1) Inspect the Franchise Premises;
- (2) Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;
- (3) Interview your personnel, customers, vendors, and co-branded partners; and
- (4) Inspect and copy any books, records and documents related to the operation of the franchise, the co-branded location, and any other franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors, and co-branded partners in reference to these inspections, observations, and interviews.

- D You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities on the Franchise Premises and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in full force all required licenses, permits, and certificates related to the operation of the Franchised Business and will operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations, including without limitation, all government laws and ordinances related to occupational hazards and health; EEOC laws; Americans with Disabilities Act; copyright laws protecting owners of artistic works; consumer protection; trade regulations; workers' compensation; unemployment insurance and withholding; and payment of federal and state income taxes, social security taxes, and sales, use, and property taxes. You will furnish to us within **120** days after the receipt of equipment, a copy of the receipt for payment of all use taxes, personal property taxes, and like taxes and assessments.

- E You will not install or use any vending machines, juke boxes, games or musical devices on the Franchise Premises without our prior written approval.
- F You will not sell or dispense any products or services or activities other than those we specifically recognize and approve in writing.
- G We may employ professional shopping services to monitor your compliance with this Agreement. You will repurchase merchandise and otherwise fully reimburse these shopping services for goods, services, and other items they receive, lease, or buy from you in the process of verifying compliance. You will hold us harmless from any such charges incurred by any shopping service. We will pay all other charges made by the shopping services.
- H You, at your expense, will maintain the interior and exterior of the Franchise Premises and equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our request, you will make necessary repairs to the Franchise Premises in order to maintain uniform appearance and to protect the reputation of the Service Marks. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion. You will not make any change in the layout and decor of the Franchise Premises without our prior written approval.

If you do not maintain the Franchise Premises as required, after notice to you, we at our option, may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for

interruption of your business during the course of making the maintenance and repairs.

- I You will keep your franchise open for business every day of the year, except holidays we designate, during the hours specified or approved in writing by us or required by the lease of the premises on which the Franchise is operated. We may change these requirements from time to time as designated in the Operations Manual.
- J At all times you will ensure that your copy of the Operations Manual (including the Advertising Manual) and any other manuals given to you are kept current and up to date with amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.
- K You will participate in and cooperate with us in all gift card and customer service programs we establish or adopt from time to time. This includes, but is not limited to, our “Bronze Without Borders” program that allows a Tan Republic customer to use the facilities of any Tan Republic location pursuant to processes, procedures, and rules outlined in the Operations Manual. You will use the customer loyalty and gift card programs we designate to capture customer contact information, track purchases, reward repeat purchases or issue cash value for gift redemption in any Tan Republic Salon. You agree to accept all “Bronze Without Borders” customers and to accept the unused cash value from gift cards issued through your franchise and through any Tan Republic Salon. We will settle balances owed inter-store through a monthly reconciliation process and issue credit or debit notes for amounts owed and due.

At our request, you will use reasonable efforts to secure the names, addresses and other information we reasonably require of your clients and customers and will allow us to use the information. You will not divulge your customer names, addresses or other information, with or without remuneration, to any third party. You will respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer’s satisfaction.

5.3 Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property. You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except the Franchise granted to you in this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for the purposes of the Franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks or any marks identical to or confusingly similar to the Service Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Service Marks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Service Marks or if the proceeding is resolved unfavorably to you. Instead, at any time, you will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: Our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate (C) or (R) copyright and registration marks, or the designations TM or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any Registered User or Business Name filings obtained by you or on your behalf that involve or pertain to the Service Marks.

You will prepare all products offered at the Franchise Premises in strict compliance with the Operations Manual and will apply the Service Marks to these products as we specifically direct.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the Method of Operation.

We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Service Marks.

We and you will use reasonable best efforts to continuously improve the products, processes and services used in the Method of Operation and to develop new products, processes and services for use as part of the Method of Operation. All the improvements, inventions and developments you make, develop or create for use in the Method of Operation will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

5.4 You Will Not Use Names or Marks in Combination. Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate with any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

5.5 Service Marks, Operations Manual, and Method of Operation May Be Changed. You acknowledge that the Service Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, Us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

You understand and agree that the Method of Operation must not remain static if it is to meet presently unforeseen future changes in technology, competitive circumstances, demographics, consumer trends, social trends and other marketplace variables and to best serve the interests of you, us and our other franchisees. We may add to, subtract from, change or modify any part of the Service Marks, Operations Manual, or Method of Operation from time to time at our sole discretion. This may include changes to the products, equipment, signage, trade dress, décor, design, appearance, operations, programs, services, methods, standards, forms, policies and procedures of the Method of Operation or abandoning the Method of Operation altogether in favor of another system in connection with a merger, acquisition, or other business reason. You will accept, use, and protect, for the purposes of this Agreement, all additions, subtractions, changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

Complete and detailed uniformity of the Service Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore, we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant to you a like or similar variation.

5.6 You Will Not Communicate Confidential Information. You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional, and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer lists, manuals, marketing and sales techniques and strategies, and the Method of Operation. Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of our franchise system. During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an internet electronic bulletin board, divulge or use in any other manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any confidential or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your franchised business.

You will assure that all communications and media connections with us and with your customers and access to financial information (especially bank account and credit card information) are at all times kept secure. This includes wireless, cable, internet, broadband or other communications and media connections. Your security measures must be in compliance with all legal requirements and, particularly, with all security requirements of the relevant banks and issuing credit card companies.

The Method of Operation includes valuable proprietary and confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They are our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our confidential information.

The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, give a substantial competitive advantage which we presently enjoy. Any and all information, knowledge and know how, not generally known about the Method of Operation and our products, services, standards, specifications, systems, procedures and techniques, including information, manuals, contracts, customer data, supplier data, financial data, price lists, methods, techniques, processes, compilations, formulas, programs or patterns related the operation of a franchise and its products and services and any other information or material that we may designate as confidential, will be deemed confidential for purposes of this Agreement. This will not apply to information which you can demonstrate came to your attention prior to disclosure by Us, or which is or has become a part of the public domain through publication or communication by others. Our confidential information is licensed, not sold, to you. You will not reverse engineer, decompile, or disassemble any item that embodies confidential information. The Operations Manual may contain guidelines to protect confidential information and trade secrets, including limited access to the information on a need-to-know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying

and scanning, password protection, and encryption. You will conduct periodic meeting with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post-employment confidentiality obligations.

You will require as a condition of the employment of your employees and anyone else providing services to you that they maintain and protect our confidential and proprietary information, including the signing of a confidentiality agreement. You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements. You will be responsible to enforce these covenants and agreements by your employees. These covenants are for the benefit of us and our franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense.

You will assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information.

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, members and stockholders (as applicable) will possess knowledge of business and operating methods and confidential information, disclosure of which would prejudice our interests and our other franchisees.

If you engage in any tanning salon, skin care salon or spa business within **2** years of the expiration, termination or transfer of this Agreement, you will prove to us that you have not used our confidential information in that business. This **2-year** period is not intended to limit the duration of your obligation to preserve the confidentiality of the information and to not use the information after expiration, termination or transfer of this Agreement.

5.7 Conflicting or Competing Interests. You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your Franchise. You will not engage in any activity or business enterprise that conflicts with these obligations.

At all times the Franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. What constitutes proper operation will be in our sole reasonable discretion. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

Absentee ownership is not in the best interest of either you or us and will be grounds for termination of the Franchise without express written consent.

In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, lessor, lessee, distributor, advisor or agent, or serve in any other capacity in any business (including business information) engaged or to be engaged in the sale or rental at wholesale or retail or on the Internet of tanning or skin care or spa products or services or any business that offer products and services that are essentially the same as, or substantially similar to, the products and services that are part of our Method of Operation. We may waive this covenant only in writing. During all of these periods, you agree to promptly and fully disclose to our Chief Executive Officer any business opportunity coming to your attention, or conceived or developed in whole or in part by you, which relates to our business.

You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of **2** years after expiration or termination of this Agreement, do not:

- A. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment; or
- B. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Service Marks and Method of Operation.

The running of the periods of time specified by this Section will be tolled and suspended for any period of time during which a court or arbitrator determines you to have been in violation of this Section.

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded. Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than five percent (5%) of the outstanding securities of the corporation.

You will obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

Non-Contravention; Non-Disparagement. You and your owners, managers, employees and agents may not undertake any action or inaction to circumvent, contravene, or undermine the purposes of this Agreement. Additionally, during and after the term of this Agreement, you and they shall not make any negative, disparaging, false or misleading statements, published or made orally, in any form or medium about us, our officers, owners, partners, directors, members, managers, representatives, agents or employees, or our franchise system, our products and services, or our franchisees

5.8 Computer Systems. You will install and use cash registers, merchant account processing, and accounting, and inventory and tanning control computer systems approved by us. We will provide written specifications for these systems in the Operations Manual. You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, website vendors, video conferencing, and cash registers) which will be totally compatible with and will strictly conform to all requirements, standards, and specifications we may set from time to time, including coordinated with consolidated systems used at co-branded locations. You must have these systems in operation at the Franchise Premises prior to opening for business.

You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

You are required to have DSL or other high speed Internet service with a static IP address to your business

so that you can access downloads from us of advertising materials, operations manual revisions, training materials, product access and preparation; communication; email; web site access; and corporate news. Your computers and access must also accommodate our remote access to your computer systems, software and records. You will comply with all our requirements regarding Internet, Intranet and computer use contained in the Operations Manual.

You will, at your sole expense, continuously maintain (i) an active e-mail account and e-mail address on our email system as outlined in the Operations Manual, keep us informed of your current e-mail address and manage your e-mail account so that it does not become full or otherwise incapable of accepting new messages, and (ii) an electronic data exchange service designated by us to enable us to remotely retrieve sales, inventory and other operating data for the Franchise as frequently as we deem necessary. You, on behalf of yourself and, as applicable, your directors, officers, managers, employees, consultants, representatives and agents, waive any claim that our retrieval of data from your electronic records violates any person's rights of privacy.

E-PROBLEM DISCLAIMER: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 problem and similar date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

5.9 Working Capital Requirements. At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

5.10 Terms of Product Sales.

- A To receive products, you must deliver to us a purchase order that specifies the products. All orders you submit are subject to acceptance at our corporate headquarters in Salem, Oregon. We reserve the right to reject any order that is not credit approved or does not conform with the provisions of this Agreement. All orders accepted for delivery will be governed exclusively by the terms and conditions of this Agreement. Unless we agree in writing, no additional or different terms and conditions appearing on the face or reverse side of any order you issue will become part of that order. Our acknowledgment of your purchase order will not be acceptance of any additional or different terms and conditions.
- B Shipments are subject to availability. Upon notice to you, we may schedule and reschedule any order, at our discretion. We may decline any order for credit reasons or because the order specifies an unreasonably large quantity or makes an unreasonable shipment request.
- C We will use commercially reasonable efforts to meet any scheduled shipment date. However, we will not be liable for delays in meeting a scheduled shipment date for any reason. If products are scarce, we will allocate them equitably, at our discretion, among our customers.
- D Unless otherwise agreed, the products will be shipped only to your approved facility and only after receipt of an order from you.
- E We may refuse to ship or delay the shipment of any products on order if you become delinquent in payment of your obligations, exceed established credit lines, fail to meet our other credit or financial requirements or fail to provide financial information when we request. No cancellation, refusal or delay will terminate this Agreement.
- F All products will be delivered to you F.O.B. origin upon transfer to a common carrier. You will pay all

transportation, insurance, rigging and drayage charges.

- G On delivery of products to carrier, title (or with respect to Licensed Programs licensed, not sold, title only to the media on which the Licensed Program is delivered) will pass to you and you will assume responsibility for promptly advising the carrier and insurer of the loss, for filing a claim and for recovery of any sums owed by them to you. Upon request, we will cooperate with you to establish a claim.
- H You grant to us a security interest in the products and proceeds of as security for your obligations under this Agreement. Upon request, you will execute and file all instruments or documents necessary to perfect any security interest. You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose.
- I You will maintain sufficient inventories of products and employ sufficient help to operate your business at a level of capacity and market penetration commensurate with the reasonable demands of the marketplace.
- J You will represent fairly all products you purchase from Us.
- K You will comply with all of the obligations and requirements imposed upon you by the manufacturers or distributors of the products.
- L You will use commercially reasonable efforts and good faith to promote, demonstrate and sell the products.
- M You will provide to us forecasts of your projected purchases of products.
- N The products are subject to the manufacturer's standard warranty. We disclaim all warranties, including the implied warranties of merchantability and fitness for a particular purpose. No representation, affirmation of fact, statement regarding capacity or suitability, that is not in this Agreement, will be a warranty by us for any purpose.
- O We will not be liable for any loss or damage claimed to have resulted from the use, operation or performance of the products, whatever the form of action. Our maximum liability to you, whether based upon contract, warranty, tort or otherwise, will not exceed the actual amount you pay to us for the specific product that causes the damages. These limitations of liability will not apply to claims for personal injury caused by our negligence. We will not be liable to you for special, indirect, incidental or consequential damages or from any damages resulting from loss of use, data or profits.

5.11 **Employees and Contracted Staff**. You are exclusively responsible to train and make sure your employees and independent contractors meet the standards, specifications and procedures outlined in the Operations Manual. You will hire only efficient, competent, sober and courteous employees for the conduct of the franchise business and will pay their wages, commissions, piece work and any other compensation justly due with no liability on our part.

- A. You will control your own employees and independent contractors. We will not have the power to hire, fire, direct, supervise, or discipline them. You will maintain complete and accurate employee records and clearly document, in all relevant ways, that you and your employees are not our employees.
- B. You must comply with all state and federal laws in respect to your employees. You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement. You must indemnify and hold us legally harmless from any of your violations of such laws. You are exclusively responsible to create and use employee and human resources handbooks and manuals that you prepare specifically for your business operations tailored to the legal jurisdictions within which you operate with the advice of HR professionals and legal advisors you select.
- C. You exclusively determine the wages and payment rates and methods of payment

to your employees and independent contractors. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits.

- D. You are exclusively responsible to monitor, supervise, and control the scheduling, performance, efficiency, and efficacy of your employees and independent contractors and to make adjustments to improve the results of their efforts.
- E. If you decide to share employees or independent contractors with other franchisees, then you will indemnify and hold legally harmless us (and our affiliates, officers, directors, employees and agents) from any claims, losses, attorney fees and damages resulting from such activities. You acknowledge that this provision does not constitute an endorsement to share employees with other franchisees.
- F. You are responsible to train and to make sure your employees and independent contractors meet the standards, specifications and recommendations outlined in the Operations Manual, including those related to appearance, customer service, background checks, and drug testing (as applicable). You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your customers.
- G. All employees and independent contractors whose duties include customer service must have sufficient literacy and fluency in the English language to serve the public.
- H. You may not hire any employee or independent contractor who has been found guilty of any charges of fiduciary misconduct, any form of unlawful sexual conduct, any felony of any kind, or any similar charges that reflect negatively on the person's moral turpitude and character.
- I. All revenues generated under this Agreement from all business activities of the Franchise must be paid directly to you and not directly to your employee or independent contractor.

6) RENEWAL, TERMINATION AND STEP-IN RIGHTS

6.1 Renewal of Franchise.

If you are not in breach, you may renew the Franchise for periods of **5** years under the terms of our then-current Franchise Agreement forms. "Then-current" as used in this Agreement and our Franchise Disclosure Document will mean the form then currently provided to prospective franchisees, or if none is being provided, the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours. You will exercise your renewal option by giving written notice to us. The notice must be given at least six months, but no earlier than nine months, before the end of the franchise term established by this Agreement.

There is a \$1,000 fee for renewal of the Franchise to reimburse us for our reasonable out-of-pocket costs concerning the renewal. The renewed Franchise Agreement will be evidenced by you signing the Franchise Agreement forms we then are using (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Advertising Fees, Local Advertising Contributions and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the Renewal Franchise Agreement forms within thirty days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Premises must remain located in the geographical territory designated in this Agreement. The Franchise Territory may be modified and its geographic area may be reduced to meet our then current franchise market penetration and demographic standards and co-branding requirements.

You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the then

current Operations Manual and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing, remodeling and replacement. You must make all capital expenditures reasonably required to renovate and modernize the Franchise Premises and its signs and equipment to reflect the design and décor image of our franchises we are then requiring of new or renewing franchisees. These expenditures will be in an amount necessary to make the Franchise Premises modern and fresh and to resolve wear and tear. If renovation or modernization of the Franchise Premises is not feasible, you may relocate to a new site, subject to our prior written approval. Our approval will not be unreasonably withheld, provided that the relocation does not infringe on any other Tan Republic location.

You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then current training fee.

We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration. We also may refuse to renew this Agreement if we make a good faith determination in our normal course of business that renewal of the franchise relationship is likely to be uneconomical to us or our franchise system despite any reasonable changes or additions to the agreements between the parties, which may be acceptable to you. We will not be obligated to renew this Agreement if we have determined in good faith to cease carrying on business in your market area and if we have given you at least 180 days-notice of our intent not to renew and have otherwise complied with applicable law concerning the renewal of franchises. Even though we decline the renewal of your franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the Franchise Agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

The Renewal Franchise Agreement will include personal guarantees and a general release of all claims against us (existing at that time). If you fail to execute such a release, the signing of the Renewal Franchise Agreement will be the equivalent of the granting of such a release. The Successor Franchise Agreement will supersede in all respects the terms and conditions of this Agreement.

Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon **30** days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

6.2 Termination by You. You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within **30** days after receipt of written notice specifying the breach. Termination will be effective **10** days after you deliver to us written notice of termination for our failure to cure within the allowed period.

6.3 Termination by Us.

- A The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense. If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered

by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

1. You irrevocably nominate, constitute and appoint the person serving from time to time as our President to be your attorney-in-fact so to act in your name and on your behalf.
2. At our election and without waiving any claims for default or breach and without prior notice to you or resort to legal process, we may enter upon the Franchise Premises using the reasonable force as is necessary in the circumstances, without being guilty of trespass or liable to you or the property owner for the entry, for the purposes of securing the return of our property, the performance of your obligations of discontinuance and the protection of our rights upon expiration or termination of this Agreement.
3. We may claim and recover damages from you for any material breach, including ongoing Royalty Fees, Advertising Fees and other payments required by this Agreement. The Royalty Fees payable will be computed as an average of the Royalty Fees payable by you for the last six months that you conducted the Franchise. If the Franchise has been operating and paying Royalty Fees for less than six months, the average will be of the monthly Royalty Fees payable by you during the period of operation. The calculated Royalty Fees will be due for the balance of the term of this Agreement, or until we establish a new Tan Republic franchisee in the Territory and that new franchisee pays Royalty Fees for a month equal to or greater than the calculated monthly Royalty Fees due from you.

If any payments to us, our affiliates or approved vendors are late by more than 15 business days, we may suspend your ability to access forms, software, web sites, Internet or Intranet, or limit your continued operation of the franchise and order all product deliveries withheld from you until the payments are received.

You agree that this Agreement and any other agreements between you and us may be terminated, at our election, in the event of any material breach by you of any franchise agreement or any other agreement between us and you, upon the notice, if any, specified in the franchise agreement or the other agreement. If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or other agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

We may terminate this Franchise Agreement and any other franchise agreement and related agreements between the parties if you breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within **30** days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

Additionally, if we receive an offer to acquire a majority of the franchises or an offer to purchase a majority of our assets or stock, or to merge or go public or similar transactions, we have the option to terminate your franchise agreement(s) and purchase all your rights and interests in and under the franchise agreement and your franchise business at fair market value.

- B Automatic Termination. Among other things, you agree that it will be a default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination, and that this Franchise Agreement and any other related agreements and franchise agreements between the parties will terminate automatically upon delivery of written notice of termination to you, if you or your owner(s), officer(s), or key employee(s):
- (1) Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchised business or your

assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you: (i) timely undertake to reaffirm the obligations under this Agreement; (ii) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and (iii) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code; provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchised business, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

- (2) Fail to operate the Franchise continuously and actively for five consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise location.
- (3) Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received two **30-day** or **5-day** Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above, whether or not your failures to comply are corrected after we deliver notice to you.
- (4) On more than two occasions fail to report monthly Revenue on time, understate monthly Revenue by more than **2** percent, or distort other material information.
- (5) Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise. If you misrepresented yourself and you are a competitor of ours or a competitor of an affiliate of ours, we may keep the entire initial franchise fee, cancel training, and terminate this Agreement.
- (6) Allow the Franchise or Franchise Premises to be seized, taken over, or foreclosed by a creditor, lienholder, or lessor; let a final judgment against you to remain unsatisfied for thirty days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within five days of the levy.
- (7) Are convicted of a felony or a sex crime, are required to register as a sex offender, have been convicted of a crime of moral turpitude, are on probation or parole, or are convicted of any criminal misconduct relevant to the operation of the Franchise.
- (8) Within a period of ten days after notification of noncompliance, fail to comply with any federal, state, or local law or regulation applicable to the operation of the Franchise.
- (9) Fail to pay any Franchise, Royalty, or Advertising fees or other amounts owed pursuant to this Agreement within five days after receipt of written notice that the fees or amounts are overdue.
- (10) Operate the Franchise in a manner that creates an imminent danger to public health or safety.
- (11) Do not keep information related to the Franchise confidential except to employees or persons authorized to know.
- (12) Fail to obtain agreements from your employees to keep information confidential.
- (13) Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

- (14) You knowingly or intentionally conceal revenues, maintain false books or records, (Including purposely uploading or storing incorrect or incomplete information on a designated platform) or submit any intentionally false report or payment or otherwise defraud us.

6.4 **Time Frames Subject to Applicable Laws.** The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, nonrenewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law. We will not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any mediation, action, arbitration, hearing or dispute relating to this Agreement or the termination of it.

6.5 **You Will Discontinue Use of Service Marks, Operations Manual, and Method of Operation on Termination of Agreement.** Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

- A Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation. We will have the right, title and interest to any sign or sign faces bearing the Service Marks. You acknowledge our right to access the Franchise Premises if we elect to take possession of any sign or sign faces bearing The Service Marks.
- B Take action as required to cancel all of your assumed name, fictitious or business name, or equivalent registrations relating to the use of all Service Mark and related assumed names.
- C Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.
- D Authorize telephone, Internet, email, electronic network, directory, and listing entities, to transfer all numbers, addresses, domain names, locators, directories, and listings to us or to our designee. You will notify them of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to affect the transfer of these telephone numbers, directory listings, domain names and Internet directories to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.
- E Make reasonable modifications to the interior and exterior of any retained premises to reduce your identification as a part of our franchise system. These modifications will include but will not be limited to reasonable alterations to eliminate any possibility of confusion between the Franchise Premises and any other Tan Republic location. Until all modifications and alterations are completed, you will maintain a conspicuous sign in a form we specify stating that you are no longer associated with us. You will advise all customers or prospective customers coming to the Franchise Premises or telephoning you that you are no longer associated with us.
- F Pay to us within 7 days all Royalty Fees, Advertising Fees, and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorney's fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement. Termination or expiration of this Agreement will not prejudice to any

other rights or remedies that we have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages, including lost revenue for the duration of the term of this Agreement.

G Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination Covenant Not to Compete set forth below. You will immediately return to us all our confidential information you have received, including any items that embody the confidential information. You acknowledge that you have no continuing ownership interest in the confidential information.

H At our option, do some or all of the following:

- (1) Remove all Franchise related equipment, furnishings, and inventory from the Franchise Premises;
- (2) Sell the equipment, furnishings, and inventory to us, at the depreciated book value (straight line depreciation over five years) for equipment and furnishings and at your invoice cost for inventory less a 10 percent restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;
- (3) Assign to us the lease for the Franchise Premises and ownership and control of any website you own or control; and
- (4) Sell to us your interest in the Franchise, the Franchise Premises and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within five business days after termination of this Agreement. If not, a fair value and fair terms will be determined in Salem, Oregon by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase at a hearing. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the appraisers will be conclusive. Any time within thirty days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price determined by the appraisers, payable in 60 equal monthly payments including 6 percent per annum interest.

H. Upon termination for any reason, you will return to us all proprietary and confidential materials, including client lists, keys, codes, signage, advertising and marketing materials, uniforms, service agreements and other forms, printed files, clients lists and account information, security codes, cards and passes, picture identification badges and the like as described in the Operations Manual. If you fail to return or cease use of any of these items, we may enter your business premises without being guilty of trespass or any other tort to remove and retain the items. You will pay to us, on demand, any expenses we incur in trying to remove or collect such items or in attempting to have you cease use of them. Your failure to immediately return all keys and security codes or passes to us may result in us changing locks, keys and codes at client premises at your expense.

6.6 **We May Assign Territory Upon Termination.** Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate a Tan Republic business within the Franchise Territory.

6.7 **Our Step-In Rights.** The parties want to prevent any interruption of the Franchise that would cause harm to the Franchise and to our franchise system and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Cause for interruption may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or

incapacitated because of illness or death; you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; you have failed to pay to us when due any franchise, royalty, advertising, or other fee; you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; or we decide that significant operational problems require us to operate the Franchise for a time. We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through its contract agents.

All Revenue from our operation of the Franchise will be for your exclusive account. We will pay from that Revenue all expenses, debts and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative costs, plus 15 percent to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all Revenue generated by the operation of the Franchise, less the expenses of operation.

We will have no obligation to retain any employee of the Franchise, nor to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the Franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits will be your responsibility.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all of your acts, omissions, damages, or liabilities arising during our operation of the franchise.

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the Franchise.

In addition to our right to step- in or to terminate this Agreement, and not in lieu of that right or any other rights against you, in the event that you will not have cured a default under this Agreement within the 30 days after receipt of the written "Notice to Cure" from us, we may, at our option, enter upon the Franchise Premises and exercise complete authority with respect to the operation of the business until we determine that your default has been cured and that there is compliance with the requirements of this Agreement. You specifically agree that a designated representative of ours may take over, control, and operate the business. You will pay us a service fee of not less than **\$200** per day plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it will be required by the representative to enforce compliance. In addition, if you breach any provision of this Agreement that is curable and we give you notice of the breach, in addition to curing the breach you must pay us a Cure Fee of **\$1,000** to help defray our administrative and corporate costs related to the breach and remedy.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

6.8 You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement. This covenant will apply for **730** days after termination, expiration or transfer of this Agreement. In express consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, lessor, lessee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of tanning or skin care or spa products, fixtures, furnishings, equipment or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of

Operation. This covenant applies within the Franchise Territory and within a **100-mile** radius of the Franchise Territory and within **100 miles** of any location where we operate or have granted the franchise to operate a Tan Republic business, and at any location within the United State of America.

You acknowledge and confirm that the time, content and geographical restrictions contained in this Section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by us. You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors. Your knowledge of the Method of Operation would cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees.

The running of the periods of time specified by this Section will be tolled and suspended for any period of time during which a court or arbitrator determines you to have been in violation of this Section.

If you continue to operate your franchise business, or any business offering similar products and services, after transfer, repurchase, termination, or expiration of this Agreement, or non-renewal, using any of the Service Marks or any aspect of the Method of Operation, our remedies will include, recovery of the greater of (a) all profits you earn in the operation of your business or similar business after such transfer, repurchase, termination or expiration; or (b) all royalties, marketing contributions and other amounts which would have been due if such transfer, repurchase, termination, or expiration had not occurred.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

7) **TRANSFER**

7.1 **Sale or Assignment.**

- A Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of: this Agreement, the Franchise Premises, substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any transfer to a competitor of ours. We need not consent to any transfer before the date the Franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee's operational and business plans that the transferee's business operations might not be beneficial on a cash flow or financial basis

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination. Before the effective date of a transfer we approve:

- (1) The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.
- (2) You will pay all ascertained or liquidated debts concerning the Franchise.
- (3) You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.
- (4) The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.
- (5) You or the transferee will pay a Transfer Fee according to our then current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer. The Transfer Fee will not be more than **\$5,000**.
- (6) You will pay us a **10** percent commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.
- (7) The transferee will execute all documents we then require of new franchisees. This includes a new Franchise Agreement in the form we then are using. The new Franchise Agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.
- (8) The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.
- (9) You and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release us from any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sale and performance of this Agreement or any other agreement between the parties.
- (10) If the entire Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement.
- (11) If the lease or sublease for the Franchise Premise requires, the lessor or sublessor must have consented to the assignment or sublease of the Franchise Premises to the transferee. All fixtures and equipment at the Franchise Premises must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place. The transferee must agree in writing with any third-party leasing company to accept any outstanding lease on equipment or

other furnishings or you will resolve such leases and remove that equipment or furnishings from the Franchise Premises.

- (12) You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

- (13) Upon our granting of approval for the transfer, you will:

ensure that the transfer is affected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, and with the applicable requirements of the lease of the Franchise Premises;

deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Trademarks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.

- (14) We have the right, but not the obligation and without any liability to you, to make available for inspection by any proposed transferee identified by you of all or any part of this Agreement and of our records related to our relationship with you and to your activities and performance under this Agreement. You specifically consent to such disclosure and agree to hold us harmless from any claim, loss or injury that might result from inspection of our records by your intended transferees.

- B. With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable in all respects under this Agreement. You and all other owners shall personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives, shall act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership. From time to time, at our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you.

- C. We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Service Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring. As for any or all these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer products to you, whether or not bearing our Service Marks.

- D You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review prior to their use. No offering by you will imply (by use of the Service Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give us at least sixty days written notice before the effective date of any offering or other transaction covered by this subsection.
- E You may not grant a sub-franchise or transfer less than all of your rights under this Agreement.
- F Our consent to a proposed Transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.
- G You will comply with and help us to comply with any laws that apply to the Transfer, including state and federal laws governing the offer and sale of franchises.

7.2 Your Death or Disability.

- A Besides the Step-In Rights described above, the following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning **50** percent or more of you if you are a limited liability company or corporation or other entity. Within **180** days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:
 - (1) Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment by You," above (except that no transfer fee will be required). Or,
 - (2) Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the **180** days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the **180** days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.

If a suitable transferee purchaser is not found within **180** days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not, a fair value and fair terms will be determined in Salem, Oregon by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers may include in their decision a factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option,

it may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers. Terms of payment will be **10%** of the purchase price payable upon contract signing, the balance payable in **60** equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at time of each monthly principal payment.

- B If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

7.3 First Right of Purchase. You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We will elect to exercise our option to purchase within **30** business days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party, but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third-party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled "First Right of Refusal". You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled "Sale or Assignment" and "First Right of Refusal." If you do not complete a transaction with a third party within **6** months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

We may elect to purchase all of your franchise business regardless of your intent to sell, assign, or transfer a lesser interest. We can pay the purchase price in cash up front or 120 equal monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is in our sole discretion.

7.4 First Right of Refusal. If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within **6** days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. We may exercise this right to purchase within **30** days after receipt of notice from you. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer, shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid of the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not exercise our right to purchase within the **30** days, you may make the proposed transfer to a third party. The transfer will not be at a lower price nor on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment by you," above. If the Franchise is not transferred by you within **6** months from the date it is offered to Us, or if any material change is made in the terms of the proposed sale, then you must reoffer to transfer to us before a transfer to a third party.

8) INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY

8.1 Indemnity. You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award based upon the adjudication and assigned respective degree of fault. You will indemnify us for any loss, cost or expense, including attorney's

fees, that may be sustained by us because of the acts and omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Premises.

This indemnification will include use, condition, or construction, equipping, decorating, or operation of the Franchise Premises, including sale of any food products, service or merchandise sold from the Franchise Premises. Any loss, claims, costs, expenses, damages, or liabilities shall include, without limitation, those arising from latent or other defects in the Franchise Premises, whether or not discoverable by us, and those arising from the death or injury to any person, or arising from damage to the property of you or us, and our respective agents and employees, or any third person, firm, or legal entity.

You will defend us at your own expense in any legal or administrative proceeding subject to this Subsection. The defense will be conducted by attorneys we approve. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

8.2 **Insurance.** Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability, and products liability insurance. This insurance will be in an amount sufficient to replace the Franchise Premises and your personal property upon loss or damage. This insurance will be written by an insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

- A Comprehensive general liability insurance, including products liability, completed operations, Dram Shop or host liquor liability (if alcoholic beverages are served), property damage, contractual liability, independent contractors' liability, owned and non-owned automobile coverage, cyber security, and personal injury coverage with a combined single limit of at least **\$1,000,000**, including umbrella coverage.
- B Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.
- C Business interruption and lost profit insurance.
- D Employer Practice liability insurance.
- E Cyber Security.
- F Molestation and Abuse.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of the Franchise. Your policies of insurance will contain a separate endorsement naming us as an additional named insured. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to cancellation except upon **20** days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement.

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees, and representatives; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each policy will be treated as though a separate insurance policy had been issued to each named insured.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

You will promptly report all claims or potential claims against you, the Business, or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

We may, at our sole discretion, upon not less than 90 days prior written notice to you, secure a policy of insurance which will provide defined insurance coverage to all or any part of our franchise system. This policy may replace or supplement the insurance coverage you are required to maintain. You will pay the relevant insurance premium to us or the designated insurance provider, as we direct.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement.

8.3 **Condemnation.** You will give us notice of any proposed taking through the exercise of the power of eminent domain. Notice will be given within ten days of your first knowledge of the proposed taking. If the Franchise Premises or a substantial part of it is to be taken, the Franchise Premises may be relocated within the franchise territory or elsewhere with our prior written approval. The relocated premises may not infringe on the protected rights of any other franchise pursuant to our specifications and contractual obligations. Relocation must be completed and franchise business operations recommenced within a reasonable time after the closing of the initial Franchise Premises (but in any event, within **one** year after the closing of the Franchise Premises). The new franchise location will become the Franchise Premises licensed under this Agreement. If a condemnation takes place and a new franchise location does not open, for whatever reason, then this Agreement will terminate upon thirty days written notice from us to you.

8.4 **Casualty.** If the Franchise Premises is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires the closing of the Franchise, you will:

- A continue to pay Royalty and Advertising Fees based upon those paid for the preceding 12-month period or based upon any business interruption recovery you receive, whichever is greater,
- B immediately notify us,
- C repair or rebuild the Franchise Premises following our specifications, and
- D reopen the Franchise for continuous business operations when practicable (but in any event,

within **one** year after closing of the Franchise Premises). You will give us not less than **30** days advance notice of the date of reopening.

If the Franchise Premises does not reopen within **one** year, this Agreement will terminate upon **30** days written notice from us to you.

9) **NOTICE AND MISCELLANEOUS**

9.1 **Notices.** All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered personally at any location and receipted. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by either requesting confirmation by receipt verification, which verification will not be withheld or otherwise denied, or by sending an original confirmation copy by expedited delivery service or certified or registered mail within **3** business days after transmission). Notices may be delivered to you at the Franchise Premises, to us at our headquarters in Salem, Oregon, or to other locations specified in writing.

Notices sent by mail will be deemed to have been delivered and received **3** business days following the date of mailing or one business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available. Any notice by certified mail shall be deemed to have been given at the date and time of mailing. Notices sent by facsimile or electronic mail will be deemed to have been delivered upon transmission (provided confirmation has been requested by receipt verification, or confirmation is sent by expedited delivery service or registered or certified mail as provided above).

9.2 **Business Name.** You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks and the name **TAN REPUBLIC**.

9.3 **We and You Are Not Joint Venturers, Partners, or Agents.** You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Franchise Premises, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

You will maintain employee records to show clearly that you and your employees are not our employees. The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

9.4 **Waiver.** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of **10** days prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

By written notice, we unilaterally may waive any obligation of you, your owners, or the Guarantors.

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement. Unless otherwise expressly provided to the contrary, our consent, acceptance, approval or authorization you may be required to obtain may be given or withheld by us in our sole discretion, and on any occasion where we are required or permitted to make any judgment, determination or use our discretion, including any decision as to whether any condition or circumstance meets our standards or satisfaction, we may do so in our sole subjective judgment and discretion

9.5 Time Is of the Essence. Time and strict performance are of the essence of this Agreement. ("Time is of the Essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

9.6 Documents. You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. These documents will include a Relinquishment of Assumed Business Name form which must be executed by you contemporaneously with the execution of this Agreement. Contemporaneous execution by you will be a condition precedent to the legal effect and validity of this Agreement and each document.

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements. The non-breaching party may enforce or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement.

If you are a partnership, all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or members and all officers will personally guarantee your faithful performance.

You will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with us; will not attempt to divert customers to competing businesses; and will keep, preserve, and protect confidential information as required by this Agreement.

9.7 Construction.

- A. Entire Agreement. This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not

be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing.

No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third-party beneficiary of that provision.

- B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

Neither this Agreement nor any uncertainty or ambiguity will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all the parties. We and you intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

- C. Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part and terms of this Agreement. If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

1. The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.
2. The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

- D. Severability. If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

- E. Implied Covenants. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If applicable law implies such a covenant, the parties acknowledge and agree that:

1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;

2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Tan Republic businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee;
 3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is not exercised in bad faith toward you; and
 4. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.
- F. **Joint and Several.** If, at any time during the term of this Agreement, you consist of two or more persons (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person.

9.8 **Enforcement.** From time to time there may be controversies about this Agreement, its interpretation, or performance or breach by the parties.

A. **Mediation.** Any dispute arising out of or relating to this Agreement will first be the subject of good faith negotiation between the parties. If good faith negotiations do not resolve the dispute, then before taking any legal action, the parties agree to participate in at least **8** hours of mediation in accordance with the Mediation Procedures of the American Arbitration Association or of any similar organization that specializes in the mediation of commercial franchise business disputes. The Parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation or arbitration terms of this Agreement, and may be brought in any court of competent jurisdiction. Mediation may be specifically enforced by either party. This agreement to mediate will survive termination or expiration of this Agreement.

Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation or arbitration terms of this Agreement, and may be brought in any court of competent jurisdiction.

B. **Injunctive Relief and Specific Performance.** Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

C. **Governing Law and Venue.** You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted by us in the State of Oregon. This Agreement and the relationship between the parties, any dispute between you (or your officers, directors, shareholders, members, partners or other owners) and us, whether arising under this Agreement or from any other aspect of the parties' relationship, will be interpreted under the laws of the State of Oregon and will be governed by the substantive laws of **Oregon** without regard to Oregon choice of law provisions. Provided that any law of the State of Oregon that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisees will not apply unless its jurisdictional requirements are met independently without reference to this section. Oregon laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, *et seq.*) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Oregon franchise

or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise, business opportunity, anti-trust, "implied covenant", unfair competition, fiduciary or any other doctrines of law, statute, law or regulation of Oregon or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure, or relationship law of another territory, state, or commonwealth.

Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state.

The parties have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving you (or your officers, directors, shareholders, members, partners or other owners) and us, the parties agree that all issues or disagreements between them will be mediated, arbitrated, tried, heard, and decided in the county in which our headquarters is then located (currently **Salem, Oregon**) which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of, all of the members of the Tan Republic franchise system.

D. Remedies. You recognize the unique value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Service Marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

Our and your rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude exercise or enforcement of any other right or remedy which a party to this Agreement is entitled by law to enforce. No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If any such event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any

covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

Except with respect to the parties' obligation to indemnify each other as outlined in this Agreement, we and you and our respective principals waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other (including lost profits incurred as a result of any termination of this Agreement) and agree that, in the event of a dispute between you and us, the party making a claim will be limited to equitable relief and to recovery of any direct or general damages it sustains.

Limitations: Any judicial proceeding between two or more of the parties shall be governed by the following limitations:

1. Such judicial proceeding will be considered unique as to its facts and may not be brought as a class action. You and each of your owners waive any right to proceed against us by way of class action. The court will not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other judicial or arbitration proceeding involving any other franchisee. Each party waives the right to claim that a prior disposition of the same or similar issues preclude such independent determination.
2. The parties agree that a judicial proceeding will be tried before the court sitting without a jury, notwithstanding any State or Federal constitutional or statutory rights. Each party waives any right to have any action tried by jury.
3. Except with respect to obligations regarding use of the Service Marks, the Operations Manual and confidential information, the parties waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against any other party and agree that the party making any claim directly or indirectly arising from or relating to this Agreement will be limited to recovery of actual and consequential damages sustained.

E. **Attorney Fees.** The prevailing party in any insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees. These will be set by the proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding as determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. Attorney fees will include, without limitation, fees

incurred in the following: (a) post judgment motions; (b) contempt proceedings; (c) garnishment, levy, and debtor and third-party examinations; (d) discovery; and (e) bankruptcy litigation. This subsection is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

9.9 **Other Agreements.** If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with Us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements. Whenever this Agreement requires that you [and we] enter into a release, such as for a transfer, renewal or purchase of an additional franchise, the release will be in substantially the following form:

You (and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release us from any claims you may have against us:

In consideration of the mutual covenants and understandings set forth in this release agreement, you release and discharge us and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the franchise and the franchise premises ("your Prior Franchise Agreement").

You release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.

You and we will represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.

These releases are intended to waive, release and discharge all claims against us, other than these expressly reserved:

any future claims we may have against you for: your past, present and future violations of the post-termination covenants contained in the Prior Franchise Agreement and [fill in blank as appropriate]

[any future claims you may have against us for:] [fill in blank as appropriate] [and relating in any way to your prior franchise agreement, any transfer agreement, or our acts prior to the execution of this release.]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable

statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You will waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction, recognizing that while there may be new or different facts of which we are unaware at the time that this release is executed, we have nevertheless weighed the advantages and disadvantages of entering into this Release, and while we may be unaware of relevant facts, we are also aware that not every eventuality or condition can be anticipated and that we prefer the current certainty of this Release to the possibility of discovering new or different facts in the future.

9.10 **Agreement Binding on Successors and Assigns.** This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

9.11 **Execution in Counterparts and Our Acceptance.** This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within **60** days, this Agreement will no longer be binding upon you. Delivery of the executed signature page of this Agreement by facsimile or electronic mail transmission will constitute effective and binding execution and delivery of this Agreement.

9.12 **Approval by Shareholders, Members or Partners.** If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with Us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

If You are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement") must contain the following provisions which will supersede any contrary provisions in that agreement:

- A. Your owners ("Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our president or his designee. If the arbitration submission is accepted by our president, it must be held at our headquarters or at another location the Owners and the arbitrator agree. The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Franchise Agreement.
- B. The term "operations and management" includes, but is not limited to, questions relating to:
 - 1. Allocations of management responsibilities between the Owners;
 - 2. Contributions to capital for purposes of business operations, repairs and remodeling;
 - 3. The reasonable salaries of the Owners;
 - 4. Marketing efforts;
 - 5. The termination of the employment of an Owner;
 - 6. Procedures for making and implementing management decisions;
 - 7. Whether an Owner has performed duties with respect to the operation or management

of the franchise business.

- C. Unless the Owners and the arbitrator agree in writing otherwise, "operation and management" does not include questions relating to:
1. Allocations, computations or distributions of profit or loss;
 2. Accounting issues;
 3. Elections of officers of the entity;
 4. Investments of cash not necessary for the operation of the business;
 5. Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement;
 6. The fair market value of the Owners' interests in the entity;
 7. Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under B, above;
 8. Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
 9. Matters relating to the winding up of the entity after a dissolution;
 10. Matters relating to the legal validity of the Owners Agreement.
- D. The Owner's agreement must provide that the Owner or Owners who are to be responsible for on premises operation of the franchise business must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.
- E. The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owners Agreement. Notice must be given at least 10 business days before they enter into that agreement, modification or amendment. The purpose of this notice is to enable us to review it for compliance with this section.
- F. Inclusion of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity.

9.13 **Personal Guarantee.** The undersigned Guarantors are all of your partners, members, shareholders or owners. They jointly, severally, irrevocably, and unconditionally guarantee to us the due and punctual observance and performance by you of all of your obligations under this Agreement and any other agreement to which we and you are parties. Each Guarantor agrees to guarantee us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) that we may incur because of your failure to observe your obligations. The liabilities and obligations of each Guarantor will not be released, discharged, or affected by our release or discharge of or dealing with you under any of these agreements; or by anything we do, suffer, or allow to be done in relation to you; or by change, alteration, or modification of any of the agreements; or by any compromise, arrangement, or plan of reorganization affecting you; or by your bankruptcy or insolvency; or by any other act or proceeding in relation to you or any of the agreements by which any Guarantor might otherwise be released. The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature and will terminate only on the satisfaction of your obligations under this Agreement. A fresh cause of action will arise in respect of each breach by you producing a liability of any Guarantor.

The Guarantors agree that it shall not be necessary for us or our assigns to institute suit or exhaust our legal remedies against you in order to enforce this guaranty. Guarantors agree that we may from time to time extend the time for performance or otherwise modify, alter, or change this Agreement, may extend the time for payment of all sums guaranteed, and may receive and accept notes, checks, and other instruments for the payment of money made by you and extensions or renewals without in any way releasing or discharging Guarantors from their obligations. This guaranty shall not be released, extinguished, modified, or in any way affected by our failure to enforce all the rights or remedies available to it under this Agreement. Our release of one or more Guarantor will not operate as a release of the other Guarantors.

9.14 **Representations and Acknowledgments.**

A. **Receipt of Disclosure Documents.** You acknowledge that you have received our complete Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) **14** calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
2. if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

B. **You Have Read and Understand this Agreement.** You acknowledge that you have had ample to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own.

C. **Varying Forms of Agreement.** You are aware that some of our present and future franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

D. **Speculative Success.** The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks.

E. **Independent Investigation, No Projections or Representations.** You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. Your success will be dependent upon your ability as an independent businessperson. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

F. **No Review of Business Plans, Loan Applications.** Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third-party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

G. **Your Location and Market Area.** You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and regulations applicable thereto (or will do so if you have not

yet found a Franchise Premises). You agree and represent that that market area is reasonable, the Franchise Premises will be suitable for the operation of a franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a franchise.

H. **Health and Full-Time Participation.** You acknowledge that a franchise business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business. You represent that you or your majority owner are in good health and able to devote your full time and best efforts in the day-to-day operations of your franchised business or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of your franchised business.

I. **Terrorism, Convictions, Immigration Status.** You represent to us, unconditionally and without reservation, that:

Neither you, nor your spouse, nor your children, nor your parents, nor any employee or prospective employee of the franchise business, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates: supports terrorism, provides money or financial services to terrorists, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et money or financial services from terrorists or institutions that support terrorists, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. is engaged in terrorism, or in any activity, organization or plan with or of any person or organization, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900, et seq.

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.

Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any employee or prospective employee of the franchise business, nor any of your partners or affiliates has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with, lawfully reside in, and travel to the United States to fulfill your obligations under your agreements with us.

You, your spouse, your children, your parents, and anyone who has an interest in or who will manage the franchise, and all employees or prospective employees of the franchise business, and all of your partners or affiliates are in the United States lawfully, have legal residence in the United States, and are lawfully permitted to work in the United States.

You represent and warrant that to your actual and constructive knowledge: (i) neither you (including your directors, officers and managers), nor any of your affiliates, or any funding source for your franchise, are identified on the list at the United States Treasury's Office of Foreign Assets Control (OFAC); (ii) neither you nor any of your affiliates are directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any of your affiliates

are acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither you nor any of your affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither you nor any of your affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither you nor any of your affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

You represent and warrant that:

Neither you nor any of your owners or agents conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("**Patriot Act**") and any amendments or successors thereto.

Neither you, any of your owners nor any employee or agent is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control (currently, this list is published under the Internet website address: www.treasury.gov/offices/enforcement/ofac/), and that you are neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do you or your owners or agents act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You agree that you will notify us in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this subsection incorrect.

You understand and have been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at: www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at: www.epic.org/privacy/terrorism/usapatriot/), and you acknowledge the importance to us, the Method of Operation and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to us or any government, that is made part of any applicable law or regulation. You will take all reasonable steps to require your consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

J. **We May Investigate.** We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

K. **Operations Manual.** You acknowledge that the Operations Manual is loaned to you by us and at all times the Operations Manual and any updated or amended pages remain our property and that the copyright in the Operations Manual and all associated materials is vested in us. You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand.

L. **Data Protection Laws; Personal Information.** You will: (i) comply with all applicable data protection laws; (ii) comply with all of our requirements regarding the data protection laws contained in the Operations Manual or otherwise; (iii) refrain from any action or inaction that could cause us or our affiliates to breach any applicable data protection law; (iv) do and execute, or arrange to be done and executed, each act, document and thing necessary or desirable to keep us and our affiliates in compliance with any applicable data protection law; (v) reimburse us and our affiliates for any and all costs incurred in connection with your breach of any data protection laws; and (vi) permit us and our affiliates to use any data or other information each of them gathers concerning you in connection with the establishment and operation of franchised and company owned locations by us or our affiliates.

Without limiting the foregoing, you consent to the disclosure by us of certain personal information concerning you and the Franchise and the Franchise Premises, namely your identity, including your name, address and telephone number, in our franchise disclosure documents, whether or not such disclosure is required by law, and in our other documents relating to the sale of franchises.

Further, you consent to the additional disclosure by us of certain personal information concerning you, the Franchise and the Franchised Premises, including historical performance of the Franchise, sales, revenues, expenses, costs, results of operations, and similar financial information and operating information, and any information regarding the expiration or termination of this Agreement, to a prospective transferee of your Franchise or of the Franchise Premises or any other purchaser of any other franchise from us.

M. **State Law Addendum.** Attached as an exhibit to this Agreement and incorporated by reference, as applicable, are additional terms and conditions applicable to franchisees and their principals based in certain states within the United States of America (the "State Law Addendum"). Each provision of the State Law Addendum will be effective only to the extent that the jurisdictional requirements of the applicable state law are applicable to the provisions of this Agreement are met independent of the State Law Addendum. If the State Law Addendum is deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments other than the applicable State Law Addenda), the terms of the State Law Addendum will control.

N. **Release of Prior Claims.** By executing this Agreement, you, on behalf of yourself and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever release and discharge us, our past and present employees, agents, members, area developers, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other prior claims relating to any prior dealings between any of the parties apart from those specifically related to this Agreement. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

O. **Force Majeure.** The failure of any party to perform under this Agreement will be excused, if the failure to perform is caused by a Force Majeure provided the party so affected will give the other party immediate written notice of the cause of nonperformance, will use its best efforts to avoid or remove the cause, and will continue performance under this Agreement whenever the cause is removed. "Force Majeure" includes, without limitation, any event caused by or resulting from conditions that are beyond the reasonable control of a party whose performance is affected and occurring without the party's fault or negligence. Examples of events of Force Majeure include, without limitation, an act of God; labor strike or other industrial disturbance; revolution; riot; civil commotion; acts of public enemies; catastrophe; failure of third party suppliers not under a party's control; transportation delay; war; insurrection; epidemic or pandemic; fire; hurricane; flood; earthquake or other natural disaster; adverse acts of any government; materials or labor shortage; failure of third party suppliers; social unrest or upheaval; economy/fiscal emergency or crisis; banking system delays or failure; abnormal inflation or deflation; delay or an act or failure to act of the other party; accidental, negligent, or purposeful act or failure to act by a party or by any third person that materially damages or diminishes the value of the Marks (e.g. Dickey's Toxic Tea); etc.

P. **NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES.** WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU.

10)

SIGNATURES

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

("We/Us"): **TAN REPUBLIC FRANCHISE COMPANY, LLC**

(jointly and severally "you"):

By: Sample - Not for Execution

Title: _____

By: Sample - Not for Execution

Title: _____

GUARANTOR(S):

EXHIBIT 1– FRANCHISE TERRITORY

1) **FRANCHISE TERRITORY:** The Franchise Territory is [the city limits as of _____, 20__ of _____, _____.]

2) **FRANCHISE PREMISES:** The Franchise Premises is or will be located at _____.

The site of the Franchise Premises and the boundaries of the Franchise Territory are based on the physical location of the references used to describe the Franchise location or the boundaries of the territory on the date of this Agreement. If a street address is used to describe a location, the renumbering of the address will not serve to move the location. If a specified boundary of the Franchise Territory is described as a street, the center line of the street is intended; if the boundary is described as a political dividing line (such as a city limit), the line utilized by the appropriate political jurisdiction is intended. The area and physical location of any Franchise Premises location or of the Franchise Territory will not be altered by a subsequent movement of the references originally used to describe them. Also, it is only those points to the “inside” of the boundary that form a part of the Franchise Territory (for example, if a Franchise Territory is bounded on the north by Main Street, only the area south of the center line of Main Street is within the Franchise Territory).

For all calculations based upon a distance (for example, the boundaries of your Franchise Territory), the measurement will be made following the current shortest driving distance on principal roads and major thoroughfares in every possible direction measured by the centerline between the nearest points as of the date of this Agreement; if any portion of an object is within the prescribed distance from a point, the entire object is considered to be within that distance.

OR

3) **DESIGNATED AREA:** If either the Franchise Territory or the Franchise Premises has not been determined when this Agreement is executed, you are responsible for selecting the site for your Franchise Premises within the following Designated Area:_____.

The Franchise Territory and your franchise site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

Except as specifically outlined or forbidden in the relevant Franchise Agreement, there are no understandings oral or written concerning the future placement of salons by any party and concerning any territory protections granted to you.

**EXHIBIT 2 TO STANDARD FRANCHISE AGREEMENT
CO-BRANDING ADDENDUM
(FOR FRANCHISEES AND OPERATORS OF OTHER CHAINS)**

TAN REPUBLIC FRANCHISE COMPANY, LLC, an Oregon limited liability company ("We/Us") and _____ (jointly and severally "you") are parties to a Franchise Agreement dated _____, 20____ (the "Franchise Agreement").

In consideration of the mutual covenants and commitments expressed in this Exhibit, we and you further agree as follows:

1. **Franchise agreement.** All of the terms defined in the Franchise Agreement shall have the same meaning when used in this Addendum. Except as modified by this Addendum, all provisions in the Franchise Agreement shall apply to the operation of the co-branded salon.

2. **Grant of rights.** You currently operate a retail outlet associated with a multi-store chain, whose primary trademarks are: _____. We grant to you the right to operate a co-branded Tan Republic salon to be operated in, within or adjacent to that chain outlet.

3. **Location and opening.** The co-branded salon must be within or adjacent to your existing chain facility. The location shall be (fill in when known): _____. This co-branded salon does not have any exclusive or designated area protection.

4. **Initial fee.** You hereby deposit with us the sum of \$_____ to acquire the rights granted. There is no other initial fee for this Addendum. A separate franchise agreement and co-branding addendum must be signed and fee paid for each co-branded salon.

5. **Modification of Franchise Agreement and standards.** Certain of the procedures set forth in the Franchise Agreement relating to obtaining a location, site surveys, plans, permits, fixtures, furniture, equipment and signs may not be directly applicable because you may utilize space within your existing chain outlet. Nevertheless, you will attempt to comply with the provisions of the Franchise Agreement that are reasonably applicable to its co-branded salon, all co-branding requirements expressed in the Operations Manual, and all other relevant procedures, including submitting to us for our prior approval all remodeling plans and proposed lease or sublease agreements. If you are an operator, owner, or franchisee of the chain, you acknowledge that you must fully comply with the applicable operating agreements and standards relating to the chain, such as a franchise agreement and lease. In such event, you will supply us with copies of all contracts with the owner, landlord and operator of the chain. You may have entered into a separate agreement with the chain relating to reciprocal development or co-branding rights, and you will abide by the obligations in such separate agreement to the extent that these obligations are made known to it. Our training and assistance specified in the Franchise Agreement shall be of shorter duration at our discretion, taking into account the reduced franchise fee and your experience in operating an existing chain outlet. We and you may mutually agree to modify our standards and specifications to be consistent with the methods of operation of the chain outlet in which the salon is located.

6. **Termination.** This Addendum may be terminated by us separately from the Franchise Agreement, on any of the bases for termination provided in the Franchise Agreement. If the chain outlet ceases to be operated by you, the Franchise Agreement shall terminate effective on the date of such cessation (unless expressly agreed in writing by us). In addition, if we decide, in our sole discretion to discontinue the co-branding program, you may be given three years' written notice of the termination of your rights. Upon termination or expiration, you will abide by all post-termination covenants in the Franchise Agreement, including its obligation to discontinue operation of the co-branded salon.

The parties have executed this Addendum on _____, 20_____.

(“We/Us”) **TAN REPUBLIC FRANCHISE** (Jointly and severally “you”)
COMPANY, LLC

By: Sample - Not for Execution
Title: _____

Franchisee’s printed name(s)

Franchisee’s signature

Franchisee’s signature

(Address)

(City, State)

All owners of an entity Franchisee must sign. Attach additional pages if necessary.

EXHIBIT 3 TO THE FRANCHISE AGREEMENT
FRANCHISE PREMISES LEASE AGREEMENT RIDER

THIS RIDER has been entered this ____ day of _____, 202__. It is by and between _____, ("Landlord") and _____(jointly and severally "Tenant").

RECITALS

On or about _____, 20__, Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a **TAN REPUBLIC** franchise at the following location: _____(the "Franchise Premises").

On or about _____, 20__, Tenant and **TAN REPUBLIC FRANCHISE COMPANY, LLC** (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. **Use of Franchise Premises.** Landlord acknowledges and agrees that the Franchise Premises may be used only for the operation of a Tan Republic facility. Landlord permits Tenant to use and display the Tan Republic service marks, trademarks, and commercial logos and all other marks and logos that Franchisor develops for a Tan Republic facility in the future.
2. **Landlord Reports and Disclosures to Franchisor.** Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.
3. **Assignment to Franchisor.** Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.
4. **Tenant's Default; Notice to Franchisor.** Landlord will give written notice to Franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within **15** business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

TAN REPUBLIC FRANCHISE COMPANY, LLC
1124 Wallace Road NW, Suite 115
SALEM, OREGON 97304

5. **Franchise Premises De-identification.** Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

6. **Renewal, Extension, or Cancellation of the Lease Agreement.** Landlord will not extend, renew, or cancel the Lease Agreement without Franchisor's prior written consent, which consent will not be unreasonably withheld.
7. **Competitors.** Landlord agrees that it will prohibit the establishment within Landlord's shopping center of any retail entity any part of whose business will be derived from the sale of tanning or skin care services.
8. **Signatures.**

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

("Landlord"):

By: Sample - Not for Execution

Title: _____

("Tenant"):

By: Sample - Not for Execution

Title: _____

EXHIBIT 4 TO THE FRANCHISE AGREEMENT
SBA FORM 2462

INSTRUCTIONS FOR USE OF SBA FORM 2462
ADDENDUM TO FRANCHISE AGREEMENT

SBA has issued a revised version of the Addendum to Franchise Agreement (SBA Form 2462) which became effective January 1, 2018. SBA's Standard Operating Procedure (SOP) 50 10 5(J) explains updates made to the franchise review process for the 7(a) and 504 loan programs. By executing this Addendum, the franchisor agrees that any terms in its franchise agreement or any other document the franchisor requires the franchisee to sign that are related to control by the franchisor or its franchisees (resulting in a determination by SBA of affiliation between the Franchisor and its franchisees, as defined in 13 CFR part 121 and SBA's Standard Operating Procedure 50 10) will not be enforced against the franchisee during the life of the SBA-guaranteed loan.

SBA Form 2462 has three locations with drop down menu options at the beginning of the form (see example below). Once a drop down option is chosen (i.e. #1 "Franchise" #2 "Franchisor" and #3 "Franchisee"), the user must hit the "tab" key to automatically populate the appropriate term in all fields.

Example of Drop-Down Options

The image shows a portion of SBA Form 2462. At the top left is the SBA logo. The title "ADDENDUM TO Franchise AGREEMENT" is centered. Below the title is a drop-down menu with options: "Franchise", "License", "Distributor", "Membership", and "Other". A red box with the number "1" points to this menu. Below the menu, the text "THIS ADDENDUM ("Addendum") is made" is followed by a blank space, then ", 20", then "by and". Below this, the text "between" is followed by a blank space, then "(", then a drop-down menu with "Franchisor" selected, then ")", then "and". Below this, the text "located at" is followed by a blank space, then "(", then a drop-down menu with "Franchisee" selected, then ")", then "and". Below this, the text "located at" is followed by a blank space. A red box with the number "2" points to the "Franchisor" drop-down menu, and a red box with the number "3" points to the "Franchisee" drop-down menu.

Once the drop down options have populated in all three locations, the remaining fillable fields must be completed manually (see example below). These fields will either be blank or contain the language "(Enter type of)" or "(type of agreement)". In each of these fields, enter the type of agreement, e.g., franchise, license, dealer, membership, etc. When completing SBA Form 2462, the text may not be altered except to insert the information required to complete the form.

Example of Fillable Fields to be Completed Manually

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the (enter type of) term (excluding additional renewals) for fair market value.

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the (type of agreement) system must meet all SBA eligibility requirements.

CONDITIONAL ASSIGNMENT

In consideration of the granting of a franchise to you and other valuable consideration paid by **Tan Republic Franchise Company LLC**, an Oregon limited liability company ("us"), you assign to us all telephone numbers; telephone and internet listings; website and social media addresses and domain names you use in the operation of the franchise. We assume the performance of all of the terms, covenants and conditions of your related agreements with utilities and providers with the full force and effect as of the date we assume control under the relevant agreements as if we had originally been named as the contracting party under in the agreements.

We will hold this assignment, and will deliver it to the interested third parties only upon termination of the Franchise Agreement between us and you dated the ____day of _____, 202__.

DATED this ____day of _____, 202__.

("we/us"): **TAN REPUBLIC FRANCHISE COMPANY, LLC**

("you"):

By: Sample - Not for Execution

Title: _____

By: Sample - Not for Execution

Title: _____

Exhibit F to the TAN REPUBLIC Franchise Disclosure Document

**TAN REPUBLIC FRANCHISE COMPANY, LLC FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **TAN REPUBLIC FRANCHISE COMPANY, LLC**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name **TAN REPUBLIC**.

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

a(an) individual/partnership/corporation organized and doing business under the laws of the State of _____

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant:

3. Address of Applicant's Registered Office in the State of: _____

4. Please cancel the Applicant's registration to use the name **TAN REPUBLIC**.

DATED: _____

Applicant

By: Sample - Not for Execution

Title:_____

**FRANCHISE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM**

The following modifications and additions are part of the Tan Republic Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") as required by relevant state laws.

These states have statutes which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of the Franchise:

ARKANSAS (Stat. Section 70-807)
CALIFORNIA (Bus. & Prof. Code Sections 20000-20043)
CONNECTICUT (Gen. Stat. Section 42-133e et seq.)
DELAWARE (Code, tit.)
HAWAII (Rev. Stat. Section 482-E1)
ILLINOIS (815 ILCS 705/1-44)
INDIANA (Stat. Section 23-2-2.7)
MICHIGAN (Stat. Section 19.854(27))
MINNESOTA (Stat. Section 80C.14)
MISSISSIPPI (Code Section 75-24-51)
MISSOURI (Stat. Section 407.400)
NEBRASKA (Rev. Stat. Section 8-401)
NEW JERSEY (Stat. Section 56.10-1)
SOUTH DAKOTA (Codified Laws Section 37-5A-51)
VIRGINIA (Code 13.1-557-574, 13.1-564)
WASHINGTON (Code Section 19.100.180)
WISCONSIN (Stat. section 135.03)

These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of the Franchise.

California

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE ADDRESS IS WWW.TANREPUBLIC.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

REGISTRATION OF THIS FRANCHISE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

FDD Item 3

Neither the franchisor, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

FDD Item 5, FA Section 2

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California

franchisees until we have completed all of our pre-opening obligations and you are open for business.

FDD Item 17, FA Sections 5, 6, 7 and 9

(1) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

(2) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

(3) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

(4) Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

(5) You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(6) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, tried, heard and decided in Oregon with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

(7) The Franchise Agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

(8) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

(9) The maximum interest rate allowed by law in California is 10% annually.

The following provisions are removed from the Franchise Agreement in compliance with California Corporations Code section 31512 and 31512.1:

a. "You have read this Agreement and our Franchise Disclosure Document. You understand"

b. "You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at (1) the first personal meeting with us (in Maryland, New York, and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:"• receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or"

c. "• if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than 7 calendar days before you signed this Agreement."

- d. "You have read this Agreement and our Franchise Disclosure Document. You understand"
- e. "You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work."
- f. "We expressly disclaim the making of and you acknowledge that you have not received, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Franchise Disclosure Document. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any of our franchise operation that is inconsistent with disclosures in our Franchise Disclosure Document. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise."
- g. In section 1.8, "You acknowledge that we have made no other representation concerning exclusivity in any geographic territory or for any customer segment."
- h. In section 5.11, "You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement."
- i. In section 9.6, "You will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with Us; will not attempt to divert customers to competing businesses; will not induce the employees of us or of our franchisees to leave their employment; and will keep, preserve, and protect confidential information as required by this Agreement."
- j. Section 9.14.A, B, D, E, F, G, H, N, and P.

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

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

North Dakota

FDD Item 5, FA Section 2

Based upon the franchisor's audited financial statements, the state of North Dakota has imposed financial assurance requirements on the franchisor. The form of assurance is the deferral of payment of the initial franchise fee. All initial franchise fees will be due and payable only after the franchisor has fulfilled and performed all of its initial financial obligations and the franchisee has opened the franchise business and commenced business operations under the Franchise Agreement.

FDD Item 9

Under North Dakota law, no modification or change the franchisor makes to the Operations Manual or Method of Operation may materially affect the franchisee's status, rights, or obligations under the Franchise Agreement.

FDD Item 17(c), FA Section 6.1

The Commissioner has determined that requiring franchisees to sign a general release upon renewal of the franchise agreement to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment law. The general release provision in Section 6.1 of this Agreement is void and unenforceable in the state of North Dakota.

FA Sections 5 and 6

The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code are unfair, unjust, or inequitable within the intent of the North Dakota Franchise Investment Law (Section 51-19-09). Thus, covenants not to compete are considered unenforceable in the State of North Dakota.

FA Section 6

Pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, a requirement that franchisees consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered void and unenforceable.

FA Section 9

Apart from civil liability as set forth in section 51-19-12 N.D.D.C, which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud) the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents, and is unfair to franchise investors to require them to waive their rights under North Dakota Law.

The North Dakota Franchise Investment Law (Section 51-19-09) requires that this Agreement will be governed by the laws of North Dakota, which laws will prevail.

FA Section 9

Pursuant to the North Dakota Franchise Investment Law (Section 51-19-09), an arbitration or mediation locations which are remote from the site of the franchisee's business are unfair, unjust, or inequitable. Therefore, the site of arbitration or mediation must be agreeable to all parties.

Pursuant to the North Dakota Franchise Investment law (section 51-19-09), requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust, or inequitable. Thus, all issues or disagreements relating to this Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Sections of the Franchise Agreement stipulating that the franchisee will pay all costs and expenses incurred by Franchisor in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that such provisions be modified by a court or arbitrator to comply with Georgia law if needed. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

New York

FRANCHISE DISCLOSURE DOCUMENT COVER PAGE

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IMMEDIATELY BELOW OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

FDD Item 3

Neither the franchisor, its predecessor, any person listed in Item 2, nor any affiliate offering franchises under the franchisor's principal trademark:

1. Has any administrative, criminal or material civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. There are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchises and the size, nature or financial condition of the franchise system or its business operations.
2. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this Disclosure Document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.
3. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency or is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities Exchange Act of 1934) suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order

relating to any other business activity as a result of an action brought by a public agency or department, including without limitation actions affecting a license as a real estate broker or sales agent.

FDD Item 4

Neither the franchisor, its affiliates, its predecessors, officers, nor general partners, during the ten-year period immediately before the date of the Disclosure Document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or general partner of a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within **one** year after the officer or general partner of the franchisor held this position in the company or partnership.

FDD Item 17

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

Choice of Law	Section 9.7	Oregon law applies except to the extent governed by the United States Trademark Act and except in those states whose franchise laws require exclusive application. The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisee by the GBL of the State of New York, Article 33.
Assignment of Contract by Us	Section 6.3	There are no restrictions on our right to transfer. However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the franchise agreement.
Termination by You	Section 6.2	You may terminate the Franchise Agreement on any grounds available by law.

Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, and Related Agreements

On or about September 23, 2019, we entered into an employee-poaching Assurance of Discontinuance in *State of Washington King County Superior Court Case No. 19-2-24817-3*.

FDD Item 5, FA Section 2

Based upon the franchisor's audited financial statements, the state of Washington has imposed financial assurance requirements on the franchisor. In lieu of an impound of franchise fees, the franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

FDD Item 17; FA Section 6 and 7

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including

the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state law addendum for the state of _____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

DATED this ____ day of _____, 202__.

("we/us"): **TAN REPUBLIC FRANCHISE COMPANY, LLC**

("you"):

By: Sample - Not for Execution

Title: _____

TAN REPUBLIC FRANCHISE COMPANY, LLC

CONFIDENTIALITY, NON-DISCLOSURE, AND NONCOMPETE AGREEMENT

THIS AGREEMENT has been entered this _____ day of _____ 20____. It is by and between, **TAN REPUBLIC FRANCHISE COMPANY, LLC**, an Oregon limited liability company, ("we, us") and _____ ("you").

We own proprietary ideas and other confidential information related to the ownership and operation of "TAN REPUBLIC" tanning and skin care salons that feature the sale to the public of quality tanning and skin care salon products and services. Through rigorous testing and training, we have developed a unique and uniform concept of décor and service. We have certain rights to and intend to continue to develop products, services, valuable goodwill, expertise, proprietary ideas, confidential information, service marks, methods, procedures, techniques, guidelines, and materials connected with the operation, promotion, and advertising of our tanning and skin care salons (collectively these are called the "Method of Operation").

You and we desire to discuss the offer and sale of a franchise and potentially to enter into related commercial relationships. In the course of these discussions and our relationship it will be necessary for us to disclose Confidential Information to you.

THEREFORE, in consideration of the following mutual promises and covenants, the parties agree as follows:

1 PROTECTION OF CONFIDENTIALITY

1.1 **Confidential Information Defined.** In this Agreement, "Confidential Information" shall mean:

- a) Any information that relates to our proprietary ideas, trade secrets, business, products, technology, customers, finances, plans, proposals, or practices of us, including, but not limited to, plans and specifications for new products, discoveries, ideas, know-how, research and development, inventions, techniques, marketing strategies, customer lists, financing sources and suppliers, non-public financial information, budgets, data, and projections;
- b) Our proprietary information and information we mark or designate as confidential;
- c) Information, whether or not in written form and whether or not designated as confidential, which is known to you as being treated by us as confidential;
- d) Information provided to us by third parties, which we are obligated to keep confidential.

The Confidential Information shall include information in any form in which such information exists, whether oral, written, film, tape, computer disk, digital, or other form of media.

1.2 **Our Exclusive Property.** You acknowledge and agree that our Method of Operation and all Confidential Information is and shall continue to be our sole and exclusive property, whether or not disclosed or entrusted to you in connection with your relationship with us. Nothing in this Agreement will give you or others any right, title, or interest whatsoever in or to them. The Confidential Information shall be considered our trade secrets and shall be entitled to all protections provided by applicable law to trade secrets.

1.3 **Conflicting or Competing Interests.** Neither you nor your owners, shareholders, members, partners, directors, officers, managers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Confidential Information or Method of Operation), will directly or indirectly participate as an owner, shareholder, partner, director, officer, employee, consultant, distributor, or agent, or serve in any other capacity in any business (including business in

formation) engaged or to be engaged in the offering or sale or rental of products or services that are the same as, or substantially similar to, the products and services that are part of the Method of Operation.

You will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of tanning and skin care products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within a **100-mile** radius of any location where we operate or have granted the franchise to operate a Tan Republic business, and at any location within the United States of America.

2. COVENANT OF NON-DISCLOSURE You specifically acknowledge that you will receive valuable specialized and Confidential Information, including information regarding our operational, sales, promotional and marketing methods and techniques and the Method of Operation. You agree not to disclose Confidential Information to any third party and to limit disclosure within your association to designated employees approved by us. Disclosures to designated employees will be done on a “need to know” basis to the extent necessary for them to perform the duties of their employment with you. Unless required by court order or applicable law, you agree not to copy, download, send, or divulge any Confidential Information directly or indirectly to any other person or enterprise outside of our system. You will never communicate, divulge, or use in any manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any Confidential Information or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your business.

3 COVENANT OF NON-USE You agree not to use Confidential Information or the Method of Operation, except as authorized by us. You will obligate your owners, board of directors, your employees, and your agents to the same non-use covenant. We must approve in writing any use of Confidential Information or Method of Operation by you or your owners or your directors or employees.

4 RECIPROCAL OBLIGATION Should discussions between you and us require or entail disclosure of any of your confidential or proprietary information to us, we agree to the same obligations of confidentiality and non- use as are imposed on you by this Agreement.

5 MISCELLANEOUS

5.1 **Duration.** The obligations set forth in this Agreement will continue during and beyond the term of your relationship with us and for as long as you possess Confidential Information.

5.2 **Waiver.** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition. Any waiver to this Agreement’s provisions must be made in signed writing by the granting party.

5.3 **Construction.** This document is the entire agreement between the parties. It supersedes all prior or contemporaneous written and oral agreements or understandings with respect to the subject matter of this Agreement. It may not be modified or amended except by signed written agreement. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

5.4 **Enforcement.** The prevailing party (the party who recovers the greater relief) in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this

Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees. These will be set by the arbitration, proceeding, or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action.

5.5 **Acknowledgments**. No person has made any other representation that is not expressly set forth in this Agreement to induce you to accept and execute this Agreement.

6 SIGNATURES IN WITNESS, the parties have executed this Agreement on the date written above.
("We/Us"): **TAN REPUBLIC FRANCHISE COMPANY, LLC**

By: Sample - Not for Execution

Title: _____

("You): _____

By: Sample - Not for Execution

Title: _____

EMPLOYEE BRAND PROTECTION AGREEMENT

This EMPLOYEE BRAND PROTECTION AGREEMENT ("Agreement") is entered into as of _____,

between _____ ("Franchisee") and _____ ("Employee"),
residing at _____.

A. Franchisee is the holder of a Sweetaly® Gelato franchise developed by Sweetaly Franchising LLC ("Franchisor").

B. Franchisor has developed certain confidential and proprietary information for the operation of a Sweetaly® Gelato franchise, including without limitation, processes, methods, trade secrets, systems, software, pricing, financial information, customer data and lists, manuals, marketing techniques, and procedures ("Proprietary Information").

C. Included in the Proprietary Information are confidential and proprietary mixes, batters, recipes, fillings, frostings, toppings, flavors, ingredients, sauces, syrups, spices, processes, methods, formulas, temperatures, cook times, and measurements and other information relating to the preparation of food items (collectively "Recipes") for use in the operation of a Sweetaly® Gelato franchise businesses.

NOW, THEREFORE, in consideration of the employment of Employee by Franchisee, the parties hereto agree as follows:

1. Acknowledgement. Employee acknowledges that during the course of his or her employment by Franchisee he or she has obtained or may obtain knowledge of the Proprietary Information and other confidential matters and procedures developed, licensed to or owned by Franchisor and made available to Franchisee, which are necessary and essential to the operation of the business of Franchisee, which without such information, Franchisee could not efficiently, effectively and profitably operate its Sweetaly® Gelato franchise. Employee further acknowledges that such Proprietary Information was not known to him or her prior to the association with Franchisee or its Sweetaly® Gelato franchise.

2. Non-Use, Non-Disclosure. Except as may be required in the performance of duties for Franchisee, Employee shall not, during the course of his or her employment or at any time thereafter, directly or indirectly, use, or disclose to any third-party, or authorize any third-party to use any portion of the Proprietary Information, and agrees not to copy, transmit, recreate or otherwise reproduce all or any part of the Proprietary Information at any time.

2.1 No Reverse Engineering. Employee shall not, either personally, in concert with others or through other authorization, reverse engineer, decompile or deconstruct or attempt to reverse engineer, decompile or deconstruct any portion of the Proprietary Information, including without limitation, the Recipes, and will not allow, encourage or permit any partner, owner, director, member, manager, agent, employee or other person to do so. For purposes of this Agreement, reverse engineering as relates to the Recipes will include any deviations from the Recipes that make minimal changes to the process, procedure, or ingredients such that the final result is identical or substantially similar to the result that would reasonably be expected to result from the Recipes.

3. Duty to Notify. Employee agrees to notify Franchisor or Franchisee or Employee's immediate superiors of any reasonably suspected attempts to violate the terms or purposes of this Agreement or to otherwise disclose, copy, or reproduce any part of the Proprietary Information. In the event it is discovered that Employee knew or had reason to know of any suspected attempts to violate this Agreement and fails to report such knowledge, Employee

agrees to indemnify Franchisor and Franchisee for all costs and fees associated with enforcement, and to reimburse Franchisor and Franchisee for those losses sustained due to such violation. Employee agrees to cooperate with Franchisor and Franchisee in its or their attempts to enforce the terms of this Agreement and to otherwise protect the Proprietary Information, and to cooperate with Franchisee and Franchisor to the extent Franchisee is obligated to cooperate with Franchisor's attempts to enforce its rights in and to the Proprietary Information.

4. Return of Materials. Immediately upon the termination of employment, Employee agrees to deliver to Franchisee (and shall not keep in his or her possession or deliver to anyone else whether in hard or electronic soft copy) any and all records, data, photographs, notes, manuals, lists, correspondence, specifications, materials, other documents or property, or reproductions relating to, directly or indirectly, to the Proprietary Information.

5. Management and Supervisor Employees. This Section 5 will only apply if Employee is a management employee and/or acts in a supervisory role over other employees.

5.1 Non-Competition. Employee shall not, during the course of his or her employment by Franchisee, and for one year thereafter, directly or indirectly in any capacity, without Franchisee's prior written consent, engage in a business, or plan for or organize a business, or have any financial interest in, or become and owner, officer, director, shareholder, partner, associate,, contractor, agent, representative or consultant in any offering or selling products or services the same or substantially similar to a Sweetaly® Gelato business. Without limiting the generality of the foregoing, the minimum area of competitive nature will be that area within a 10-mile radius of Franchisee's place of business or within a 5-mile radius of any other Sweetaly® Gelato business in operation at the time of Employee's termination of employment. The ownership of not more than 2% of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision.

6 Non-Solicitation of Customers. Employee shall not, during the course of his or her employment and for two years thereafter, directly or indirectly, initiate contact with any customer or former customer of Franchisee for the purpose of soliciting such customer to be a customer of a business that is the same as or similar to a Sweetaly® Gelato business.

7. Non-Disparagement. Employee shall not make any negative, disparaging, false or misleading statements, published or made orally, in any medium about Franchisee and/or Franchisor (including their respective owners, officers, and employees), or the Sweetaly® Gelato brand.

8. Irreparable Harm. In addition to other remedies available to Franchisee and/or Franchisor, in the event Employee violates a non-competition and/or non-solicitation covenant, the applicable non-competition or non-solicitation period will be tolled for the period of Employee's violation. Additionally, Employee hereby acknowledges and agrees that any breach by him or her of any portion of Sections 1 through 7 above, inclusive, will cause damage to Franchisee and Franchisor in an amount difficult to ascertain. Accordingly, in addition to any other relief to which Franchisee may be entitled, either Franchisee and/or Franchisor will be entitled to enforce this Agreement and to seek temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by Employee of any of the terms of Section 1 through 7 above, inclusive, without proof of actual damages that have been or may be caused to Franchisee or Franchisor by such breach, and without the requirement of posting bond. The existence of a claim against Franchisee or Franchisor will not constitute a defense to enforce the covenants of this Agreement.

9. Modification. Employee hereby agrees that, without limitation, any modifications, alterations, changes, or improvements conceived, designed, devised, developed, perfected or made by 59

Employee, whether alone or in conjunction with others, and related in any manner to the actual or anticipated operation of the Franchisee, or the Sweetaly® Gelato system, or to any area of research and development related to the operation of the business, must be promptly disclosed to the Franchisee and will become the property of Franchisor, and Employee hereby irrevocably assigns, transfers, and conveys any such to Franchisor.

10. Enforceability. If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative.

11. Survival of Covenants. All covenants made in this Agreement by Employee survive the termination of Employee's employment with Franchisee or the expiration, transfer, or termination of this Agreement.

12. Modification of Agreement. This Agreement may be amended in whole or in part only by an agreement in writing signed by both parties.

13. Attorneys' Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding.

14. Waiver. Employee understands and acknowledges that Franchisee may employ the use of cameras at the business premises, and Employee waives any expectation of privacy in non-private areas of the business premises, e.g., spaces that are not in a bathroom, changing room, etc.

15. Counterpart and Electronic Signatures. This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

16. Third-party Beneficiary. It is agreed and acknowledged that Franchisor is a third-party beneficiary to this Agreement.

17. Prior Disclosures. Employee acknowledges and agrees that prior to the execution of this Agreement, Employee may have received information Franchisee, Franchisor and/or their representatives, and that any such Proprietary Information obtained or received is subject to the protection and restrictions of this Agreement.

EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first herein above written.

FRANCHISEE:

By: _____

Name: _____

Title: _____

EMPLOYEE (if a minor, see next page):

By: _____

Name: _____

Title: _____

Date: _____

Date: _____

Age: _____

For persons under 18 years of age, a parent or legal guardian must sign and complete the following section.

I, _____ (Parent/Guardian), the undersigned and the parent and natural guardian of _____ (minor's name), hereby acknowledge that I have executed the foregoing Employee Brand Protection Agreement for and on behalf of the minor named herein. I represent that I have legal capacity and authority to act for and on behalf of the minor named herein. As the natural or legal guardian of such minor, I hereby bind myself, the minor, and our successors and assigns to the obligations and liabilities of the foregoing Employee Brand Protection Agreement.

DATED: _____.

Signature of Parent/Guardian: _____

Name of Parent/Guardian: _____

Address: _____

Phone: _____

[Employee Brand Protection Agreement Signature Page]

Exhibit I to the Tan Republic Franchise Disclosure Document

ELECTRONIC DEBIT AUTHORIZATION FORM

The undersigned (the "Franchisee") acknowledges that on or about _____, 20__, Franchisee and Tan Republic Franchise Company, LLC (the "Franchisor") entered into a franchise agreement (the "Franchise Agreement") for the operation of a franchise.

To enable Franchisor to receive automatic payments pursuant to the Franchise Agreement and Franchisor's Operations Manual, Franchisee hereby authorizes (the "Authorization") Franchisor to withdraw funds from and otherwise initiate debit entries to Franchisee's checking account, indicated below, and the depository named below (the "Depository"), to debit the same to such account.

Depository Name: _____
Branch: _____
City State and Zip: _____
Transit/ABA#: _____
Bank Account Name: _____
Bank Account Number: _____
Tax ID for Account: _____

This Authorization is to remain in full force and effect until the underlying obligations of the Franchise Agreement have been satisfied in full or expressly released in writing by Franchisor. Franchisee expressly agrees that this Authorization will apply to any and all depositories and bank accounts which Franchisee opens during the term of the Franchise Agreement and any renewal terms. Without limiting the above, Franchisee acknowledges and agrees that if Franchisee closes any bank account, Franchisee will:

- 1) immediately notify Franchisor in writing;
- 2) open or otherwise establish another bank account;
- 3) execute and deliver to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means.

Franchisee expressly acknowledges and agrees that this Authorization will be the only written authorization needed from Franchisee in order to initiate debit entries/ACH debit originations to Franchisee's bank account(s) established with any depository in the future.

Name of Franchisee(s): _____

Salon #: _____

Signature: Sample - Not for Execution
Print Name: _____
Title: _____
Date: _____

Notice to Franchisee

- 1) ATTACH ONE VOIDED CHECK HERE.
- 2) ENSURE TO COMPLETE ALL BLANK SPACES ABOVE.
- 3) RETURN 2 ORIGINAL COPIES OF THIS FORM TO FRANCHISOR IMMEDIATELY.

Exhibit J to the Tan Republic Franchise Disclosure Document

The following is a complete listing of all of our current franchisees and the addresses and telephone numbers of all of their operations as of **March 31, 2024**:

Tan Republic Location List

Arizona:

1. Chandler, AZ - TBD - Brandon & Alyssa Lamma (L&B, LLC) Brandon@tanrepublic.com
2. Gilbert, AZ - TBD - Brandon & Alyssa Lamma (L&B, LLC) Brandon@tanrepublic.com
3. Peoria, AZ - 9780 W Northern Ave Suite 1194, Peoria, AZ 85345 - Lacey White (Toozeday, LLC) Laceyw@tanrepublic.com PH: 503-508-2719
4. Surprise, AZ - TBD - Lacey White (Toozeday, LLC) Laceyw@tanrepublic.com
5. Scottsdale, AZ - TBD - Paul Xin (Xin Investments, LLC) Xinner11@gmail.com
6. Tempe, AZ - TBD - Paul Xin (Xin Investments, LLC) Xinner11@gmail.com

CALIFORNIA:

1. Brentwood, CA - 2430 Sand Creek Rd, Brentwood CA 94513 - Katie & Brian Ramsay (West Coast Sun, LLC) Katie@tanrepublic.com
2. Clovis, CA - 255 Clovis Ave #145 Clovis, CA 93612 - Roger Dhaliwal (Central Valley Tan Services, LLC) Roger@tanrepublic.com PH: 559-824-4747
3. Lake Tahoe, CA - TBD - Mark Blevins & Dillion Triance (DM Investment Group) Markb@tanrepublic.com
4. Redding, CA - 960 Dana Dr Suite 100, Redding, CA 96003 - Mike Hillyer (Diversified Holdings LLC) - Mike@tanrepublic.com PH:503-445-5937

IDAHO:

1. Kuna, ID - TBD - Aimee Farrell (T&A, LLC) Aimee@tanrepublic.com
2. Meridian, ID - 6275 North Linder Rd Suite 140 Meridian, ID 83646 - Phil Mamula (Steelhead Group LLC) - Phil@tanrepublic.com PH 503-347-7887
3. Nampa, ID - 359 Caldwell Blvd, Nampa, ID 83651 - Stephan & Savannah Wurzburg (Limitless Lifestyles LLC) - Stephan@tanrepublic.com PH:503-881-2010

NEVADA:

1. Henderson, NV - 55 South Valle Verde Dr Unit 400 Henderson, Nevada 89012 - Jake Wilson (Tryst Tanning, LLC) Jake@tanrepublic.com PH: 702-558-0256
2. Las Vegas Cheyenne, NV - 3390 Novat St Las Vegas, NV 89129 - Frank and Christy Banton (K&F Sol, LLC) Frank@tanrepublic.com PH: 702:329-0787
3. Las Vegas Rainbow, NV - 6870 S Rainbow Blvd Las Vegas, NV 89118 - Jaysen Klopfenstein (Tan Tech LLC) - Jaysen@tanrepublic.com PH: 725-735-4342
4. Las Vegas Sahara, NV - 9101 W Sahara Ave #106 Las Vegas, NV 89117 - Mike Hillyer (Diversified Holdings LLC) - Mike@tanrepublic.com PH: 702-242-4788
5. Las Vegas Silverado, NV - 467 E Silverado Ranch Blvd #190, Las Vegas, NV 89183 - Mike Hillyer (Diversified Holdings LLC) - Mike@tanrepublic.com PH: 702-877-2400
6. Las Vegas Sunset, NV - CLOSED April 2023 - 3460 E. Sunset Rd Suite A Las Vegas, NV - Vince Imes (Divine Holdings, LLC) Vince@tanrepublic.com
7. Las Vegas Tropicana, NV - 4965 W Tropicana Ave #108 Las Vegas, NV 89103 - Jaysen Klopfenstein (Tan Tech, LLC) - Jaysen@tanrepublic.com PH: 702-251-0005
8. Las Vegas Tenaya Village, NV - 7240 W Azure Dr Suite 115 Las Vegas, NV 89130 - Jake Wilson (Tryst Tanning, LLC) Jake@tanrepublic.com PH: 702-462-5564

EXHIBIT J – LIST OF CURRENT FRANCHISEES

OREGON:

1. Albany, OR - 1010 Pacific Blvd SE Albany, OR 97321- Brandon Lamma / Alyssa Lamma (L&B LLC) - Brandon@tanrepublic.com PH: 541-981-2760
2. Ashland, OR - 1680 Ashland St Ashland, OR 97520 - Bryce & Becky Gardiner - Becky@tanrepublic.com PH:541-482-7377
3. Bend East, OR - 2570 NE Twin Knolls Bend, OR 97701 Joy Benson (Benson Investment Inc.) - Joy@tanrepublic.com PH:541-388-0941
4. Bend North, OR - 150 NE Bend River Mall #230 Bend, OR 97701 - Joy Benson (Benson Investment Inc.) - Joy@tanrepublic.com PH:541-383-3969
5. Bend South, OR - 61292 S Hwy 97 Bend, OR 97702 - Joy Benson (Benson Investment Inc.) - Joy@tanrepublic.com PH:541-330-5015
6. Canby, OR - 1477 SE 1st Avenue Canby, OR 97013 - Melissa Standish (Tainted Halo LLC) - Melissa@tanrepublic.com PH: 503-263-6930
7. Corvallis 9th St, OR - 820 9th St. Suite 102 Corvallis, OR 97330 - Tony Wilson (LKT LLC) - Tony@tanrepublic.com PH:541-368-5168
8. Corvallis Kings Way, OR - CLOSED - 2047 NW Monroe Street Corvallis, OR 97338 Tony Wilson (LKT LLC) - Tony@tanrepublic.com
9. Dallas, OR - 210 W Ellendale Ave Suite 102 Dallas, OR 97338 - Jaysen Klopfenstein (Tan Tech LLC) - Jaysen@tanrepublic.com PH: 503-623-8194
10. Eugene 25th & Willamette, OR - 2570 Willamette St Eugene, OR 97405 - Tony Wilson (Next Generation Tanning, LLC) - Tony@tanrepublic.com PH:541-246-8076
11. Eugene Santa Clara, OR - 45 North Division Ave Eugene, OR 97411 - Tony Wilson (Next Generation Tanning, LLC) - Tony@tanrepublic.com PH:541-515-6316
12. Eugene W.11th, OR - 2157 W. 11th Ave Eugene, OR 97402 - Tony Wilson (Next Generation Tanning, LLC) - Tony@tanrepublic.com PH:541-344-1102
13. Florence, OR - CLOSED April 2024 - 3757 US - 101 Florence, OR 97439 - Erin Desantis - Erind@tanrepublic.com
14. Grants Pass Parkway, OR - 1509 NE F Street Grants Pass, OR 97526 - Bryce & Becky Gardiner - Becky@tanrepublic.com PH:541-472-0112
15. Grants Pass Williams, OR - 1628 Williams Hwy Grants Pass, OR 97527 - Bryce & Becky Gardiner - Becky@tanrepublic.com PH:541-479-5121
16. Gresham Division Crossing, OR - 577 NW Division St Gresham, OR 97030 - Melissa Standish (Tainted Halo LLC) - Melissa@tanrepublic.com PH:503-384-2457
17. Hillsboro, OR - CLOSED March 2024 - 7410 West Baseline RD Hillsboro, OR 97123 - Todd Natividad (Zoltan, LLC)
18. Keizer, OR - 3640 River Rd N Keizer, OR 97303 - Brandon & Alyssa Lamma (L&B LLC) - Brandon@tanrepublic.com PH:503-304-7515
19. Klamath Falls, OR - 1821 Avalon Street Klamath Falls, OR 97603 - Joy Benson (Benson Investment, Inc) - Joy@tanrepublic.com PH:541-273-1042
20. Lake Oswego, OR - 17648 63rd Avenue Lake Oswego, OR 97305 - Brian and Nina Norfleet (Solar Enterprise) - Briannorfleet@tanrepublic.com PH: 503-882-2137
21. Lebanon, OR - 3030 S Santiam Hwy Lebanon, OR 97355 - Brandon & Alyssa Lamma (L&B LLC) - Brandon@tanrepublic.com PH:541-570-1075
22. McMinnville, OR - 1461 N Hwy 99W McMinnville, OR 97128 - Dave Faxon (Excell Fitness) - David@tanrepublic.com PH:503-472-3022
23. Medford, OR - 820 Crater Lake Ave Suite 214 Medford, OR 97504 - Bryce & Becky Gardiner - Becky@tanrepublic.com PH:541-816-4944

EXHIBIT J – LIST OF CURRENT FRANCHISEES

24. Molalla, OR - 1515 W Main St Molalla, OR 97038 - Brian and Nina Norfleet (Solar Enterprise) - Briannorfleet@tanrepublic.com PH: 503-829-8000
25. Monmouth, OR - 295 E Main St Monmouth, OR 97361- Lance Donnelly (Tan Republic Franchise Company) Lance@tanrepublic.com PH:503-606-0227
26. Newberg, OR - 705 N Springbrook Rd Suite 106 Newberg, OR 97132 - Debbie Franke (KPJ Properties LLC) - Debbie@tanrepublic.com PH:971:832-8167
27. Newport, OR - 1241 North Coast Hwy Newport, OR 97365 - Brandon Lamma / Alyssa Lamma (Hudson Rose, LLC) - Brandon@tanrepublic.com PH: 541-574-8267
28. North Bend Coos Bay, OR - 2263 N Newmark St North Bend, OR 97459 - Courtney Herold (CJ Tanning LLC) - Courtneyh@tanrepublic.com PH:541-808-2985
29. Prineville, OR - 415 NW 3rd St Prineville, OR 97754 - Joy Benson (Benson Investment, Inc.) - Joy@tanrepublic.com PH:541-447-2785
30. Redmond, OR - 974 SW Veterans Street Suite 3 Redmond, OR 97756 - Joy Benson (Benson Investment, Inc.) - Joy@tanrepublic.com PH:541-923-2555
31. Redmond South, OR - 3853 SW 21st St Redmond, OR 97756 - Joy Benson (Benson Investment, Inc.) - Joy@tanrepublic.com PH:541-504-6050
32. Roseburg, OR - 1172 NW Garden Valley Blvd Roseburg, OR 97471 - Joy Benson (Benson Investment, Inc.) - Joy@tanrepublic.com
33. Salem Market, OR - CLOSED November 2023 - 1677 Hawthorne Ave NE Salem, OR 97301 - Alesha Stanage (SJJ Investments, LLC) Alesha@tanrepublic.com
34. Salem Lancaster, OR - 1434 Lancaster Dr. NE Salem, OR 97301 - Brandon & Alyssa Lamma (L&B LLC) - Brandon@tanrepublic.com PH:503-370-9380
35. Salem South, OR - 4655 Commercial St SE Suite 140, Salem, OR 97302 - Brandon & Alyssa Lamma (L&B LLC) - Brandon@tanrepublic.com PH:503-391-9107
36. Salem West, OR - 1124 Wallace RD Suite 115 Salem, OR 97304 - Lance Donnelly (Tan Republic Franchise Company LLC)- Lance@tanrepublic.com PH:503-485-2030
37. Sherwood, OR - 16064 SW Tualatin-Sherwood Rd, Sherwood, OR 97140 - Jack Clevenger (Sun Station) - Jack@tanrepublic.com PH:503-610-1503
38. Silverton, OR - 703 McClain St Suite C Silverton, OR 97381 - Melissa Standish (Tainted Halo, LLC) - Melissa@tanrepublic.com PH:503-874-9504
39. Springfield, OR - 3270 Gateway St, OR 97477 - Tony Wilson (Next Generation Tanning LLC) - Tony@tanrepublic.com PH:541-654-8891
40. Springfield Gateway, OR - 3270 Gateway St, OR 97477 - Tony Wilson (Next Generation Tanning LLC) - Tony@tanrepublic.com PH:541-654-8891
41. Stayton, OR - 141 West Washington Stayton, OR 97383 - Jack Clevenger (Sun Station) - Jack@tanrepublic.com PH:503-769-8003
42. Tigard, OR - 13500 SW Pacific Hwy #90 Tigard, OR 97223 - Jack Clevenger (Sun Station) - Jack@tanrepublic.com
43. West Linn, OR - 22000 Willamette Drive West Linn, Oregon 97068 - Gary & Marti Sommer (ZAO Holdings, LLC) - Gary@tanrepublic.com PH:503-557-8267
44. Wilsonville, OR - 8261-C SW Wilsonville Rd, Wilsonville, OR 97070 - Alex & Jamie Yeane (CHL Investments LLC) - Jamiey@tanrepublic.com PH:(503)570-0300
45. Woodburn, OR - 1537 Mt Hood Avenue Suite 108 Woodburn, OR 97071 - Melissa Standish (Tainted Halo LLC) - Melissa@tanrepublic.com PH:503-982-5293

UTAH:

1. St George Washington, UT - 844 W Telegraph St Washington, UT 84780 - Kellie Fortier (Golden Investment Group LLC) - Kellie@tanrepublic.com PH:435-627-1138

EXHIBIT J – LIST OF CURRENT FRANCHISEES

WASHINGTON:

1. Aberdeen, WA - 610 W Market St Aberdeen, WA 98520 - Nicole & Richie Mendoza - Richie@tanrepublic.com PH: 360-612-3343
2. Lacey Thornbury Crossing, WA - 5720 Ruddell Rd Suite F Lacey, Wa 98503 – Chris & Christina Clare (C and C Companies, LLC) - Chris@tanrepublic.com PH:360-918-8543
3. Lacey Hawks Prairie, WA - 1380 Galaxy Dr. NE Suite E Lacey, WA 98516 Chris & Christina Clare (C and C Companies LLC) - Chris@tanrepublic.com PH:360-915-6133
4. Olympia, WA - 1540 Cooper Point Rd SW Suite 140 Olympia, WA 98502 - Chris & Christina Clare (C and C Companies LLC) - Chris@tanrepublic.com PH:360-338-0156
5. Puyallup, WA - 12020 Meridian East Suite E Puyallup, WA 98373 - Jack Clevenger (Sun Station) - Jack@tanrepubli.com PH:253-446-9859
6. Tacoma, WA - 1816 S Mildred Suite D Tacoma, WA 98465 - Jack Clevenger (Sun Station) - Jack@tanrepublic.com PH:253-460-3340
7. Wenatchee West, WA - 212 5th St Suite 9A Wenatchee, WA 98801 - Amanda Nelson - Amanda@tanrepublic.com (Altitude 360 LLC) PH: 509-661-6105

ADDITIONAL REPRESENTATIONS AND TERMS

Tan Republic Franchise Company, LLC ("we/us") uses this Closing Questionnaire to add information about the sales process and to confirm any additional commitments or terms beyond those contained in our standard franchise agreement contained in our current Franchise Disclosure Document (the "Franchise Disclosure Document"), including any oral statement, representation, promise, or assurance made during the negotiations for the purchase of a *Tan Republic* franchise by any of our directors, officers, employees, agents, or representatives (each, a "Representative").

BACKGROUND AND GENERAL INFORMATION

1. Please state the full name of each individual and entity that will be an owner of the Franchise and an owner of an entity that owns the Franchise:

2. What is the location of the Franchise you are purchasing?

3. Have you received a copy of our most current Disclosure Document?

Yes ☐ No ☐

On what date did you receive the Disclosure Document? _____

I. FRANCHISE LOCATION

A. Location

You have applied for and are in the process of receiving a Franchise to a *Tan Republic* franchise to be located at _____ in the city of _____, State of _____ ("the Site").

B. Reliance on Representatives in Site Selection

We or our Representatives have made the following representations about the value of the Site or what volume of sales or net earnings the Site will or should generate as a Tan Republic franchise:

II. LEASE TERMS

A. Reliance on Representatives

We or our Representatives have made the following representations or opinions related to execution of the lease or contract to purchase of the Site:

B. Submission to Us

You will submit to us the lease or contract to purchase for approval before you execute it.

III. FRANCHISE

A. Description of Representations

1. We or our Representatives have made the following representations, promises, agreements, contracts, commitments, understandings, "side deals" or other promises with respect to any matter not expressly contained in the Franchise Agreement. This includes, but is not limited to, any representations or promises regarding advertising, marketing, Site location, operational assistance, or other services:

2. We or our Representatives have made the following oral, written, or visual claims or representations, promises, agreements, contracts, commitments, understandings or otherwise which contradicts or is inconsistent with the Disclosure Document or the Franchise Agreement:

3. We or our Representatives have made the following oral, written, visual, or other claims or representations which state or suggest any actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits, expenses, cash flow, tax effects, earnings, or otherwise, that is different from or in addition to what is contained in the Franchise Disclosure Document – including Item 19:

4. We or our Representatives have made the following statements, promises or assurances concerning the likelihood of success that you should or might expect to achieve from developing and operating a *Tan Republic* franchise:

5. We or our Representatives have made the following statements, promises or assurances concerning the advertising, marketing, training, support services or assistance that we will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document.

6. We or our Representatives have made the following statements, promises or assurances concerning any other matter related to a *Tan Republic* franchise that is contrary to, or different from, the information contained in the Disclosure Document:

V. YOUR PARTICIPATION

A. You will personally participate in the management of the *Tan Republic* Franchise as set forth in the Franchise Agreement. You will faithfully and fully perform all duties required of you under the Franchise Agreement.

B. Your purchase of the franchise is for your own account and is not made with a view to or for resale.

1. Did you receive the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law? If not, please describe when you received the Franchise Disclosure Document and when you signed the agreement or paid the money:

2. Did you receive any negotiated modifications to the Franchise Agreement (if applicable) at least 7 calendar days before signing them? If not, please describe when you received them:

3. **Did we or our Representatives advise you to fill in and complete this Questionnaire except as based upon your personal knowledge and experience? If not, please describe what you were instructed):**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of

(i) waiving any claims under any applicable state franchise law, including fraud in the inducement (such as any liability the franchisor may have under California Corporations Code Sections 31512 and 31512.1; the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder, and similar state laws), **or**

(ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Dated this ____ day of _____, 202__.

("we/us"): **TAN REPUBLIC FRANCHISE COMPANY, LLC**

(jointly and severally "you"): _____

By: _____

By: _____

Title: _____

_____, an individual _____

By: _____

Title: _____

Approved as to Form:

Of Legal Counsel for us

Of Legal Counsel for you

EXHIBIT K – ADDITIONAL REPRESENTATIONS AND TERMS

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending (Org ID 85091)
Hawaii	No Registration
Illinois	No Registration
Indiana	No Registration
Maryland	No Registration
Michigan	No Registration
Minnesota	No Registration
New York	No Registration
North Dakota	Pending
Rhode Island	No Registration
South Dakota	Pending
Virginia	No Registration
Washington	Pending (70014070)
Wisconsin	No Registration

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. These include:

State	Effective Date
Connecticut	September 10, 2021
Florida	No Registration
Kentucky	July 15, 2016 (B-4590)
Nebraska	April 25, 2016
Texas	April 25, 2016
Utah	Pending (9774611-BSOE)

EXHIBIT M to the Tan Republic Franchise Disclosure Document

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If **Tan Republic Franchise Company, LLC** offers you a franchise, it must provide this disclosure document to you **14** days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale

New York law requires a franchisor to provide the FDD at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If **Tan Republic Franchise Company, LLC** does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit B.

The names, principal business addresses, and telephone numbers of each franchise seller offering the franchise are:

Lance Donnelly, 1124 Wallace Road NW, Suite 115, Salem, Oregon 97304; 888-611-8268

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

Date of issuance: See effective date below.

I have received a Disclosure Document dated **March 31, 2024**. It is effective in various states as of the dates set forth on the FDD Cover Page.

This Disclosure Document included the following Exhibits:

- A. Audited Financial Statements
- B. List of State Franchise Administrators and Registered Agents
- C. Operations Manual Table of Contents
- D. Standard Franchise Agreement and Exhibits
- E. Conditional Assignment
- F. Abandonment, Relinquishment, and Termination of Assumed Name Addendum
- G. State Law Addendum
- H. Confidentiality, Non-Disclosure, and Non-Compete Agreement
- I. Electronic Debit Authorization Form
- J. List of Franchisees and Certain Former Franchisees
- K. Additional Representations and Terms
- L. State Effective Dates

DATED this ____ day of _____, 202__.

Prospective Franchisee

IF A PARTNERSHIP, ALL GENERAL PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT. IF A CORPORATION OR LIMITED LIABILITY COMPANY, AN OFFICER AUTHORIZED TO RECEIVE THIS CIRCULAR ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS ACKNOWLEDGMENT.

KEEP THIS COPY FOR YOUR RECORDS.

ACKNOWLEDGMENT OF RECEIPT

EXHIBIT M to the Tan Republic Franchise Disclosure Document

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DATED this ____ day of _____, 202__.

Prospective Franchisee

IF A PARTNERSHIP, ALL GENERAL PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT. IF A CORPORATION OR LIMITED LIABILITY COMPANY, AN OFFICER AUTHORIZED TO RECEIVE THIS CIRCULAR ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS ACKNOWLEDGMENT.

Please sign this copy of the receipt, date your signature, and return it to Tan Republic Franchise Company, LLC, 1124 Wallace Road NW, Suite 115, Salem, OR 97304.