

# GLOSSLAB

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## FRANCHISE DISCLOSURE DOCUMENT

### GLOSSLAB FRANCHISING, LLC

1821 Purdy Ave  
Miami Beach, FL 33139  
1-833-GLOSSED  
www.glosslab.com  
franchise@glosslab.com

If we (franchisor) approve you (franchisee), you will have the right to establish and operate a Glosslab retail franchise business offering high-end manicures and pedicures and other related products and services.

The total initial investment necessary to begin operations of a Glosslab franchised business is \$314,500 to \$584,000. This includes \$80,000 to \$98,000 that must be paid to us or our affiliates. The total initial investment necessary to enter into a Glosslab Area Development Agreement is \$426,500 to \$696,500, of which \$192,500 to \$210,500 must be paid to us or our 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 our Franchise Development team at Glosslab Franchising, LLC, Attn: Franchise Development at 1821 Purdy Ave, Miami Beach, FL 33139, 1-833-GLOSSED, franchise@glosslab.com.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

Date of Issuance: May 16, 2023, as amended August 11, 2023

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement and area development agreement require you to resolve most disputes with the franchisor by mediation and arbitration only in Miami-Dade County, Florida. Out-of-state mediation and arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and arbitrate or litigate with the franchisor in Florida than in your own state.

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

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS  
THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE  
FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE  
PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to

purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Antitrust & Franchise  
G. Mennen Williams Building, 6th Floor  
525 West Ottawa  
Lansing, Michigan 48909  
Telephone Number: (517) 373-7117

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

In this Disclosure Document, the words “we,” “our,” “us” and “Glosslab” each refer to Glosslab Franchising, LLC, the franchisor. “You” and “your” refer to the person who buys the franchise, also called the franchisee. A person in this Disclosure Document means an individual or a legally recognized entity, such as a corporation, limited liability company or other business entity. Certain provisions of the franchise agreement apply to your owners and are noted in this Disclosure Document.

The Franchisor – Glosslab Franchising, LLC

We are a Delaware limited liability company formed on February 10, 2023. Our principal business address is 1821 Purdy Ave, Miami Beach, FL 33139. We operate under our company name and the trademarks described in Item 13. We have offered Glosslab single-unit and multi-unit franchises since May 2023 and began offering area representative franchises in August 2023. Area representatives are authorized to open and own or sell to qualified and approved third parties a specified number of franchises located in a defined geographic area according to a development schedule. The area representative franchise is described and sold under a separate franchise disclosure document. We have not offered franchises in any other line of business and have never operated a Glosslab Franchised Store, and have no other business activities. Exhibit G lists the names of all Glosslab franchisees as of the Issuance Date of this Disclosure Document, as well as the addresses and telephone numbers of any Glosslab Franchised Stores they operate.

See Exhibit H for information on any area representative in your city and state. Area representatives assist with soliciting, recruiting, training and supporting franchisees; however, they do not have the authority to: (i) sell franchises; (ii) sign Franchise Agreements or other binding agreements with franchisees; or (iii) agree to negotiated modifications to our standard form of franchise agreement. Therefore, unless otherwise disclosed in this Item 2, area representatives are not our directors, trustees, general partners, or principal officers, nor will they have management responsibility relating to the sale or operation of franchises offered by this document.

Our agents for service of process are listed in Exhibit B. We do not have any predecessors.

Parents of Franchisor

We are a direct, wholly-owned subsidiary of Glosslab Ventures, LLC, which in turn, is a direct, majority owned subsidiary of Glosslab, LLC. Glosslab Ventures, LLC and Glosslab, LLC were organized as Delaware limited liability companies and were formed on March 1, 2023 and December 5, 2016, respectively. The principal business addresses for both Glosslab Ventures, LLC and Glosslab, LLC is 49 West 23rd Street, 2nd Flr., New York, NY 10010. Both entities do not currently offer franchises in any line of business nor operate any Glosslab Franchised Stores.

Affiliates of Franchisor

Glosslab Distribution, LLC is a Delaware limited liability company formed on February 10, 2023. Its principal business address is 1821 Purdy Ave, Miami Beach, FL 33139. Glosslab Distribution, LLC provides products, inventory, and supply distribution to Glosslab franchised Stores. Glosslab Distribution, LLC does not currently offer franchises in any line of business, operate any Glosslab Franchised Stores, or have any other business activities.

We are party to an intellectual property license agreement with our affiliate, Glosslab IP, LLC, a Delaware limited liability company formed on or about February 10, 2023 solely to be the holder of the



intellectual property utilized in our franchise system. Glosslab IP, LLC's principal business address is 1821 Purdy Ave, Miami Beach, FL 33139. Glosslab IP, LLC does not currently offer franchises in any line of business, operate any Glosslab Franchised Stores, or have any other business activities.

You do not receive an ownership interest in us, or our affiliates, should we at our sole discretion elect to grant you a franchise.

Except as disclosed above, we do not have any (a) parent companies, (b) predecessors or (c) affiliates that offer franchises in any line of business, or affiliates that offer, sell or provide products or services to our franchisees.

### The Franchise Being Offered

You will operate a retail business that provides high-end manicure, pedicure and other nail care services, as well as sells proprietary nail care products. We refer to this business in this Disclosure Document as the franchise, Franchised Store and/or Glosslab Store.

A Glosslab franchise entitles you to operate one Glosslab Store at an approved location. You must sign our current form of Franchise Agreement at the time for each Glosslab you open. You must operate your Glosslab in strict accordance with the operating procedures developed for the Glosslab system, as further described throughout this Disclosure Document as the "System" as well as explained in detail in our confidential operations manual. Franchisees must use our proprietary products and buy them from the Glosslab system's designated suppliers.

You must pay a one-time fee, which is called the franchise fee, for us to grant you a franchise. You must operate the franchised store in the designated area that we agree on in our franchise agreement. A copy of the form franchise agreement is included in this Disclosure Document as Exhibit C. You will need about 800 to 1500 square feet of retail space to establish and operate your franchised store.

Your franchised store will do business under the trade name, GLOSSLAB® and will use our other related service marks, trademarks or logos (our "Marks"). You will also operate the franchised store based on our standards, methods, procedures and specifications, called our "System." You will find our franchise System described through a number of manuals, user guides, e-learning materials and other informational documents that we may make available to you from time to time. These manuals and other informational documents and materials are generally made available to you through our protected intranet and through other periodic communications and are collectively referred to in this Disclosure Document and the franchise agreement as our "Manual". We provide you with temporary access to our protected intranet and our Manual only while you remain a franchisee of our System. You will not have any rights to our information after the expiration or termination of your franchise rights. We may modify our Manual and our System, subject to the terms of your franchise agreement, from time to time through the course of your franchise relationship. Our franchise System includes the look and feel of the franchised store, the items and services you offer, the manner for displaying items, as well as the techniques and processes to help conduct and promote the business. Our franchise System is designed to provide a consistent customer experience at Glosslab even though each franchise is independently owned and operated. By agreeing to operate the franchised store, you agree to abide by and uphold the franchise System we use to operate our franchise-wide System and your franchised store, as it may be updated from time to time.

### Area Development Agreement

If you are approved to develop ten (10) or more, new franchised Glosslab Stores, you will be offered and must sign our current form of the Area Development Agreement. A copy of the form of Area

Development Agreement is included in this Disclosure Document as Exhibit D. The Area Development Agreement authorizes you to develop ten (10) or more franchised Stores at approved locations within the designated area that we agree on in our Area Development Agreement. Under the Area Development Agreement, you will be required to develop and open each franchised Store in accordance with a development schedule which will set forth specific time frames to open each franchised Store. You must sign our then-current form of Franchise Agreement for each franchised Store you open in the development area. That form may differ from the form of Franchise Agreement included in this Disclosure Document.

You must pay a development fee for us to grant you the development rights equal to the amount of the full franchise fee for the initial franchised Store to be developed under the Area Development Agreement plus fifty percent (50%) of the discounted initial franchise fee (\$25,000) for each additional franchised Stores to be developed under the Agreement (as applicable). No portion of the development fee is refundable if you fail to develop the franchised Stores in accordance with the terms of the Area Development Agreement.

### General Description of the Market and Competition

Your Glosslab franchise competes in the beauty and salon industry. The market is fully developed and very competitive. Your franchised store will compete for the discretionary income of consumers. You may have to compete with other businesses offering services and products similar to those that we offer, including other Glosslab Store locations in your area, other franchise concepts, national chains, health clubs, salons, beauty salons, beauty parlors, beauty supply stores, e-commerce (Internet) businesses, secondary online markets (e.g., Amazon, eBay) and other independently owned companies.

You may be subjected to intermittent periods of business inactivity depending on where you choose to locate your franchised store and seasonal fluctuations in demand for the services offered. Increasing labor costs due to rising minimum wage thresholds and requirements to provide employee benefits is also providing additional risk to our industry. You will face other business risks that may adversely affect your franchise, including employee turnover, pricing and compensation policies of competitors, changes to laws or regulations, new technologies and restrictions and limitations on services and supply sources. You may also face lawsuits from the operations of the franchised store. The lawsuits you face may include premise liability, discrimination and wrongful termination, wage and hour disputes and negligence or other personal injury claims related to performance of the services as well as others. These risks are speculative and we cannot predict when and if they occur. You should speak with an attorney or other legal advisor to discuss potential risks in operating this type of business.

In our Franchise Agreement, we reserve the right to sell products whether or not authorized for use in franchised Glosslab Stores and using the Marks or similar brands, through any channel of distribution, including through the Internet, mobile applications and catalogue sales. We or our affiliate will continue to own and operate the Internet site [glosslab.com](http://glosslab.com) which will enable customers to purchase products that may be currently available in franchised Glosslab Stores.

### Regulations Specific to the Industry

Most states have laws and regulations requiring licensed technicians to perform services. Some states have laws and regulations that restrict the types of services and treatments technicians can offer. Some states may also have laws related to the minimum age for customers receiving these types of services. You must also comply with all applicable federal, state and local occupational safety and health administration and safety regulations, as well as those related to workplace practices in general. As a retail business, you must understand consumer protection laws. Advertising and marketing are also heavily regulated and require compliance with laws and other rules at federal, state and even local levels, including those set by the Federal Trade Commission.

In addition, our System currently offers customers the ability to purchase pre-paid packages or other forms of memberships. Some states have laws regulating the sale of pre-paid packages and/or membership plans and the offering of financing arrangements used in purchasing these plans, which may require registration and acquisition of a permit to engage in such activity, and may require you to provide certain retail installment contractual terms to the customers on the sale of these packages using payment plans. These laws are designed to protect the public from being taken advantage of with respect to financing fees and terms, but some laws apply even if no such financing terms are applicable.

We offer gift cards, where you will collect funds for items that may or may not be redeemed at a later date. We are unaware of any states that require bonding for the operation of a Glosslab Store due to the sale of pre-paid packages, however you should speak with your legal advisors to confirm whether you need to be bonded to operate. Bonding is designed to protect consumers who pre-sell their services and may go out of business. You should also understand the laws and regulations regarding abandonment of property which may be triggered if these items are not timely redeemed (typically referred to as escheatment laws).

Your Glosslab Store operations may be impacted by applicable laws, rules, and regulations of federal, state and local government authorities. You must investigate and comply with all applicable laws and regulations. You must ensure that only licensed professionals perform nail services or other services for which a license is required. You are advised to examine and familiarize yourself with all applicable laws before you enter into a relationship with us. You should also consult your legal advisors about what laws with which you will need to comply in connection with operation of the franchised store. We are not attorneys and neither we nor our attorneys offer legal advice about the laws with which you must comply in connection with the operation of your franchised store.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Founder and Chief Executive Officer: Rachel Glass**

Rachel is the Founder and CEO of Glosslab, LLC. She is based out of New York City, NY and has been in her current role since June 2018.

### **President: Gary Gaines**

Gary is the President of Glosslab, LLC. He is based out of Larchmont, NY and has been in his current role since March 2023. Before joining Glosslab, LLC, Mr. Gaines was the GM/EVP of CrossFit LLC based out of Boulder, CO from September 2020 to December 2022. He also was the SVP of Global Operations of SoulCycle in New York, NY from April 2019 to September 2020. Prior to SoulCycle, he served as VP, Global Operations at LYFT from September 2018 to April 2019 in San Francisco, CA. Prior to LYFT he served as GM/VP at Tesla Motors from April 2017 to September 2018 in Fremont, CA.

### **Vice President of Franchise Operations: Michael Marrone**

Mike is the Vice President of Franchise Operations for Glosslab, LLC. He is based out of Washington, D.C. and has been in his current role since May 2023. Before joining Glosslab, LLC, Mr. Marrone was the Director of Business Development & Market Growth for CrossFit LLC in Boulder, CO from April 2021 to May 2023. Prior to joining CrossFit, Mr. Marrone was a Senior Consultant with Deloitte Consulting, LLP in Washington, D.C. from August 2019 to April 2021. Prior to Deloitte, Mr. Marrone served as a Senior Analyst for Lockheed Martin Corp. in Bethesda, MD from June 2018 until August 2018.

### **Senior Vice President of Special Operations: Steve Moroneso**

Steve is the Senior Vice President of Special Operations of Glosslab, LLC. He is based out of Fort Worth, TX and has been in his current role since April 2022. Before joining Glosslab, LLC, Mr. Moroneso was the CEO of General Wireless based out of Fort Worth, TX from January 2018 to December of 2021.

**Director of Financial Planning & Analysis: Kern Marshall**

Kern is the Director of Financial Planning & Analysis of Glosslab, LLC. He is based out of New York City, NY and has been in his current role since September 2022. Before joining Glosslab, LLC, Mr. Marshall was the Director of Financial Planning & Analysis of Sport Clips Haircuts, a Hair Salon Franchisor based out of Austin, TX from November 2020 to September 2022. Prior to that, he worked for European Wax Center where he held multiple roles, most recently Director of Financial Planning & Analysis from February 2016 until June 2020 in Austin, TX.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

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

**ITEM 5. INITIAL FEES**

**Area Development Fee**

The initial franchise fee under an Area Development Agreement is \$50,000 for your first Store and a \$25,000 discounted initial franchise fee for each additional Store that you commit to develop under your development schedule (minimum of ten Stores).

If you enter into an Area Development Agreement with us for the development of ten (10) or more Glosslab Stores, you will be required to pay us a minimum development fee of \$162,500. The development fee is an amount equal to (i) the full initial franchise fee for the first Store to be developed under the Area Development Agreement, plus (ii) 50% of the discounted initial franchise fee for each additional Glosslab Store you commit to develop. Development fees are paid in a lump sum to us by wire transfer when you sign the Area Development Agreement and are non-refundable. The development fee is a pre-payment of all or a portion of the initial franchise fees you must pay to us for each of the first through ten Glosslab Stores you are required to open under the Area Development Agreement.

For example, if you purchase the right to develop 10 Stores, then at the time you sign the Area Development Agreement, you will pay us \$50,000 for your first store and fee equal to \$112,500 (\$12,500 X 9) for each of the additional Stores you commit to develop. So, in total you would pay \$162,500 at the time you sign the Area Development Agreement.

The development fee is calculated as follows:

	Development Fee	Amount of initial franchise fee due upon signing of Franchise Agreement
Area Development Agreement (1st Glosslab Store)	\$50,000	\$0
Area Development Agreement (2nd and each subsequent Glosslab Store)	\$12,500 per Store	Balance of then-current initial franchise fee due under Franchise Agreement for each Glosslab Store after application of \$12,500 credit

You will be required to sign a separate Franchise Agreement for each Glosslab Store. For your first Glosslab Store, we will apply the development fee of \$50,000, as credit towards the full initial franchise fee due under that agreement. For each subsequent Glosslab Store that you develop under the Area Development Agreement we will apply the applicable development fee of \$12,500 as a credit toward the initial franchise fee, and you will be required to pay the balance of the initial franchise fee due for each additional Glosslab Store.

The number of Glosslab Stores you will be required to develop and open will be determined before you sign the Area Development Agreement. Glosslab locations owned and operated by our affiliates as corporate store locations do not pay a development fee for the rights to develop locations. In addition, we may provide certain existing franchisees with discounted or waived development fees, based on our experience with the franchisees, compliance with existing franchise agreements, operational history of Stores, financial condition, and other factors. Our development fee is otherwise calculated uniformly for all franchisees, but the actual fee will vary based on the number of Glosslab Stores you are required to develop.

#### Initial Franchise Fee

The standard initial franchisee fee is \$50,000 for your first franchise and additional franchises have an initial franchise fee of \$35,000. The entire initial franchise fee is payable in full at the time you sign the Franchise Agreement for the Store. You must sign a new Franchise Agreement for each additional Store. The initial franchise fee is not refundable under any circumstances. The initial franchise fee is uniform (except as discussed below) and fully earned.

Glosslab Stores owned and operated by our affiliates as corporate Store locations do not pay a franchise fee for the rights to operate the location. In determining whether we will grant you an additional franchise, we will consider applicable factors including your compliance with your franchise agreement, the operational history of your initial franchised store in relation to our franchise System, your financial condition and other standard criteria we consider in awarding franchises.

We will refund 50% of the franchise fee you paid if we terminate the Franchise Agreement for failure to perform certain pre-opening obligations under the Franchise Agreement. We are not obligated to terminate your franchise under any circumstances.

The nonrefundable portion of the franchise fee is compensation to us for our efforts in offering and selling a franchise to you, for our franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, our participation in the franchise sale, our legal compliance with franchise laws and regulations, site selection assistance and guidelines, the development and hosting of initial training programs and our participation in terminating the franchise.

#### Start-up Package Fee

Before you open, you must purchase our start-up package which includes an opening of supplies to operate your Store. The standard fee for the Start-up Package fee for the supplies can range from \$17,000 to \$25,000, plus taxes and delivery charges. The exact cost will vary depending on the size of your Store as well as the location of your store, which will impact delivery costs and taxes. The start-up package includes most of the supplies necessary for the establishment and operation of the Franchised Store prior to opening the Franchised Store and commencing operations. These supplies include but are not limited to gloves, masks, general hygienic supplies, cleaning supplies, marketing materials and signage, etc. The Start-Up Package fee is not refundable under any circumstances. This “Start-up Package” fee is included in the Your Estimated Initial Investment chart in ITEM 7 below.

#### Retail Inventory Package Fee

Before you open, you must purchase our Retail Inventory Package which includes an opening inventory of Glosslab branded and non-branded retail products for sale to customers. The standard fee for the Retail Inventory Package fee for Glosslab products and supplies is estimated to be between \$10,000 and \$20,000, plus taxes and delivery charges. The Retail Inventory Package includes all of the Glosslab retail products to be sold to customers of the Franchised Store. The exact cost will vary depending on the size of your Store as well as the location of your Store, which will impact delivery costs and taxes. These Glosslab retail products include, but are not limited to, nail polishes, hand creams, foot creams, nail clippers, nail filers, tweezers, general cosmetic products, etc. The Retail Inventory fee is not refundable under any circumstances. This “Retail Inventory Package” fee is included in the Your Estimated Initial Investment chart in ITEM 7 below.

#### IT Platform Set-up Fee

In ITEM 11 below, we detail our POS system which utilizes cloud software licensed from Zenoti. Franchisees will pay an IT System Set Up Fee of \$600 prior to opening to set up the required POS system. This fee is nonrefundable. The set-up fee is uniform for all new store openings. This “IT Platform Set Up” fee is included in the Your Estimated Initial Investment chart in ITEM 7 below.

#### Additional Incentives

We reserve the right to reduce or waive initial franchise fees for, and to offer other special development incentives (including incentive payments) to, one or more franchisees on a case-by-case basis under certain circumstances. These circumstances may include providing economic incentives for large, sophisticated operators to open multiple new franchised stores in a development territory on an expedited basis, for existing franchisees to open additional franchised stores, for existing franchisees to take over operating franchised stores or to reopen closed franchised stores, and other factors we determine. The amount of any fee reductions/waivers or development incentives depends on what we think is best for the Glosslab franchise system in the particular situation.

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**ITEM 6. OTHER FEES**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
Royalty Fee	6% of Monthly Gross Sales <sup>A</sup> Revenues	Weekly	You will be required to start paying us your Royalty once your Franchised Store begins collecting revenue from operations. We reserve the right to collect your Royalty on a different interval (for example, monthly). You must provide us with monthly reports of your Gross Sales.
National Marketing Fund <sup>B</sup> Contributions	up to 3% of Monthly Gross Sales, currently 2%	Weekly	<p>We have established a National Marketing Fund that is designed to facilitate the promotion and development of our brand, System, Approved Services and Stores.</p> <p>We require you to make a contribution to that Fund currently amounting to 2% of the Gross Sales of your Franchised Store (the “Fund Contribution”) and your obligation to contribute will commence once you have started operating your Franchised Business. This amount is paid directly to us.</p>
Technology Service Fee <sup>C</sup>	Our then-current technology fee. Currently \$800/Month	Monthly	You pay this fee directly to us. This amount is subject to increase upon written notice from us, whether due to an increase in the applicable supplier pricing and/or other reason. Refer to ITEM 11 for more information about our information technology platform
Additional Initial Training <sup>D</sup>	Currently \$350 per day per associate, plus our expenses and your expenses as well as your employees’ expenses in attending.	Time of service.	<p>Our initial training program for your first store is covered by your franchise fee.</p> <p>If you have to repeat initial training, if you request training support for subsequent Stores, or you replace your Store Manager we may charge you. (Section 8 Franchise Agreement). We may also charge you if we incur non-refundable travel, lodging or other costs or fees in the event you alter training dates or scheduling. Franchisees may also request additional training for their specialists at their Store.</p>
Launch Support Training	Currently \$7,500 which includes 1 dedicated corporate/regional trainer for 6-day	Time of the training.	If you request launch support from us, we may, in our sole discretion, provide it to you. The term “launch” typically means the grand opening of your initial location, but franchises from time to

	<p>launch/re-launch, including travel. Additional trainers are made available for an additional \$7,500 per trainer fee.</p>		<p>time may re-launch their location or request additional support for various reasons, including for example, after complete turnover of their staff.</p>
<p>Additional Operations Assistance</p>	<p>Currently \$350 per day per associate, plus our expenses</p>	<p>Time of assistance</p>	<p>As part of our initial training program we provide assistance around the beginning of operations. If you request additional assistance, and we agree to provide additional assistance to you, you will pay our additional operations assistance fee to us. (Section 8.4)</p>
<p>Ongoing Training<sup>G</sup></p>	<p>Up to \$500 per person</p> <p>You must also pay your expenses as well as employees' expenses in attending. Store Managers must attend training.</p>	<p>Time of program</p>	<p>We may require you to attend ongoing training which may be subject to additional fees, however we try to limit the amount of these sessions for which you will be required to travel. (Section 8.6 Franchise Agreement)</p>
<p>Renewal Fee</p>	<p>\$5,000</p>	<p>On renewal</p>	<p>You must renovate and reimage the Store at your expense at the time of Renewal to conform to our then-current standards and image unless otherwise approved.</p>
<p>Transfer Fee<sup>E</sup></p>	<p>\$10,000 for the first store transferred and \$5,000 for each additional store or license transferred if they occur in a single transaction.</p> <p>\$1,000 non-refundable processing fee paid to us upon transfer requests, which gets credited against the actual transfer fee if the transfer occurs.</p>	<p>Transfer processing fee is due with each transfer request, including related party transfers.</p> <p>Transfer fee is then paid at the time of transfer, less the processing fee.</p>	<p>The standard transfer fee applies to unaffiliated transfers, which you pay to us at the time of transfer.</p> <p>These fees are intended to cover legal and other administrative expenses to be incurred by us in connection with these transfers.</p> <p>We may waive or reduce transfer fees under certain circumstances in our discretion (e.g., due to death or incapacity, distressed operations).</p>
<p>Area Development Transfer Fee</p>	<p>Transfer fee equal to fifty percent (50%) of the then-current initial franchise fee that would otherwise be payable by the transferee if purchasing a new franchise at such time for each Franchised Store remaining to be</p>	<p>Transfer processing fee is due with each transfer request, including related party transfers.</p> <p>Transfer fee is then paid at the time of transfer, less the processing fee.</p>	<p>The standard transfer fee applies to unaffiliated transfers, which you pay to us at the time of transfer.</p> <p>These fees are intended to cover legal and other administrative expenses to be incurred by us in connection with these transfers.</p> <p>We may waive or reduce transfer fees under certain circumstances in our</p>



	developed under the Area Development Agreement, net of any pre-paid initial franchise fees for such Franchised Stores included in the development fee		discretion (e.g., due to death or incapacity, distressed operations).
Late Fees	1.5% per month (18% per year) or the highest rate allowed by law of the state where you are located, whichever is less.	Upon demand	You owe us a late fee should you fail to pay us on a date on which payment/underpayment was due. Applies to all overdue fees you owe us.
Electronic Depository Transfer Account Fees	\$35 (or then-current fee) for Insufficient Funds \$100 (or then-current fee) for changes in account	As incurred	Insufficient funds fee is due each time any electronic depository transfer account withdrawal is denied due to insufficient funds. Change fee is due with submission of new ACH submission form. (Section 3.7 Franchise Agreement and Section 3.5 Area Development Agreement)
Audit Expenses <sup>F</sup>	All costs and expenses associated with audit	Upon Demand	Audit costs payable only if the audit shows you underreported sales by 3% or more.
Approval of Products or Suppliers <sup>G</sup>	All reasonable costs of evaluation.	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Breaches/Self Help	Our reasonable cost and expenses, including up to 10% of amounts paid to account for overhead costs	Upon demand	If you engage in activity that may damage our reputation or our goodwill, we may cure the default and require that you reimburse our reasonable costs, expenses and liabilities. Except in cases of emergency where we may act immediately, we will provide you 1 business day notice before incurring any amounts that will be charged to your account. (Section 16.6 Franchise Agreement)
Administrative Fees	Up to \$1,000 per incident	Upon demand.	Applies if you fail to comply with our system specifications, mandatory operating procedures, or requirements for developing and opening Franchised Stores (as applicable) you do not cure the non-compliance within the time period we require. The cap on fees may

			be increased up to an additional \$500 for each additional occurrence that occurs within a 12-month period to account for our ongoing oversight and review of your overall compliance with the System.
System Modifications	All reasonable costs and expenses associated with system modification.	As required	If we make changes to our franchise System, you must adapt your business to conform to the changes. Some examples include new equipment, fixtures, software or new Marks. These amounts may be paid to us or to a 3rd party supplier or vendor.
Customer Service Fee <sup>H</sup>	All costs incurred in assisting your customers or handling customer service issues	Upon demand	You must reimburse us if we determine it is necessary for us to provide service directly to your customers.
Site Inspections	\$1,000 plus reasonable expenses for each subsequent site inspection performed by us.	Promptly after time of inspection.	Payable to us only if we have to perform site inspections after determination of non-conformities with site plans.
Indemnification	All costs and expenses including attorney's fees	Upon demand.	<p>You must defend lawsuits at your cost and hold us and other specified parties harmless against lawsuits arising from your operation of the franchised store.</p> <p>You must indemnify us for any amounts incurred by us in curing any defaults caused by you under your lease agreement.</p> <p>You must defend lawsuits at your cost and hold us and other specified parties harmless against lawsuits arising from your development and operation of the franchised stores.</p>
Fees Associated with Programs, Systems and Initiatives Developed for the System <sup>I</sup>	Reasonable Costs and Expenses	To be determined	We and our affiliates may develop programs, systems and other initiatives, directly and/or through third-party vendors and suppliers, including secret shopper programs, reputation management programs and a Centralized Guest Services Center. (Section 3.6 Franchise Agreement)
Release of Mechanics' and Labor Liens on the Franchise Location	All costs and expenses including attorneys' fees	Within 10 days of our demand	If we or our affiliates choose to release any existing contractors' liens on your franchise location, you must pay our costs in releasing these liens.

Local SEO/SEM Program (Search Engine Optimization and Search Engine Marketing Services)	Up to \$375 per month	Monthly	Through 3rd parties, we provide search engine optimization and search engine marketing services for the franchise system. This program is currently mandatory for franchisees. We may collect the monthly fees or these fees will be collected through the 3 <sup>rd</sup> party vendor (Sections 3.6 and 11.5 Franchise Agreement)
Breach of Privacy or Data Protection Laws	All costs and expenses including attorneys' fees	Upon demand	You must reimburse us for any costs and expenses we incur in connection with your failure to comply with data protection laws. (Section 13.17 Franchise Agreement)
Change of Designated Area Fee	Our reasonable legal and administrative costs (not expected to exceed \$1,000 per change)	At time of request	In the event you ask to change your designated area where you anticipate locating your future franchised location, if we approve such change request, we may charge you a fee equal to our reasonable legal and administrative costs to effectuate this change.
Relocation Assistance	Reasonable costs and expenses	Upon demand	If you request our assistance in relocating your franchise location, we have the right to charge for any costs we incur in providing this assistance, including legal and professional fees.
Glosslab Products and Supplies	Then-standard wholesale prices for Glosslab products and supplies that we or our affiliates distribute, plus taxes and delivery charges, as applicable.	Typically, Upon delivery.	Currently, Glosslab Distribution, LLC is an approved supplier for our Glosslab branded products that you may use in your location and resell to your customers. Additionally, Glosslab Distribution, LLC is the main supplier of supplies and inventory used to operate your Glosslab Store. These items will need to be purchased on an ongoing basis as part of your operations.  We may assess separate processing fees if you are converted to pre-payment status as a result of non-payment for product orders.
Clearing House Operations <sup>1</sup>	Designated amount based on redemption of gift cards, reward points or similar clearing house items.	Regularly upon demand.	We act as a clearing house for the Glosslab Gift Card Program.
Imagery Auto-shipment Program	Actual cost of posters, vinyl and other imagery items, plus shipping and taxes	After each order.	We initiated an auto-shipment program where we are arranging automatic shipments of onsite signage.

Other Auto- Shipment Programs	Actual costs of auto-shipped products, plus shipping and taxes.  We may assess an administrative fee with certain auto-shipment programs, likely not to exceed 3-5% to cover our costs.	Upon delivery.	Auto-shipment programs tend to help maintain brand consistency and integrity, and we have found that many franchises appreciate the shift in responsibility to monitor certain aspects of operations.
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### Notes to Item 6 Chart

The fees you pay to us or our affiliate in ITEM 6 are typically non-refundable, and are uniformly imposed on all franchisees; however, we do not assess a royalty fee on Glosslab corporate store locations. Fees you pay to third parties in ITEM 6 are generally non-refundable. You incur these fees based on the requirements of our Franchise Agreement, the Area Development Agreement and franchise System. We typically do not collect fees for third parties, and you should ask third party vendors about their refund policy before you use their services or products. However, we have initiated certain programs where we will collect fees from our franchisees and pay fees directly to the supplier. In these relationships, we may mark-up fees we collect to cover administrative costs in administering the program or for other business purposes. We may require you to pay all fees due to us through an electronic depository transfer account. Some fees you pay for this ITEM 6 are recurring and some are occasional; they will impact your overall cost of operating the franchised store. Currently, no other fees or payments are to be paid to us or our affiliates.

With the exception of late fees, electronic depository transfer account fees, administrative fees, transfer fees/transfer processing fees and indemnification as described above, there are no recurring or isolated fees or payment required under the Area Development Agreement in addition to the initial development fee. You must, however, pay other required recurring and isolated fees under our then-current Franchise Agreement for the Franchised Stores you open in your development territory. Except as noted above, these fees are non-refundable and not collected on behalf of any third party.

Stated fees may increase over time to account for inflation, increased costs and other factors typically accounted for in standard markets.

### NOTES

<sup>A</sup> **Gross sales** generally means all revenue from the franchised store. Gross sales do not include: (a) refunds, credits, and other monetary allowances issued by franchisee in good faith; (b) sales and equivalent taxes collected by franchisees; (c) rebates received by franchisees from manufacturers or suppliers; and (d) proceeds franchisees receive for us. Our Royalty Fee is uniformly imposed on our franchisees, except we may waive all or a portion of royalties for franchisees from time to time based on circumstances we determine in our discretion warrant a waiver, and we may provide contests or other incentives for our franchise network which provide temporary reduced royalty amounts, and we may, in our discretion, offer reduced royalty fees to developers of multiple franchise locations.

<sup>B</sup> **National Marketing Fund** We have established the Fund to promote, market and otherwise develop the brand, Marks, System, Stores and/or approved services (the “Fund”). When we establish a Fund, we may require you to make a Fund Contribution as described more fully above.

**C. Technology Service Fee** We collect a Technology Service Fee to help facilitate certain technology we provide as part of the System components at any given time, as well as help defray or cover the costs associated with such technology, which may include but is not limited to, the costs incurred in connection with establishing and maintaining an intranet, extranet, online portal, website, online advertising tools, mobile application and/or any other technology for use in connection with the Franchised Business. As part of this fee, we provide system-wide security monitoring through a managed service provider to use our commercially reasonable efforts to protect stores from viruses, computer hackers, and other communications and computer-related problems not associated with security issues, including, but not limited to email accounts, virus protection software and other services, products, componentry or enhancements.

**D Training** We do not charge to provide you with standard initial training for your first store if all your persons are trained simultaneously; the cost is covered in the lump sum franchise fee you pay to us. You are responsible for all costs associated with attending training at the location we specify. These costs include transportation, meals, and lodging. Your total cost will vary based on who you choose to attend, how far they have to travel, and the type of accommodations you choose. We reserve the right to charge you a training fee if we provide training to your persons at different times or training becomes excessive. We may also charge training fees for special training programs. These costs are typically non-refundable. We also reserve the right to charge you to recover any non-refundable travel, lodging or other costs or fees in the event you alter training dates or scheduling without sufficient notice.

**E Transfer Fees** We will assess a reduced transfer fee on affiliated transfers. If you transfer your franchise to another entity that you control, our current standard transfer fee is \$2,500. If you request consent to a change of ownership that does not rise to a level of a change of control of your franchise, our typical current transfer fee is \$1,500. Changes of ownership that result in a change of ownership control will be subject to an amount up to the full transfer fee.

These fees are intended to cover legal and other administrative expenses to be incurred by us in connection with these transfers.

We may waive or reduce transfer fees under certain circumstances in our discretion (e.g., due to death or incapacity, distressed operations).

**F Audit Costs** We do not have enough information to estimate audit costs. We assume costs vary depending on factors, including prevailing auditor's rates in your area, the business activity being audited and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.

**G Supply Testing** Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.

**H Customer Service** Costs vary depending on factors, including the nature of the complaint, expertise needed, and the time involved. You pay our actual costs only.

**I Fees Associated with Programs, Systems and Initiatives Developed for the System** We may assess reasonable fees and other costs, including management fees, in connection with these initiative

programs, which may be optional or required as we may determine. The actual fees will likely depend on aspects of the program, including our costs associated with the program, any fees or other amounts assessed by a third-party vendor, the number of participating franchisees, and the amount of administration or other support we provide as part of the program. Our goal is to pass-along actual costs proportionately to participating franchisees, but we may assess incremental administrative amounts to compensate us for our time and efforts or for other business purposes.

<sup>J</sup> **Clearing House Operations** Our clearing house activities depend on the nature of the redemption. For example, if a location sells a gift card, which is then redeemed at another location, the amount of the redemption is debited from the location that sold the gift card, and then credited to the location that redeemed the gift card. With rewards points, the amounts “cleared” would be based on the number of points redeemed with each point being currently equal to \$0.01. If we sell or issue any gift cards or rewards points, we bear the amount on redemption at any franchise location. Additional details about these operations are provided in our Confidential Operations Manual (including through periodic bulletins). You bear the liabilities for redemption on gift cards and rewards points that you sell or issue.

**We reserve the right to offer special incentive, amnesty or other programs at any time which may decrease, waive or provide for deferral of, any of the fees listed in this Item. Programs may be conditioned upon you executing or being a party to a currently existing Franchise Agreement and may only be available for specific Franchised Stores or in specified markets which we determine at our sole discretion. We may alter or discontinue these programs at any time at our sole discretion without notice to you. If you have executed a Franchise Agreement before the dates specified for the programs, acquired a location from an existing franchisee via a transfer, or are renewing an existing Franchise Agreement, you are not eligible to receive the incentive, amnesty or other program unless otherwise indicated by us in writing.**

## ITEM 7. ESTIMATED INITIAL INVESTMENT

**Table 1. Franchise Agreement**

Type of Expenditure <sup>A</sup>	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee <sup>B</sup>	\$50,000	\$50,000	Wire Transfer	At signing of Franchise Agreement	Us
Real Estate/Lease <sup>C</sup>	\$3,000	\$18,000	As arranged	As Incurred	Landlord
Utility Deposits <sup>D</sup>	\$0	\$1,000	As arranged	As incurred	Suppliers
Initial store supplies/ Inventory/Start Up Package <sup>E</sup>	\$17,000	\$25,000	ACH Debit	Before beginning operations	Us or our affiliates

Retail Inventory Package <sup>F</sup>	\$10,000	\$20,000	ACH Debit	Before beginning operations	Us or our affiliates
Leasehold Improvements <sup>G</sup>	\$75,000	\$215,000	As arranged	As Incurred	Approved Suppliers, Architects and Contractors
Architectural and Engineering Fees <sup>H</sup>	\$12,500	\$25,000	As arranged	As Incurred	Approved Architects and Engineers
Furniture/Fixtures and Equipment <sup>I</sup>	\$40,000	\$60,000	As arranged	As Incurred	Approved Suppliers
POS System; Other Computer, Telephone, and Security Surveillance Systems; and Installation <sup>J</sup>	\$15,000	\$20,000	As arranged	Before beginning operations	Approved Suppliers
Insurance - Initial 3 months <sup>K</sup>	\$3,000	\$7,000	As arranged	Before beginning operations	Approved Supplier
IT Platform Set-up Fee	\$600	\$600	ACH Debit	Before beginning operations	Us
Technology Service Fee	\$2,400	\$2,400	Wire Transfer	As incurred each month	Us
Initial Training Expenses <sup>L</sup>	\$5,000	\$5,000	As arranged	Before beginning operations	Suppliers
Signage <sup>M</sup>	\$7,000	\$17,000	As arranged	Before beginning operations	Approved Suppliers
Grand Opening Advertising <sup>N</sup>	\$20,000	\$24,000	As arranged	During the two months prior to commencing operations and the first four months after commencing operations.	Approved Media Outlets
Additional Equipment and Supplies <sup>O</sup> (excludes initial	\$4,000	\$8,000	As arranged	Before Beginning Operations	Approved Suppliers

inventory included in the Start-up Package)					
Uniforms	\$1,000	\$2,000	As arranged	Before beginning operations	Approved Supplier
Licenses & Permits <sup>P</sup>	\$1,000	\$8,000	As arranged	Before beginning operations	Licensing Authorities
Legal and Accounting <sup>Q</sup>	\$3,000	\$6,000	As arranged	Before beginning operations	Attorney and Accountant
Additional Funds <sup>R</sup> (initial phase of operation – 3 months)	\$45,000	\$70,000	As arranged	As necessary	Employees, Utilities, Lessor, Suppliers
<b>TOTAL<sup>S</sup></b>	\$314,500	\$584,000			

### **Notes**

<sup>A</sup> **General.** The initial investment table shows certain expenditures required to establish and operate a Store from an Authorized Location. Note that these amounts may vary widely and the amounts you have to spend or invest may be higher or lower than the estimated amounts, depending on location, size of the Store, marketing conditions and other factors. The estimate above assumes that you will commence operations on or before your “Rent Commencement Date” under any lease you enter into for your Store. We strongly recommend that you verify actual costs in your area, and for your intended location, and prepare a business plan and have it reviewed by your own independent adviser, like an accountant, before making any commitments to us or anyone else. Due to legal restrictions, we will not prepare, review or comment on any business plan for a prospective franchisee. All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors are refunded according to arrangements you make with the vendor, if any. Leasing and financing are available for many of the above expenses. We do not offer direct or indirect financing, but we may assist you in obtaining working capital through other sources.

<sup>B</sup> **Franchise Fee.** The Franchise Fee is non-refundable. We do not finance any franchise fees. The initial Franchise Fee is \$50,000. The Franchise Fee for your additional Franchises is reduced to \$35,000. We may increase the franchise fee in the future.

<sup>C</sup> **Real Estate/Lease.** If you do not own adequate space that is suitable to develop and buildout a Store, you must lease or provide a suitable facility for the operations of the franchised Store. You must secure a facility with 800 to 1,500 square feet of space. You may choose a larger facility, but it will increase your operating costs. Our estimate in this category is based on you leasing the facility of approximately 1,000 square feet. Your cost to lease is difficult to quantify because there are factors that will have an impact on what you pay. These factors include the facility’s location, its square footage, cost-per-square foot, renovation costs and any required maintenance fees. Specifically, high rent districts may carry significantly



increased rental costs. In addition to the base rent, a lease may require you to pay common area maintenance charges (“CAM Charges”), your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal, which are accounted for in the ranges above. The actual amount you pay under the lease will vary depending on the size of the space, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. Our low estimate assumes only that you pay the 1st month’s rent without a security deposit. If you are required to pre-pay additional rent or security deposits, your investment may be higher. We include 3 additional months of rental costs in the category, “Additional Funds,” (see Note R below). Your landlord may refund your security deposit, but most will not refund rental payments. You should ask your leasing agent or landlord about their refund policy before you sign a lease agreement. We do not require you to purchase or build a facility to house the franchise. Your cost may increase over our projections should you choose to purchase or build. You should consider construction delays and their unpredictable cost before electing to build or purchase. You should seek professional advice in securing a location.

**<sup>D</sup> Utility Deposits.** You may be required to pay deposits with your local utility companies if you are a new customer. Your utilities may include electricity, telephone, gas and water. You may or may not receive a refund of your deposit. You should ask your local utility companies about the circumstances under which they refund deposits.

**<sup>E</sup> Start-up Package.** Before you begin operating, you must purchase the Initial Store Supplies/Start-up Package. The cost of the package is approximately between \$17,000 and \$25,000. Most of your initial inventory will consist of nail polish, polish tools and supplies, applicators, gloves and other supplies and products, and interior signage and design elements. The Start-up Package is standard for all new franchisees and is non-refundable. Larger stores will deplete their Start-up Package faster than smaller stores. This fee excludes taxes and delivery charges, which will vary depending on where your store is located.

**<sup>F</sup> Retail Inventory Package.** Before you begin operating, you must purchase the Retail Inventory Package. The cost of the package is approximately between \$10,000 and \$20,000. The retail inventory package consists of the retail products you will offer for sale in your Store. These retail products can include polishes, hand and foot creams, nail clippers, filers, tweezers, and other general cosmetic retail products. The Retail Inventory Package is standard for all new franchisees and is non-refundable. This fee excludes taxes and delivery charges, which will vary depending on where your store is located.

**<sup>G</sup> Leasehold Improvements.** You will likely incur costs to renovate or remodel the space you lease. Your costs will vary depending on many factors, including the size, condition and location of the facility, local wage rates and the cost of materials. The estimates assume that your landlord will provide a partial build-out allowance. The amounts you pay for leasehold improvements are typically non-refundable. You should ask about the contractor you hire to renovate or remodel the facility about its refund policy before you hire the contractor. We may require you to upgrade, remodel, and refurbish the Store during the franchise term. The cost will depend on your Store’s condition at the time we require. These changes might be based on the standards and specifications then in place for new Stores.

**<sup>H</sup> Architectural and Engineering Fees.** You will likely incur architectural and engineering fees to develop plans for your space. Your costs will vary depending on many factors, including the location and structure of the building, as well as the size and layout of the location, not to mention local fees. These amounts are typically non-refundable. You should ask the architectural and engineering firms you hire about their refund policy before you engage these firms.

<sup>1</sup> **Furniture, Fixtures & Equipment.** You must purchase (or lease) reception area furniture, manicure tables, pedicure stands, storage shelves, retail displays and equipment necessary for providing the various services offered by Glosslab as well as other required equipment such as a surveillance system, computer system and phone system (the computer, telephone and music systems are included below in Note J). This range includes taxes and delivery charges, which will vary depending on where your store is located. Although some of these items may be leased, the range shown represents an estimated purchase price. We do not know if the amounts you pay for furniture, fixtures or other equipment are refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing or leasing.

<sup>J</sup> **POS System; Other Computer, Telephone, and Security Surveillance Systems; and Installation.** We require you to utilize cloud-based software from Zenoti that includes PCI credit card terminals and other required componentry. This cost includes the expenses associated with the new system and additional computer workstations in order to access reports, training and other System materials, as well as a separate telephone system, and installation charges for each of these components. You may arrange for third parties to provide leasing or financing terms for our new POS System for our franchise network on terms provided by the third-party. If you do, your upfront cost may be lower than the estimate provided, however leasing or financing may increase your overall investment. Our Computer Systems are described in greater detail in ITEM 11. The amounts you pay for these systems are typically non-refundable, or if refundable, you may be subject to a “re-stocking” fee. You should inquire about the return and refund policy of at or before the time of purchase.

<sup>K</sup> **Insurance.** Our franchise agreement allows us to update insurance requirements at any time to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances. All required insurance policies must be written by an insurance company licensed in the state where the franchised store is located, must have an A- rating or better classification as indicated by the A.M. Best’s Key Rating Guide and must be primary and non-contributory in all respects.

THESE INSURANCE COVERAGE REQUIREMENTS ARE ONLY MINIMUM REQUIREMENTS. WE MAKE NO REPRESENTATION, IMPLIED OR EXPRESS, THAT THESE INSURANCE REQUIREMENTS ARE ADEQUATE TO PROTECT YOU AND YOUR BUSINESS AND SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE OR INJURY RESULTING FROM THE INADEQUACY OR LACK OF ANY INSURANCE COVERAGE. YOU MUST CARRY THE INSURANCE AND COVERAGE REQUIRED BY APPLICABLE LAW (E.G., WORKERS’ COMPENSATION). IN ADDITION TO OUR MINIMUM INSURANCE REQUIREMENTS, LANDLORDS TYPICALLY HAVE MINIMUM INSURANCE REQUIREMENTS, SO YOU SHOULD REFER TO YOUR LEASE AGREEMENTS AS WELL. WE STRONGLY ADVISE FRANCHISEES TO SPEAK WITH AN INSURANCE PROFESSIONAL REGARDING INSURANCE NEEDS AS WE ARE NOT EXPERTS IN INSURANCE.

Factors that may affect your cost of insurance include the number, size and locations of the franchised stores, value of the leasehold improvements, number of employees and other factors. Our experience for example is that EPLI coverage in California, and particularly wage and hour coverage, is more expensive than most other jurisdictions in the United States. The amounts you pay for insurance are typically not refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

<sup>L</sup> **Training Expenses.** We do not charge to provide you with standard initial training for your first Franchise location, the cost is covered under the franchise fee you pay to us in ITEM 5 above. This estimates

the cost for you, your initial managers and lead technicians to attend initial training. For additional training, we currently charge a non-refundable fee of \$350 per day per associate, plus any of our expenses and your expenses as well as your employees' expenses in attending. You are responsible for the costs associated with attending training at the location we specify in ITEM 11 below. These costs include transportation, meals, and lodging. Your total cost will vary based on who you choose to attend, how far they must travel, and the type of accommodation you choose. These costs are typically non-refundable, but you should ask about refund policies before you patronize any vendor.

**M. Signage.** This range includes the cost of all exterior signage and some interior signage used in the operation of the franchised Store. The signage requirements and costs will vary based upon the size and location of the franchised store, local zoning requirements and local wage rates for installation. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase. Fees may be subject to change by vendors over time.

**N. Grand Opening Advertising.** You must spend at least \$8,000 on grand opening advertising over the period spanning the two months prior to the commencement of operations at the Franchised Store and \$16,000 over the first four months after the commencement of operations at the Franchised Store. You may choose to spend more money. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised store, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at, or before, the time of purchasing advertising.

**O. Additional Equipment and Supplies.** In addition to your Start-Up Package, you will need an inventory of items that Glosslab Distribution, LLC does not supply you. Some of these items include some cleaning supplies, table paper, miscellaneous nail polish application tools and sanitation products, office supplies. The cost of these items may vary based on local market conditions, manufacturers' discounts and specials at the time of purchase and other factors. We do not know if these amounts are refundable. Factors determining whether other inventory items are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

**P. Licenses & Permits.** State and local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses. Your actual costs may vary based on the requirements of state and local government agencies. You should inquire locally to understand the fees in your area as they can vary broadly. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

**Q. Legal & Accounting.** You will need to retain an attorney, an accountant, and other consultants to help you to establish your franchised store. We strongly encourage every franchisee to use counsel to help negotiate their lease. Your cost will depend on the location of the franchised store as well as the prevailing rates of local attorneys, accountants and consultants. Your costs for these services are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

**R. Additional Funds.** We encourage franchisees to maintain at least a 3-month cash reserve to cover the operations of the franchised store. Your cash reserves should be based on the total monthly cost of operating the franchised store. You should consider rent, salaries, utilities, taxes, delivery charges and other related operating costs to arrive at your reserve. Your costs will be affected by factors in the local market

where your franchised store is located, which we cannot predict. For example, the wages and rental rates in the area where your franchised store is located will affect the size of your cash reserve. Brand recognition in your area and levels of competition may also impact the size of your cash reserve. Therefore, you may need to have more or less amounts in your cash reserve. You may need to have additional working capital to cover for low sales or high operating costs. You should speak with a financial or business advisor to get a more accurate estimate of the amount you should have in reserve. The operating costs on which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor.

<sup>s</sup>. **Total.** We rely on our and our affiliates' industry experience to compile this chart. The amounts in the chart are not exact; they are estimates only and we cannot guarantee that you will not incur additional costs and expenses in starting and operating the franchised store. You should review these estimates with an accountant or other business advisors before you decide to buy a franchise.

Neither we nor our affiliates will finance any part of your initial investment. Amounts reflected in the table do not reflect sales and use taxes or delivery charges.

### ESTIMATED INITIAL INVESTMENT

**Table 2. Area Development Agreement**

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Area Development Fee (Note 1)	\$162,500 <i>[if you sign an Area Development Agreement for the minimum of 10 Stores.]</i>	Lump Sum	At the Signing of the Area Development Agreement	Us
Initial Investment for your <b>first</b> Store to be developed under the Area Development Agreement (Note 2)	\$264,000 - \$534,000 <i>[The initial investment range disclosed in Table 1 for the first Store Developer is obligated to open under the Area Development Agreement, less the Initial Franchise Fee which is covered by the Development Fee above.]</i>	See Item 7 Chart above for Franchise Agreement	See Item 7 Chart above for Franchise Agreement	See Item 7 Chart above for Franchise Agreement

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
TOTAL (Notes 1 & 2)	\$426,500 - \$696,500  <i>[Total Amount includes an Area Development Agreement for ten Stores, and the Initial Investment for your <b>first</b> Store.]</i>			

**Notes.**

Note 1. If you are granted the opportunity to enter into an Area Development Agreement, as disclosed in Item 1, you and we will mutually agree on an area to be defined in the Area Development Agreement as the “Development Area.” The Area Development Agreement will specify the number of Franchised Stores you are required to open under the Area Development Agreement (the “Development Area Stores”), with a minimum of ten Glosslab® Franchised Stores. The Area Development Fee you will pay to us under the Area Development Agreement will be equal to \$50,000 for the first Franchised Store you are obligated to develop pursuant to the Area Development Agreement plus an additional \$12,500 for the second and each subsequent Franchised Store that you commit to develop (e.g., for an Area Development Agreement that obligates you to open the minimum of ten Franchised Stores, your Area Development Fee will be \$162,500 which is, \$50,000 + (9 x \$12,500). The Area Development Fee is due upon signing the Area Development Agreement.

Prior to developing each Franchised Store you are obligated to develop pursuant to your Area Development Agreement, You (or your approved affiliate) will (a) sign our then-current Franchise Agreement and (b) pay us, for your second and each subsequent store, our then-current initial franchise fee for subsequent Stores (which is currently \$25,000) *less* the \$12,500 development fee that you paid upon signing the Area Development Agreement. The initial franchise fee we charge may increase over time. If you are unable to open the Glosslab Franchised Stores that you are obligated to open under the Area Development Agreement, or if the Area Development Agreement is terminated for any reason, you will not receive any refund of any portion of the Development Fee, the Initial Franchise Fee or any other fees paid to us.

Note 2. The Initial Investment estimate for the *first* Glosslab® Franchised Store to be developed under an Area Development Agreement was derived from the Total Estimated Initial Investment range set forth above in Table 1 *less* the Initial Franchise Fee (which is covered by the Development Fee for the first Franchised Store you develop under the Area Development Agreement). You will incur initial investment expenses for each Glosslab® Franchised Store you develop pursuant to the Area Development Agreement. These expenses may increase over time.

We reserve the right to reduce or waive initial franchise fees for, and to offer other special development incentives (including incentive payments) to, one or more franchisees on a case-by-case basis under certain circumstances. These circumstances may include providing economic incentives for large, sophisticated operators to open multiple new franchised stores in a development territory on an expedited basis, for existing franchisees to open additional franchised stores, or for existing franchisees to take over operating franchised Stores or to reopen closed franchised stores. The amount of any fee reductions/waivers or development incentives depends on what we think is best for the Glosslab franchise system in the particular situation.

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

### **Goods and Services You Must Purchase or Lease to Operate the Franchised Store**

You must purchase most of the equipment, goods, vendors or professional services, materials, supplies and certain computer software to be used in connection with operating a GLOSSLAB® store from us or our approved suppliers. The list of current approved suppliers appears in the Manual. While the suppliers listed in the Manual are currently mandated, approved and/or recommended, we reserve the right to change this list from time to time. Notifications of changes to the approved suppliers list will be made via changes to the Manual. Approval of suppliers may be revoked at any time upon notice from us. We reserve the right to designate a required source for all products and services used in your GLOSSLAB® store, and we or our designee may act as the sole approved supplier for any and all approved products and services used at your GLOSSLAB®. We may also limit the sources of products and services to certain unaffiliated designated vendors, or to Us and/or our affiliates, in which case you must acquire these items only from those limited sources at the prices they (or we) decide to charge. We or our Affiliates may charge a mark-up on products sold to you by Us. We have the absolute right to limit the suppliers with whom you may deal.

You are required to purchase the Start-up Package and the Retail Inventory Package to be used with your opening. In addition, you will need to acquire any additional supplies and inventory, furniture and fixtures, office equipment and supplies, signage, grand opening advertising, a point-of-sale computer system and a maintenance package, insurance, and legal and accounting services.

Currently, all Glosslab products and other non-branded items that you purchase from us for your initial inventory, including our nail care products, will be included in your Start-up Package. You will be required to purchase additional inventory items from approved suppliers, including us and our affiliates, in order to open and operate your franchised store.

Because you will be operating under our brand name using our Marks, we will prohibit you from offering or selling any products that compete with any of our own products. We may also set the price for the products and services you sell, if the laws of your state allow us to do so.

We may require you to purchase or lease additional goods and services as we may over time decide using our business judgment, again keeping in mind our goal for brand consistency and integrity. We have the right to adjust the products and services we require you to purchase and/or lease. Because you will be operating under our brand name using our Marks, we will prohibit you from offering or selling any products that compete with any of our own products. We may also set the price for the products and services you sell, if the laws of your state allow us to do so.

## Approved Suppliers

Our affiliate, Glosslab Distribution LLC is an approved supplier for our retail products, including our nail polishes and other nail care products that you may use in our location and resell to your customers. Additionally, Glosslab Distribution, LLC is an approved supplier of the non-branded equipment, supplies, and inventory necessary for the ongoing operation of the Glosslab Store.

We also reserve the sole right to market our brand over the Internet and through social media. Accordingly, we are the current exclusive provider of search engine optimization services and search engine marketing services through an agreement we have negotiated with third party vendors. Without our consent, you will not be able to obtain these services from any other provider.

You must purchase a POS System and other hardware and software to maintain access to our network platforms. We or our approved suppliers are the exclusive provider of our POS System and the hardware and software that support our network platforms.

You must purchase the following additional items from approved suppliers, including us and our affiliates: Architectural services, interior graphics and exterior signage, fixtures, furnishings, POS system, uniforms, polishes, store supplies equipment, and branded retail products for resale. In addition, we will designate an approved supplier for certain marketing and promotional materials for your franchised store.

We may designate other items or services that must be purchased or leased from approved suppliers. We provide a list of our approved suppliers in the Confidential Operations Manual (including through periodic bulletins).

Any other products or services you need and that we do not require to be purchased or leased from approved suppliers to operate the franchised store may be purchased or leased from any supplier you choose. The supplier you choose must meet the criteria we disclose in this ITEM 8 and as we may specify over time in our Manual (including through periodic bulletins).

## Specifications for Our Products and Services

We communicate the specifications and standards for products and services in the Confidential Operations Manual (including through periodic bulletins). These specifications may include standards for appearance, quality, price, performance and functionality. These specifications and standards are based on our and our affiliates' experience in operating a Glosslab Store of the type we are franchising and through research and testing in Glosslab Stores.

We communicate our standards and specifications to you when we evaluate your proposed location for the franchised store, during your development of an approved location for the franchised store, during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchised store and through the Confidential Operations Manual (including through periodic bulletins). We have created a development worksheet to assist you through this process. We will periodically issue new standards and specifications (if any) through written notices (including through periodic bulletins).

## Alternative Suppliers of Good/Services

You may not use any products or services in the franchised store that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval). If you would like to use any goods or services in establishing and operating the franchised store that we have not approved, you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or suppliers. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services or from the supplier. While we reserve the right to approve or deny any such requests in our sole discretion for any reason, the criteria we will use when approving or revoking approval of suppliers includes: the supplier's ability to provide a sufficient quantity of goods; quality of goods or services at competitive prices; production, brand and delivery capability; and dependability and general reputation.

Periodically, we may review our approval of any goods, services or suppliers. We will notify you if we revoke our approval of goods, services or suppliers, and you must immediately stop purchasing disapproved goods or services, or must immediately stop purchasing from a disapproved supplier. Additionally, we may negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers. Volume discounts may not be available to franchisees located in outlying markets that a particular supplier does not serve in significant volume.

#### Percentage of Your Costs Going Towards Required Purchases

We continue to update our required specifications for establishing a franchised store and with construction, advertising and other costs that must align with our specifications, we estimate that approximately 85%-95% of your total cost in establishing the franchised store will go toward purchasing products or services we require or products or services that must meet our specifications. We estimate that approximately 80% to 90% of your expenditures on an ongoing basis will be for goods and services that must be purchased from us, our affiliate, or through an approved supplier.

#### Payments We Receive from Suppliers

We expect to derive revenue and/or other benefits from any and all purchases you make from approved suppliers including, without limitation, rebates and mark-ups. These amounts are subject to change. Certain approved suppliers may rebate a percentage of sales, a flat amount, or a combination of both to us. Unaffiliated suppliers currently pay us approximately zero (0%) to five (5%) of their revenue from franchisee purchases of certain items.

These suppliers are listed in the Manual. We do not receive, directly or indirectly, any other payments or discounts from your purchases or leases of products and services from any other unaffiliated suppliers we designate. In the future, we may receive payments from other designated suppliers to the extent permitted by law.

#### Ownership Interest in Suppliers

Glosslab Distribution, LLC is an affiliate of ours as described in Item 1. Neither we, nor our affiliates, officers, managers or our ownership groups own any other interest in any other supplier from whom we require you to purchase goods or services. In the future, we or our officers may acquire or receive an ownership interest in other suppliers we designate to supply your franchise.

#### Material Benefits from Use of Suppliers/Products/Services



We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve. We may take action, including terminating your franchise, if you purchase unapproved products, fail to sell all Glosslab products, or make purchases from unapproved suppliers.

#### Distribution/Purchasing Cooperatives

We have no purchasing or distribution cooperatives serving our franchise System. We may elect to do so in the future.

#### Purchase Arrangements with Our Suppliers

In connection with the offering of products and services through our approved suppliers, depending upon the product or service being purchased, we may provide some or all of the following in consideration for any related revenue or material consideration we may receive from approved suppliers: (1) we may negotiate volume discounts on behalf of our franchisees which we believe could not be obtained by franchisees individually; (2) we may inspect and review suppliers for quality control; (3) we may obtain a designated account representative for our franchisees so that they may receive better customer service from approved suppliers; (4) we may order products and equipment such that all logos have already been appropriately incorporated; (5) we may obtain discounted shipping, set-up, installation and coordination services for our franchisees. While we do currently negotiate purchase arrangements with suppliers for the benefit of franchisees, we are not obligated to do so and may discontinue any and all such negotiations at any time. We may negotiate additional arrangements in the future as well as modify our arrangements with these vendors and suppliers.

#### Revenues, Material Benefits and Other Consideration We Receive from Your Purchases

As of the Issuance Date hereof, Glosslab Franchising, LLC or its affiliates did not derive any revenue from the sale of required products or services to franchisees. In the future, we may receive other types of revenues, material benefits, and other consideration from your purchase of the products and services we require to operate the franchised store. Our area representatives do not currently receive any rebates, payments or other material benefits from suppliers based on franchisee purchases, but may do so in the future.

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**ITEM 9. FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>		<b>Section in Agreement</b>	<b>Disclosure Document ITEM</b>
a	Site selection and acquisition/lease	Franchise Agreement (“FA”): Sections 2 and 5 Area Development Agreement (“ADA”): Sections 2.1 and 5.2	ITEMS 11 and 12
b	Pre-opening purchases/leases	FA: Sections 5, 11.1, 12, 13 and 15 ADA: Section 5.2	ITEMS 5, 7, 8 and 11
c	Site development and other pre- opening requirements	FA: Sections 2, 5, 8, 11.1, 12, 13 and 15 ADA: Section 5	ITEMS 5, 7, 8 and 11
d	Initial and ongoing training	FA; Section 8 ADA: Not applicable	ITEMS 6, 7 and 11
e	Opening	FA: Sections 5, 8 and 11.1 ADA: Section 5.1	ITEM 11
f	Fees	FA: Sections 2.3, 3, 5, 6, 8, 10, 11, 12, 13, 15, 18 and 21 ADA: Sections 3 and 10	ITEMS 5, 6, 7, 8 and 11
g	Compliance with standards and policies/Operating Manual	FA: Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 15 ADA: Sections 5.6 and 5.7	ITEMS 6, 7, 8, 11 and 16
h	Trademarks and proprietary information	FA: Sections 6, 7, 9 and 17 ADA: Sections 6 and 7	ITEMS 13 and 14
i	Restrictions on products/services offered	FA: Sections 2, 5, 6, 9, 10, 11, 12, 13, 15, and 17 ADA: Not Applicable	ITEMS 8, 11 and 16
j	Warranty and customer service requirements	FA: Section 13 ADA: Not Applicable	ITEM 16
k	Territorial development and sales quotas	FA: None ADA: Section 5.1	ITEM 12

l	Ongoing product/service purchases	FA: Section 3, 4, 10, 11, 12, 13 and 15 ADA: Not Applicable	ITEMS 6, 8 and 11
m	Maintenance, appearance and remodeling requirements	FA: Sections 4, 5, 10, 12, 13 and 17 ADA: Section 5.6	ITEM 6
n	Insurance	FA: Section 10 and 15 ADA: Not Applicable	ITEMS 7 and 8
o	Advertising	FA: Section 11 ADA: Not Applicable	ITEMS 6, 8 and 11
p	Indemnification	FA: Sections 5, 6 and 21 ADA: Section 13.3	ITEM 6
q	Owner's participation/management/staffing	FA: Section 13 ADA: Not Applicable	ITEM 15
r	Records and reports	FA: Section 10 and 12 ADA: Not Applicable	ITEM 11
s	Inspections and audits	FA: Sections 5, 6, 11, 12, 13, 14 and 15 ADA: Not Applicable	ITEMS 6, 11 and 13
t	Transfer	FA: Section 18 ADA: Section 10	ITEMS 6 and 17
u	Renewal	FA: Section 4 ADA: Not Applicable	ITEM 17
v	Post-termination obligations	FA: Sections 7 and 17 ADA: Section 9	ITEM 17
w	Non-competition covenants	FA: Sections 7 and 17 ADA: Section 7	ITEM 17
x	Dispute resolution	FA: Section 23 ADA: Section 15	ITEM 17
y	Other: POS System	FA: Section 12.5	ITEM 11

## **ITEM 10. FINANCING**

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

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

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

### Area Development Agreement

Before you sign the Area Development Agreement, we will determine the Development Territory, the number of Franchised Stores you must develop and the development schedule. (See the Schedules to the Area Development Agreement). You may not establish a Franchised Store anywhere outside of your Development Territory. If you fail to meet your obligations under the Area Development Agreement, we have the right to terminate the Area Development Agreement.

Before you execute a Franchise Agreement pursuant to the Area Development Agreement, we will provide you with our criteria for site selection and approve the site you have selected for the location of the franchised store. (See Section 5.2 of the Area Development Agreement). Criteria that we use to approve your site, include demographics, ingress and egress, competition from and proximity to other businesses, size, appearance, traffic count and other physical and commercial characteristics. We will determine or approve the location of each Glosslab Store and any protected territories for those Stores in accordance with our then-current standards for sites and territories.

In addition to granting you the right to establish a specific number of Franchised Stores under the terms of the Area Development Agreement, and providing you with our site selection criteria as noted above, unless otherwise stated, we will provide you with the assistance described below for each Franchised Store you must open.

### Franchise Agreement

We, our affiliates, or our designees will provide some or all of the services specified to be provided by us as required by your Franchise Agreement. We may change the services we, our affiliates, or our designees provide to you, provided, however, that the Franchise Agreement will be entered into between you and us, and, therefore, we are ultimately responsible for ensuring the support services described are provided to you.

### **Pre-Opening Obligations:**

#### **Before you open your franchise, we will:**

1. Provide you with our criteria for site selection and approve the site you have selected for the location of the franchised store. (Sections 2.3 and 5.1) Criteria that we use to approve your site include demographics, ingress and egress, competition from and proximity to other businesses, size, appearance, traffic count and other physical and commercial characteristics.

2. Designate your Protected Territory. (Sections 2.5, 2.6, and 2.7, Exhibit 5)

**Note: Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your franchised Store will be profitable or successful by being located at the approved location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience and that the proposed site does not infringe on the rights of any other franchisees.**

3. Review and approve your lease (or purchase agreement) for the approved location solely for purposes related to the rider we mandate to protect our interests as franchisor. (Section 5.3)

**Note: Our review of your lease or purchase agreement and any advice or recommendations we may offer is not a representation or guarantee by us that you will succeed at the leased or purchased premises or that the lease contains market terms. Our review of your lease does not constitute legal advice and our review is solely for the purpose of assuring that the lease complies with the Franchise Agreement. For legal advice, you must rely upon the advice of your attorney.**

4. Provide you with standard specifications remodeling and equipping the approved location along with a list of required supplies, equipment and improvements that you must purchase and install for the operation of the franchised store. (Section 5.4). We may create a development worksheet to assist you through this process. We do not assist in conforming the premises to local ordinances and building codes or obtaining any required permits. We also do not assist in construction, remodeling, or decorating the store. You will work with a contractor, an architect and other professionals regarding construction, remodeling, and/or decorating your location premises. We do however provide franchisees with system specifications for the development of the Store and may provide lists of approved contractors and other professionals that have worked with other franchisees in the System. We will also provide you with a list of approved vendors for signage and required equipment and fixtures. We do not provide any storefront signage. You may receive from us promotional signage as part of your Start-Up Package.

5. Supply or otherwise make available to you a Start-Up Package and a Retail Inventory Package containing an initial inventory of Glosslab retail products and supplies necessary to establish and operate the franchised store. (Sections 5.4.6 and 5.4.7)

6. Provide you with an initial training program; provided that we reserve the right to require multi-unit operators of Glosslab Stores to provide their own initial training program. This training is described in detail later in this ITEM 11. (Section 8)

7. We may, at our discretion, provide to you on-site assistance and guidance to assist you with the opening of the franchised store. (Section 8)

8. Provide to you, on loan, 1 copy of the GLOSSLAB Confidential Operations Manual (the "Operations Manual") or grant you temporary access to an electronic copy of the Manual. Currently, our complete Manual is available on our intranet and is made up of a series of guides and tools that we provide you with access to after you sign your franchise agreement. Exhibit E includes the table of contents for our

current Operations Manual. Our current Operations Manual has approximately 115 pages of information. (Section 9.1). We will modify and update the Operations Manual from time to time and you will be notified via email or another form of communication of such modifications and updates. (Section 9.2). The Manual, and the information contained therein, is confidential and remains our property.

### **Obligations After Opening:**

After the opening of the franchised store, we will:

1. Periodically, as we determine necessary in our sole discretion, advise you and offer you general advice and guidance on a variety of business matters, including operational methods, authorized products or services and marketing and sales strategies. (Section 14.1)

**Note: Although we believe our guidance will be helpful to your business, we do not guarantee the results of any suggestions we may offer.**

2. At our discretion, periodically visit the franchised store to advise, assist, complete store evaluations and guide you in various aspects of the operation and management of the franchised store. We may prepare written reports suggesting changes or improvements in the operations of the franchised store and detail any deficiencies that become evident as a result of a visit. If we prepare a report, we will provide you with a copy. (Section 14.2)

**Note: Although we believe our guidance will be helpful to your business, we do not guarantee the results of any suggestions we may offer.**

3. Make available to you at our discretion, operations assistance and ongoing training as we deem necessary. (Section 8)

**Note: Your location is independently owned and operated, which means you will employ a team of associates that will be your employees, not ours. While we do provide certain training, recommendations, and resources from time-to-time as part of our franchise System, the individuals who work in your franchised store are your employees, not ours, and you will have sole control over each member of your team, including control over hiring, firing, and other disciplinary decisions, scheduling and compensation.**

4. Approve forms of advertising materials you will use for local advertising, grand opening advertising and cooperative advertising, if applicable. (Section 11)

5. Provide you with the right to purchase an ongoing supply of Glosslab products, supplies, inventory, and Glosslab marketing materials. (Sections 11 and 13.2)

6. Provide you with modifications to the Confidential Operations Manual or make such modifications available to you electronically as they are made available to franchisees. Modifications and updates include e-mail network notifications and postings of material on our internal intranet. (Section 9.2)

We do not provide any additional ongoing assistance to you under the Area Development Agreement and have no further obligations to you under the Area Development Agreement. Any ongoing assistance will be provided to you under the Franchise Agreements you enter into for franchised stores in your area.

We have no binding obligation to: (i) develop new products or services to be offered by you to your customers; (ii) hire or train your employees; (iii) improve or develop the franchised business; (iv) establish prices; (v) establish or use administrative, bookkeeping, accounting, or inventory control procedures; or

(vi) resolve operating problems encountered by you in the operation of your Store. We need not provide any other assistance or services to you during the term of your Franchise Agreement.

## **Advertising and Promotion**

### Grand Opening Advertising.

As a franchisee, you must spend at least \$8,000 on grand opening advertising over the period that is two (2) months prior to commencing operations at the Franchised Store and \$16,000 the first four (4) months after commencing operations at the Franchised Store, including on print and news media, direct mail advertising, online and digital formats, or other solicitation and promotional efforts. We will provide you with guidance for conducting grand opening advertising, and we will review and approve the materials you use in your grand opening advertising. (Section 11.2).

### Local Advertising/Cooperative Advertising and Special Advertising Programs.

In addition to your grand opening advertising obligations, each franchisee is required to spend 1% of Gross Sales with a minimum of at least \$300/month on local advertising, promotions and public relations in their local area.

You will purchase Glosslab marketing materials from us or an approved supplier for use in your local advertising. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines and we will review and approve your advertisements.

Our franchise agreement also gives us the right to create cooperative advertising and special marketing programs for the benefit of all Glosslab Stores located within a particular region. We may determine the geographic territory and market areas for each cooperative advertising program and special marketing programs and may require that you participate in these cooperative advertising program or and special marketing programs established for your region. We may however establish an advertising council for franchisees in each region to self- administer these programs. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge such program(s) and/or council(s) at any time. (Section 11.4)

### National Marketing Fund.

In addition to your grand opening obligations and other advertising obligations, franchisees must contribute two percent (2%) of their gross sales to a National Marketing Fund that we created.

The marketing fund is administered by us or our affiliate, at our sole discretion. We may adjust the amount of your required contribution to the marketing fund, but it will not exceed three percent (3%) of your gross sales during your initial term. (Section 11.3).

All franchisees contribute to the marketing fund, while corporate-affiliate store locations do not We retain complete control with respect to the marketing fund, including the creative concepts and the materials and media to be used, and the placement and allocation of advertisements. We may use print, television, internet, social media, radio, or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Marketing Fund.

Marketing fund contributions may be used to meet any cost of, or reimburse us for our cost of, producing, maintaining, administering and directing consumer advertising (including the cost of preparing

and conducting television, radio, Internet, magazine, direct mail and newspaper, billboard, social media and digital advertising, other forms of out-of-home advertising and direct mail campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies; providing promotional brochures; conducting market research and testing or piloting programs, products and services (including sampling); and providing other marketing materials to franchisees). All marketing fund amounts are maintained in a separate account from our operational funds, and we will not use them for any of our general operating expenses, except for the fund's reasonable administrative costs and overhead related to the administration of the marketing fund. We will not use any contributions for the direct solicitation of franchise sales.

We expect that all contributions will be used in the fiscal year they are made, but if they are not, we will roll them over into the next year. We intend for the marketing fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the marketing fund until all contributions and earnings have been used for advertising and promotional purposes or have been returned to our franchisees on a pro rata basis.

The marketing fund has an accounting prepared each year, which is available upon request by our franchisees. We do not currently have the fund separately audited.

### Internet/Social Media

Under the Franchise Agreement, you are restricted from establishing a presence on, or marketing using, the Internet, including through social media or any mobile applications, in connection with the franchised store without our prior written consent. We have established and maintain an Internet Web site at the uniform resource locator [www.glosslab.com](http://www.glosslab.com) that provides information about the franchise System and about Glosslab Stores. We may (but we are not required to) include at the Glosslab Web site an interior page containing information about your franchised store. If we include such information on the Glosslab Web site, we have the right to require you to prepare all or a portion of the page, at your expense, using a template that we provide. All such information shall be subject to our approval prior to posting. We retain the sole right to market on the Internet, including the use of Web sites, domain names, mobile applications, social media pages, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing, and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on Web sites, mobile applications, social media pages, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the Glosslab Web site and Glosslab social media pages by franchisees. (Section 11.5)

We may in the future enter into an agreement with a third-party vendor that would provide franchisees with search engine optimization and search engine marketing services through for a negotiated fee paid directly to us.

### Computer/Telephone/Music/Point-of Sale Systems

You must purchase and use the POS system and other computer hardware and software programs and equipment that we designate. (Section 12.5). Each system is described below, and a complete detail of the hardware and software is available in our Confidential Operations Manual. All franchisees must have a high-speed Internet connection at their store.



We utilize a POS System (currently from Zenoti); this POS System is one of the components of our IT Platform that will use cloud-based technology to process and store information. Apple computers with up-to-date Mac IOS software will be leveraged for the initial deployment of the Zenoti system. Each franchisee must obtain a license from the software vendor Zenoti which will provide access to all functionality of our IT Platform and will provide franchisees with upgrades and updates. At your option, you may elect to purchase a cellular backup POS system for an additional fee charge by the vendor (approximately a \$150 monthly fee).

Franchisees will be required to purchase certain desktop and/or laptop computers, as well as tablet devices (e.g., Apple iPads and/or Microsoft Surface Pros), to conduct business at the franchised store. These computer systems allow the personnel of franchisees to access separately our IT Platform (including those aspects pertaining to training, the franchisee community, and store-level performance metrics). Franchisees will be required to purchase and utilize all computer systems, hardware, and software that we specify from time-to-time. All computer systems must have a license to utilize the required software listed in the Operations Manual and must be kept in good repair, with access to a high-speed Internet connection to provide the required computer systems access to our IT Platform without interruption or interference.

Franchisees will continue to be required to purchase a network setup consisting of any Glosslab approved equipment, router, firewalls, network switch, volume controls, network equipment rack and amp. In exchange for the Technology Service Fee (see Item 6) we provide system-wide security monitoring through a managed service provider to use our commercially reasonable efforts to protect stores from viruses, computer hackers, and other communications and computer-related problems not associated with security issues, including, but not limited to email accounts, virus protection software and other services, products, componentry or enhancements. Technology requirements are further described in our Manual and other period bulletins.

The projected costs of all required hardware and software for the POS System ranges from \$15,000 - \$20,000, including costs for optional or required maintenance, installation, updating, upgrading or support contracts. These estimated costs are included in the category of “POS System; Other Computer, Telephone, and Security Surveillance Systems; and Installation” in Your Estimated Initial Investment chart in ITEM 7.

The following additional fees apply in connection with the operation of our IT Platform:

FEE TYPE	AMOUNT	DESCRIPTION	VENDOR
Technology & Security	\$800 per month	Security and technology support and licenses for software and services used in the operation of your Glosslab Store	Us
POS	\$500 per month	Zenoti base fee, ezConnect (Zenoti Connect), and Zenoti Go (Mobile App)	Zenoti

**Note:** Fees may be subject to increase by vendors over time.

We have the right to independently access all information you collect or compile at any time without first notifying you and you may not install hardware or software designed to restrict our access. This information includes your sales information, staffing information for use with our reservation system and all other information relating to your Franchised Store that is tracked by your computer system.

You must maintain high speed internet access and must have our then-currently designated software and operating system (or any alternative operating system that Franchisor requires Franchisees to utilize in the future) and the latest IOS version installed on all required computer systems. Our current recommendation for internet speeds for a store is a min of 20+ mbps for downloads and 10+ mbps for uploads. Low speeds may significantly impact POS operations.

Franchisees will continue to be required to update or upgrade computer hardware and software, whenever we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limits on our rights to do so, except as disclosed in ITEM 16. We may charge you a reasonable fee if we or our affiliates develop or pay a third-party to develop and maintain proprietary software that we license to you. You will be required to sign certain software license and service agreements, and to pay all associated fees, for any software that we may develop, that we may pay a third party to develop, or that we may otherwise require you to procure from third parties directly.

Each franchisee may choose to have a telephone system using VOIP (Voice Over IP) with a minimum of 3 telephone lines. Some franchisees may elect to use a Lan Line, which typically increases costs. Franchisees must also purchase a music and messaging player and shelf.

Franchises are required to use the music system we designate as well as our required vendors.

### **Methods Used to Select the Location of the Franchised Store**

If you have a potential site for the franchised store, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will designate a geographic area in which you must locate the franchised store and we will furnish you with our general site selection criteria. Not all geographic areas may be available for development.

You are solely responsible for obtaining a site that meets our standards and criteria and that is acceptable to us. (Sections 2.3 and 5)

The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics and population density of the surrounding area, proximity to other Glosslab Stores, proximity to competitive businesses, lease requirements, traffic, visibility, ease of access, available parking and overall suitability.

We will provide you with written notice of our approval or disapproval of any proposed site within a reasonable time (usually 30 days) after receiving all requested information. If you and we cannot agree on a suitable site for the franchised store within 120 days after you sign the Franchise Agreement, we have the right to terminate the Franchise Agreement. You may not relocate the franchised store without our consent. (Section 5.2)

The Area Development Agreement requires you to complete your development obligations by the required opening date for each Franchised Store that we insert in the Area Development Agreement before you sign it. You must sign a separate Franchise Agreement, a lease for the specified Glosslab Store in the Franchise Agreement and open your Glosslab Store on or before the required opening dates specified in your Area Development Agreement. If you cannot find an acceptable site, the development fee for that franchise site is non-refundable.

Other regions may provide set trade areas for site selection or utilize other protocols, policies or procedures throughout the site selection process. You should ask us which you may be in contact with about the protocols, policies, or procedures for designating sites for your region.

### **Typical Length of Time Before Operation**

The average length to open a location is between 6-10 months. Assuming you are able to secure a location within 120 days of signing the franchise agreement, you should be able to open your Glosslab Store

within 6-7 months. In addition to being able to locate a site that meets our approval for the Glosslab brand, factors that may affect your development include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. (Section 5).

## **Training Program**

We provide you an initial Brand Immersion and Core Training program that covers material aspects of the operation of the franchised Store; provided that, we reserve the right to require multi-unit operators of Glosslab Stores to provide their own initial training program. Separate from initial training, we may, at our sole discretion provide to you on-site opening assistance at your Glosslab Store. The topics covered are listed in the chart below.

Franchise training is currently provided in two parts. Part 1, Brand Immersion, is made available shortly after you sign your franchise agreement and is provided in-person at your Glosslab Store, at any corporate-owned or Franchised Store we designate, or virtually via video conference. Generally, training for new franchisees is offered quarterly.

Part 2, Core Training is typically provided after your site has been approved. Part 2 is now available in an on-demand, eLearning setting, during which franchisees will complete self-led eLearning sessions when they reach certain milestones during the development process. The sessions must be completed prior to obtaining location launch approval. At least one Equity Owner listed on the franchise agreement (Typically the Franchisee Designated Representative), and the Store Manager must complete both parts of the training.

We may designate alternate locations from time to time.

Your franchised Store must be under the day-to-day supervision of a Store manager who has satisfactorily completed our training program. You must therefore designate a manager for the franchised Store and your Store manager must attend and successfully complete the Brand Immersion and Core Training program for managers to our satisfaction before you begin operating. The current management program is a 45-day program. The training schedule consists of a series of on-demand, self-led eLearning training sessions with on-the-job practical applications. Your Store manager must complete the Brand Immersion and Core Training program (0-30 days) no later than 7 days prior to commencing operations. If you replace your Store manager, the replacement Store manager must complete this initial training program within 30 days of assuming the duties of the Store manager.

After completion of Franchisee training and Manager training, and when your Store is ready to launch, at our sole discretion, we may then provide launch training at your franchise location generally over a 6-day period, for an additional cost as listed in ITEM 6 – “Launch Support Training”.

We expect that your attendees of our training programs will advance through the training programs at different rates depending on a variety of factors, including background and experience. The time frames provided in the chart are an estimate of the time it will take to complete training.

We may, in our sole discretion, permit other people within your organization to attend training. We do not charge for the standard initial training provided all trainees are trained simultaneously for your first location launch, but you are responsible for all costs associated with all those you have attend the training. We reserve the right to charge you an additional training fee for additional training programs or, if at your request, we provide training to your trainees at different times. You must pay for all travel costs and living expenses for yourself and any of your attendees. These costs are estimated in ITEM 7. Your costs will increase should you elect to have additional people attend the training.

## TRAINING PROGRAM

### FRANCHISEE TRAINING (Equity Owner Training)

Subject	Hours of Classroom Training (Approximates)	Hours of on-the- Job Training (Approximates)	Location	Required Attendees
<b>Part 1 – Brand Immersion</b> <ul style="list-style-type: none"> <li>• Intranet Basics</li> <li>• About Glosslab</li> <li>• Marketing at Glosslab</li> <li>• Finance at Glosslab</li> <li>• Operations at Glosslab</li> <li>• People at Glosslab</li> </ul>	8 Hours		Any affiliate-owned or Franchised Glosslab Store we designate, or virtually via video conference.	At least 1 Equity Owner listed on the franchise agreement (Typically the Franchisee Designated Representative).
<b>Part 2 – Core Training</b> <ul style="list-style-type: none"> <li>• Finance Basics -</li> <li>• Key Business Drivers -</li> <li>• Understanding your Market</li> <li>• Sourcing, Recruiting, Interviewing</li> <li>• Onboarding &amp; Training</li> <li>• Zenoti Basics</li> <li>• Inventory Basics</li> <li>• Scheduling Basics</li> <li>• Key Reports</li> <li>• Coaching &amp; Developing</li> <li>• Forecasting Inventory</li> </ul>	11 Hours		Any affiliate-owned or Franchised Glosslab Store we designate, or virtually via video conference.	At least 1 Equity Owner listed on the franchise agreement.

### LEADERSHIP CURRICULUM (Store Manager Training)

Subject	Hours of Classroom Training (Approximates)	Hours of on-the- Job Training (Approximates)	Location	Required Attendees
<b>Day 1: Brand Immersion</b> <ul style="list-style-type: none"> <li>• Manager: Welcome</li> <li>• Managing a Glosslab</li> <li>• Glosslab History, Vision, and Values</li> <li>• Zenoti Basics</li> </ul>	4 Hours		Any affiliate-owned or Franchised Glosslab Store we designate, or virtually via video conference.	Store Managers
<b>Day 2 – 15: Core Training</b> <ul style="list-style-type: none"> <li>• Foundations of Leadership</li> <li>• Glosslab Inventory Training</li> <li>• Zenoti Training– POS Training</li> </ul>	27 Hours		Any affiliate-owned or Franchised Glosslab Store we designate, or virtually via video conference.	Store Managers

<ul style="list-style-type: none"> <li>• Client Experience</li> <li>• Key Business Drivers -</li> <li>• Scheduling Basics</li> <li>• Performance Management</li> <li>• Intro to Glosslab's Performance Matrix</li> </ul>				
<b>Day 16 – 30: Core Training</b> <ul style="list-style-type: none"> <li>• Communication Basics</li> <li>• Zenoti Reports</li> <li>• KPI Opportunities &amp; Root Cause Analysis</li> <li>• Understanding Your Business Trends</li> <li>• Scheduling Guidelines</li> </ul>	6 Hours		Any affiliate-owned or Franchised Glosslab Store we designate, or virtually via video conference.	Store Managers
<b>Day 31 – 45: Core Training</b> <ul style="list-style-type: none"> <li>• Communicating Professionally</li> <li>• Managing Conflict</li> <li>• Managing &amp; Juggling Shifting Priorities</li> <li>• People Respect What You Inspect (Accountability)</li> </ul>	7 Hours		Any affiliate-owned or Franchised Glosslab Store we designate, or virtually via video conference.	Store Managers

You will be required to hire and train additional personnel to operate the franchised business, including nail technicians and guest services personnel. We, our affiliates, or our designees will provide training assistance for your first location and subsequent locations as outlined above. Other than the training we agree to provide, you will be responsible for training your own staff.

Our teaching of these subjects in integrated and multiple topics are simultaneously taught during our training. Individuals instructing the training program will vary, but all of our instructors will have significant and relevant experience in the subject matter they teach. Our current instructors for our initial training program are listed in the chart below:

### TRAINING INSTRUCTORS

Instructor	Subjects Taught	Experience in the Field* (Years)	Experience with Franchisor/Affiliate* (Years)
<b>Shannon O'Malley</b>	Services Training Sales Techniques Customer Service Training Brand and Product Knowledge	9 years	5 years
<b>Michael Marrone</b>	Services Training	3 years	4 months

	Sales Techniques		
	Customer Experience and Service Training		
	Brand Standards and Product Knowledge		

\*Includes only experience relevant to the subjects taught and the Franchisor’s operations.

Certain training may be conducted by us, our affiliates, or our designees in your protected territory. We may provide a substitute or additional trainers to provide training to you. There are no limits on our right to assign a substitute trainer to provide training.

Periodically, we may require that previously trained and experienced franchisees, their managers, and/or employees attend refresher-training programs to be conducted at a location we designate. Attendance at these training programs will be at your sole expense (Section 8.6).

We try to limit any additional refresher-training programs to webcasts, teleconferences, video conferences and other means that do not require travel or attendance in person. These periodic webcasts, teleconferences and video conferences may be conducted on a local, regional or national level and we may require you to attend these meetings.

We may modify training components or requirements in our discretion based on changes to the market conditions or other circumstances applicable to the operation of your location. We may also adapt any training program or create special training programs based on the needs of a particular franchisee or its personnel. In addition to our training program, we may provide other educational opportunities and extra-curricular programs to you and your staff, which may be voluntary or required and may carry separate fees.

Our current fees for additional training and educational opportunities are described in ITEM 6. You are responsible for all travel costs, room and board and employees’ salaries incurred in connection with training.

**ITEM 12. TERRITORY**

Franchise Agreement

You will operate your Glosslab Store franchise from a single location that we approve. In reviewing proposed sites, we consider a number of factors, including the condition of the premises, demographics and population density of the surrounding area, proximity to other Glosslab Stores and other competitive businesses, presence of anchor locations, lease requirements, visibility, ease of access, traffic count, size, appearance, available parking and overall suitability. You must receive our permission before relocating. If you can no longer use the location due to circumstances beyond your control or fault, including destruction of the premises, you may be allowed to relocate, however, we will consider similar criteria for any proposed new location for your franchise.

Your ability to locate a site may also be impacted by other factors including the number of other franchisees looking for a site for their franchised store within your region and other physical and commercial characteristics of the region. Because protected territories are not determined until a franchisee has located an approved site, there will likely be other franchisees within your region looking for a site at the same time as you.

Once you secure a site approved by us, we will grant you a right to a protected territory (called a “protected territory”). The protected territory will be described and depicted in a map attached to the Franchise Agreement if your site is known at the time of signing. If your site is not known at the time of signing, your protected territory will be attached to the Franchise Agreement at the time your site is determined. We determine the boundaries of the area based on a variety of factors, including population, density, daily influx of core customers (for work, tourism or other reasons), traffic, median population age, proximity to competitors, proximity to other franchisees and natural, physical or political boundaries. Generally, there is no minimum or maximum size for a protected territory because the size of the protected territory varies based on these factors, and we do not guarantee a protected territory of any specific size or shape. However, we do have areas that may have minimum and/or maximum sizes for protected territories, which we determined applying the above factors. Generally, a protected territory has a radius of 2 ½ miles, but your protected territory may be less than 2 ½ miles in radius and may not be in the shape of a circle.

The protected territory is not dependent upon achievement of a specific sales volume, market penetration or any other contingency. Provided you materially comply with the terms and conditions of the franchise agreement, there are no circumstances that permit us to modify your protected territory during the term of your franchise agreement.

You will not receive an exclusive territory. Your territory will be protected in that, we will not establish any new Glosslab Store franchises within your protected 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. We reserve the right to acquire, or be acquired by, one or more existing businesses or chains that may sell competitive or identical goods or services (whether through company locations, licenses or franchises). If we acquire an existing competitive business, the acquired business’s locations may be converted into Glosslab Stores operating under the Marks regardless of their location, including within your protected territory. If it were to be converted to a Glosslab Store, we will give you the first chance to buy the location before we look to sell on the open market. Alternatively, we may elect to have the existing businesses operate under different trademarks, including within your protected territory. Similarly, if we are acquired by a competitive business, the acquiring business’s locations may be located and operate within your territory, regardless of whether they operate under the Marks or under different trademarks.

From time to time, we may grant franchise groups who acquire multiple franchise licenses intended for a specific area, area protection rights to allow them to develop their multiple licenses within the defined area. We base these determinations on a number of factors, including the size of the prescribed area, the number of licenses being developed and other factors we deem important, and also reserve the right to extend these rights based on similar factors.

From time to time, we may grant existing franchisees additional rights of first refusal to specific areas again based on circumstances we deem important, including proximity to their existing locations. You may ask us which you may be in contact with about any areas that may be protected.

We have established and maintain a permanent online store at [www.glosslab.com](http://www.glosslab.com), through which we offer and sell products directly to customers. Our e-commerce activities may compete with your franchised Store. We reserve the right to modify, cancel or discontinue this program at any time in our sole discretion.

We also reserve the right to establish alternate channels of distribution for the sale of Glosslab products, including additional Internet sales, telemarketing, or other direct marketing sales. These activities may compete with your franchised store. There is no requirement that we compensate you for any sales made in your area through an alternate channel of distribution. You may not use any alternate channels of distribution for your franchise, including Internet sales, telemarketing, mobile units or other direct marketing sales, without our approval.

We also reserve the exclusive right to advertise the franchise System on the Internet, including through social media and through mobile applications.

If you choose to sell the franchised store, you must first give us notice as stated in the Franchise Agreement so we may decide whether we want to purchase the franchised store from you. You do not receive the right to acquire additional franchises in your protected territory. You must meet our qualifications for new franchisees to qualify for consideration for an additional franchise location.

There are no geographic restrictions on soliciting customers or advertising for customers outside of your protected territory, except that you may not advertise on the Internet, including through the use of social media, without our consent and, unless you are advertising cooperatively with another franchisee, you may not advertise in any media primarily circulated within another franchisee's protected territory. However, we do reserve the right to approve all promotional activities and we do evaluate how your target audience may impact other locations within your area. You are not restricted from selling any products or services to customers based on where they work or live. If we request, you must combine advertising with other franchises that are located in the market targeted by the advertising.

Our franchise system includes a clearing house process that we control where amounts received for gift cards are applied to the location where the gift cards are redeemed as opposed to where they may have been purchased. For example, a prescribed amount of each gift card purchased at Location A but redeemed at Location B will be credited to Location B through the clearing house process.

#### Area Development Agreement

If you enter into an Area Development Agreement with us, we will grant you a right to develop Franchised Stores in a mutually agreed upon geographic area (the "Development Territory"). The Development Territory will be described in a schedule attached to the Area Development Agreement. The size of a Development Territory may range from a portion or all of a city, county, metropolitan area or marketing area based on a variety of factors, including population, density, traffic, median population age, proximity to competitors, proximity to other franchisees and natural, physical or political boundaries. Generally, there is no minimum or maximum size for a Development Territory because the size of the Development Territory varies based on these factors.

Your Development Territory will be protected in that, we will not establish any new Glosslab Store franchises within your Development Territory. However, 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. We reserve the right to acquire, or be acquired by, one or more existing businesses or chains that may sell competitive or identical goods or services (whether through company locations, licenses or franchises). If we acquire an existing competitive business, the acquired business's locations may be converted into Glosslab Stores operating under Marks regardless of their location, including within your Development Territory. If this were to happen, we would give the first chance to buy the location before we look to sell on the open market. Alternatively, we may allow the existing businesses to operate under different trademarks, including within your Development Territory. Similarly, if we are acquired by a competitive business, the acquiring business's locations may be located and operate within your Development Territory, regardless of whether they operate under the Marks or under different trademarks.

Each Franchised Store you are obligated to develop under your Area Development Agreement is to be located at a location within your Development Territory that has been approved by us. You will sign a Franchise Agreement for each Franchised Store. When you sign the Franchise Agreement, we will grant



you a protected territory as further described below under the heading “Franchise Agreement.” We will determine or approve the location of each Glosslab Store and any protected territories for those Stores in accordance with our then-current standards for sites and territories.


The continuation of the Area Development Agreement protected territory is dependent on your compliance with the terms of the Area Development Agreement, including the Development Schedule. If you default on the terms of the Area Development Agreement, we may, in addition to our other available remedies, terminate the Area Development Agreement; modify, reduce and/or accelerate the Development Schedule; or terminate, modify and/or reduce the Development Territory, without your consent.




**ITEM 13. TRADEMARKS**

You receive the right to operate your Store under the name “GLOSSLAB®” which is the primary Mark used to identify our franchise System. You may also use any other current or future Mark to operate your franchised store that we designate in writing, including the logo on the front of this Disclosure Document and the trademarks listed below. By “Marks” we mean the trade names, trademarks, service marks and logos used to identify Glosslab Stores and our products and services.

Our right to use and license others to use the Marks is exercised pursuant to a ninety-nine (99) year intellectual property license agreement with our affiliate, Glosslab IP, LLC (the “IP Agreement”), which began on May 11, 2023 and if not renewed, ends on May 11, 2122. The IP Agreement can be terminated upon thirty days’ notice for a material breach. Under the IP Agreement, we are granted the right to use and to permit others to use the Marks. We have the right to license the use of the registered trademark GLOSSLAB® to you for the term of the Franchise Agreement, including any extensions or renewals.

As of the date of this Disclosure Document, subject to any applications which may remain pending as of the issuance date of this Disclosure Document, we have a registration on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”) for the following principal Marks:

<b>MARK</b>	<b>REGISTRATION NUMBER</b>	<b>REGISTRATION DATE</b>
GLOSSLAB	6064452	05/26/2020
	6064469	05/26/2020
GLOSSLAB	6551622	11/09/2021
GLOSSLAB	Pending: U.S. Serial No. 90869015	Filing Date: 08/06/2021

	Pending: U.S. Serial No. 90899735	Filing Date: 08/24/2021
	Pending: U.S. Serial No. 90899748	Filing Date: 08/24/2021
	Pending: U.S. Serial No. 90899742	Filing Date: 08/24/2021

We do not have a federal registration for four of our principal trademarks. Therefore, those trademarks do not have many legal benefits and rights as a federally registered trademark. If our rights to use those trademarks are challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are currently no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any state or any court; pending infringement, opposition or cancellation; or pending material litigation involving any our principal Marks.

To our knowledge, there are no infringing uses and there are no prior superior uses actually known to us that could materially affect the use of principal Marks in any state in which a Glosslab Store may be located.

There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

All required affidavits and renewals have been filed.

You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your franchised store. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the franchised store. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized products or services or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement

or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

While we are not required to defend you against a third-party claim against your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you may have to add or replace equipment, signs and fixtures, and you may have to make other modifications as we designate as necessary to adapt your franchise store for the new or modified Marks. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site or Web site using any domain name containing the words GLOSSLAB or any variation of GLOSSLAB without our prior written consent.

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

We claim copyrights in the Manual, marketing materials, training materials and other copyrightable items that are part of the franchise System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating your franchised store and you must stop using them if we direct you to do so.

To our knowledge, there are currently no effective determinations of the U.S. Copyright Office or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed trade secrets and other confidential information, including our proprietary nail, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Glosslab Store. We will provide our trade secrets and other confidential information to you during training, in the Manual and as a result of the assistance we furnish you during the term. You may only use the trade secrets and other confidential information for the purpose of operating your franchised store. You may only divulge trade secrets and other confidential information to employees who must have access to it in order to operate the franchised store. You are responsible for enforcing the confidentiality provisions as to your employees.

Those that receive access to trade secrets or other confidential information, including shareholders, officers, directors, partners, members may be required to sign nondisclosure and/or non-competition agreements in a form prepared by and acceptable to us.

At this time, there are no patents that are material to the franchise system. We do not own rights in or to any patents that are material to the franchise business. You do not receive the right to use any patents from us.

All ideas, concepts, techniques or materials concerning the franchised store, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the franchise System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will make available to you concepts and developments of other franchisees that we make part of the franchise System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of our Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in termination of the Franchise Agreement. Further information about termination of the Franchise Agreement is included in ITEM 17.

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

The franchised store must always be under the direct, full-time, and daily supervision of a full-time dedicated store manager. If you are an individual, we may require you to be the store manager of the franchise. If we require you to be the store manager, you must request our consent to select another individual to replace you as the store manager. If you are a corporation or other business entity, you will select a store manager for the franchise. The store manager must attend and satisfactorily complete our initial training program before opening the franchised store. You must keep us informed at all times of the identity of your store manager. If you must replace the store manager, your replacement must attend and satisfactorily complete our initial training program. We do not require that a store manager own any required interest in your franchisee business entity. If you fail to have a store manager, we have the right to provide a store manager at your cost and expense.

As described in ITEM 14, your owners, officers, directors, partners, members, managers, executives, employees and staff, and other individuals having access to trade secrets or other confidential information must sign nondisclosure and/or non-competition agreements in a form prepared by and acceptable to us in a form the same as or similar to the non-disclosure agreements attached to the Franchise Agreement. We are an intended beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone who owns a 5% or greater interest in your entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement. Each such holder's spouse will be required to sign the Unlimited Guaranty and Assumption of Obligations as well to bind such spouse's interest in jointly held property, if any, held by the equity holder.

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

Unless we are limited by applicable law, you must offer each of the retail services and products we specify. You may not sell any services or products that we have not authorized and you must discontinue offering any services, products or programs that we disapprove. We may take action, including terminating your franchised store if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized products or services. There are no limits on our right to do so, except we will act reasonably in implementing these changes. As permitted by applicable laws, we may set the price for the products and services you sell. If we set the price for the products and services you sell, you must comply with these minimum and maximum prices for these products and services.

On a case-by-case basis, we may allow you or other Glosslab Store franchisees to offer additional services, products or programs that are not otherwise part of the franchise System. We will, in our sole discretion, decide which franchisees can offer additional services and products based on test marketing, the franchisee's qualifications and operational history, differences in regional or local markets and other factors.

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

**THE FRANCHISE RELATIONSHIP**

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document. You should refer to your state's specific addenda attached to this Disclosure Document for exceptions to this ITEM 17.

**Franchise Agreement**

Provision	Section In Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 4.1 and Definitions (Section 1)	The initial term is 10 years from opening or the 1-year anniversary of signing, whichever occurs earlier.
b. Renewal or extension of the term	Section 4.2	You may renew for 1 additional successive term of 10 years. We may refuse to renew the term of your Franchise Agreement if you fail to meet all applicable conditions.
c. Requirements for franchisee to renew or extend	Section 4.2	<p>You may acquire a successor franchise if you pay us the required renewal fee of \$5,000 for your license.</p> <p>In addition to the renewal fee, you:</p> <ul style="list-style-type: none"> <li>• must have complied with the material provisions of the Franchise Agreement;</li> <li>• must have the right to maintain possession of the approved location or an approved substitute location for the term of the renewal;</li> <li>• must have made capital expenditures as necessary to maintain uniformity with the franchise System;</li> <li>• must have satisfied all monetary obligations owed to us;</li> <li>• are not currently in default of any provision of the Franchise Agreement or any other agreement between you and us and have not been in default more than twice during the term;</li> <li>• have given timely written notice of your intent to renew;</li> <li>• complied with our then-current qualifications for new franchisees, including training requirements; and</li> </ul>

		<ul style="list-style-type: none"> <li>• sign the General Release attached to the Franchise Agreement (if permitted under applicable law).</li> </ul> <p>If you seek to renew your Franchise Agreement at the expiration of the initial term, you must also sign our then-current form of Franchise Agreement which may materially differ from the terms and conditions of your original Franchise Agreement, such as different fee requirements.</p> <p>If you fail to timely complete the requirements to renew your franchise, we may provide you an additional period to address required conditions for renewal. During this “cure period”, these franchisees may pay additional royalties and marketing fund contributions. See ITEM 6, Notes A and B.</p>
d. Termination by franchisee	Section 16.1	You may terminate the Franchise Agreement if you are not currently in material breach of the Franchise Agreement or any other agreement between us and we materially breach the Franchise Agreement and fail to cure such breach within forty-five (45) days (or such other reasonable time if additional time is required to cure such breach) after written notice is delivered to us.
e. Termination by franchisor without cause	None	The Franchise Agreement does not allow us to terminate without cause.
f. Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you are in default. If we terminate the term following a default, your interest in the franchise will terminate.
g. “Cause” defined-curable defaults	Section 16.2	<p>If a default arises from your failure to</p> <ul style="list-style-type: none"> <li>• comply with a term or condition in the Franchise Agreement, or any mandatory specification the Manual, or otherwise provided in writing, you can avoid termination of the term of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default.</li> <li>• if a default arises from your failure to have any owner, manager or other required person sign the form non-disclosure and/or non-competition agreement, as the case may be, you can avoid termination of the term of the Franchise Agreement if you cure the default within 5 days of receiving our notice of your failure to obtain a signed agreement.</li> <li>• if a default arises from your failure to maintain insurance, you can avoid termination of the term of the Franchise Agreement if you cure the default within 10</li> </ul>

		<p>days of receiving our notice of your failure to maintain insurance.</p> <ul style="list-style-type: none"> <li>● if a default arises from your failure to make payments due to us, you can avoid termination of the term of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default.</li> </ul> <p>If we terminate the Franchise Agreement, your interest in the franchise will terminate.</p>
<p>h. “Cause” defined- non- curable defaults</p>	<p>Section 16.2</p>	<p>We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you or your principals, employees, agents or other representatives:</p> <ul style="list-style-type: none"> <li>● fail to timely select an approved site for or establish and equip the franchised store; fail to satisfactorily complete or take steps to complete training;</li> <li>● made a material misrepresentation or omission in the application for the franchise;</li> <li>● are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the franchised store;</li> <li>● after notices to cure, fail to refrain from activities, behavior or conduct likely to adversely affect the reputation of either of us or the franchised store;</li> <li>● use the Manual, trade secrets or other confidential information in an unauthorized manner;</li> <li>● breach covenants against competition;</li> <li>● abandon the franchised store for 5 consecutive days;</li> <li>● surrender or transfer of control of franchised store in an unauthorized manner;</li> <li>● fail to maintain the franchised store under the supervision of a store manager if you die or become disabled;</li> <li>● submit reports on 2 or more separate occasions understating any amounts due by more than 3%;</li> <li>● are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors;</li> <li>● misuse or make unauthorized use of the Marks;</li> <li>● fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate;</li> <li>● continue to breach any health, safety or other laws or conducts the franchised store in a manner creating a health or safety hazard;</li> </ul>



		<ul style="list-style-type: none"> <li>● fail to comply with any applicable law or regulation within 10 days of receiving notice of that failure;</li> <li>● repeatedly breach the Franchise Agreement or fail to comply with our mandatory specifications;</li> <li>● default under any other agreement between you and us (or our affiliate) such that we (or our affiliate) have the right to terminate the agreement or the agreement terminates;</li> <li>● default under your lease agreement for your franchise location, such that lessor has the right to terminate your lease agreement or the lease agreement terminates;</li> <li>● repeatedly fail to comply with good business practices with respect to operations;</li> <li>● submit a false statement to us confirming your compliance with all Approved Incentive Packages and Memberships, the Franchise Agreement or any other System specification or requirement any time during the term or to submit such statements when required;</li> <li>● if you or any of your officers, members, managers, directors, equity holders or controlling owners are designated as a Specially Designated National or Blocked Person;</li> <li>● if you discriminate in the conduct and operation of the franchised Store against any person or group of persons in violation of the franchise agreement; or</li> <li>● you otherwise engage in any activity exclusively reserved to us.</li> <li>● Three or more instances of a breach or failure is considered a “repeated” non-curable breach.</li> </ul>
<p>i. Franchisee’s obligations on termination/non-renewal</p>	<p>Section 17.1</p>	<p>If the term of the Franchise Agreement is terminated or not renewed, you must:</p> <ul style="list-style-type: none"> <li>● stop operating the franchised store;</li> <li>● stop using any Glosslab technology, Trade Secrets, other Confidential Information, the franchise System and the Marks;</li> <li>● if requested, assign your interest in the franchise location to us;</li> <li>● cancel or assign to us any assumed names;</li> <li>● pay all sums owed to us including outstanding liabilities for unredeemed gift cards, pre-paid packages, damages and costs incurred in enforcing the termination provisions of the Franchise</li> </ul>

		<ul style="list-style-type: none"> <li>• Agreement and if applicable unpaid royalty fees and lost future royalties;</li> <li>• return the Manual provided to you on loan and destroy all copies of the portions of the Manual made and obtained from any electronic version of the Manual we make available to you, trade secrets and all other confidential information and destroy all access codes to obtain the manual electronically;</li> <li>• stop using and assign your telephone and facsimile numbers and social media accounts to us; and</li> <li>• comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.</li> </ul>
j. Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee-definition	Sections 18.2 and 18.3	"Transfer" includes any sale, assignment, conveyance, gift, transfer or other encumbrance of the Franchise Agreement, an ownership interest in you, the location used in operating the Franchised Store or your operating assets, or any separation of the business or integration with another business.
l. Franchisor's approval of transfer by franchisee	Sections 18.2 and 18.3	You may not transfer, directly or indirectly, your interest in the Franchise Agreement or the franchise business or its operating assets or location, nor may your principal owners transfer their interest in You without our prior written consent which we agree not to unreasonably withhold.
m. Conditions for franchisor's approval of transfer	Sections 18.2, 18.3, 18.4	<p>We have the right to approve all proposed transfers or other encumbrances.</p> <p>You must submit a request to us along with a \$1,000 non-refundable processing fee, along with financial statements, business experience and other information we may request about the proposed transferee.</p> <p>We will consent to a transfer if:</p> <ul style="list-style-type: none"> <li>• we have not exercised our right of first refusal;</li> <li>• all obligations owed to us are paid;</li> <li>• you and the transferee have signed the General Release attached to the Franchise Agreement (unless not permitted under applicable law);</li> <li>• the prospective transferee meets our business and financial standards;</li> </ul>

		<ul style="list-style-type: none"> <li>● the transferee signs the then-current Franchise Agreement or takes assignment of the current Franchise Agreement, as we determine;</li> <li>● you provide us with a copy of all contracts and agreements related to the transfer;</li> <li>● you or the transferee pay a transfer fee of; \$10,000 for the first store transferred</li> <li>● and \$5,000 for each additional store or license transferred if they occur in a single transaction.</li> <li>● you or the transferee provide us with its organizational documents if it is an entity documenting restrictions on transfer and ensuring ownership is held subject to the franchise agreement;</li> <li>● if the transferee is an entity, it is in good standing with its state of formation;</li> <li>● the transferee or the 5% or greater owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement;</li> <li>● the transferee has obtained all necessary consents and approvals of third parties;</li> <li>● you or all of your equity owners have signed the Nondisclosure and Non-Competition Agreement in a form the same or similar to the version attached to the Franchise Agreement;</li> <li>● the transferee has identified a designated franchisee representative;</li> <li>● the transferee has provided a certificate identifying its ownership and management; and</li> <li>● the transferee has agreed that its store manager will complete the initial training program before assuming management of the franchised store.</li> <li>● We provide similar requirements on transfers to controlled entities that are similar in nature, with exceptions given the affiliation (See Section 18.3). We may waive requirements on transfer requests in our discretion.</li> </ul>
<p>n. Franchisor’s right of first refusal to acquire franchisee’s franchised store</p>	<p>Section 19</p>	<p>We may match an offer for your franchised store or an ownership interest you propose to sell other than certain related party transfers.</p>

o. Franchisor's option to purchase franchisee's franchised store	Section 17.3	Except as described in (n) above, we do not have the right to purchase your franchised store; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the franchised store for fair market value.
p. Death or disability of franchisee	Section 18.7	Following the death or incapacity of an owner of the franchised store or the death or incapacity of any holder of a legal or beneficial interest in the franchised store, your or his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchised store within 90 days of death or incapacity, which we may extend if reasonable up to 270 days, or we may terminate the term.
q. Non-competition covenants during the term of the franchise	Section 7.3	<p>You, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff may not, either directly or indirectly, (i) divert to attempt to divert any business or customer of any Glosslab; (ii) perform any other act injurious or prejudicial to the goodwill associated with the Marks or the franchise System; (iii) carry on, be engaged in or take part in, render services to, or own or share in the earnings of any competitive business; or (iv) solicit or attempt to induce or influence any employee, customer or other business associate to compete against, or terminate or modify his, her or its employment or business relationship with us or other Glosslab; however you and your owners may hire any person that responds to general public solicitations made in the ordinary course of business.</p> <p>We have the right to require specified individuals to enter into nondisclosure, non-solicitation and/or non-competition agreements in a form prepared by and acceptable to us including these restrictions.</p>
r. Non-competition covenants after the franchise is terminated or expires	Sections 7.3 and 17.2	<p>Similar restrictions apply as those during the term for a period of up to 2 years after the termination or expiration of the Franchise Agreement, except our non-compete is limited to your protected territory or within 50 miles of any other Glosslab. You may not at any time after the termination or expiration of the Agreement use any of our confidential information, trade secrets Manual, the Marks or the franchise System.</p> <p>We have the right to require specified individuals to enter into nondisclosure, non-solicitation and/or non-competition agreements in a form prepared by and acceptable to us including these restrictions.</p>

s. Modification of the agreement	Sections 9.2 and 22.6	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Manual without your consent to reflect changes in the franchise system specifications, standards, operating procedures, and rules.
t. Integration/merger clause	Section 22.6	<p>Only the terms of the Franchise Agreement are binding, unless state law requires otherwise. The Franchise Agreement clearly states that nothing in the Franchise Agreement is intended to disclaim any representations we make to you in this Disclosure Document. Any representations or promises outside the disclosure document and Franchise Agreement may not be enforceable.</p> <p>However, if the Franchise Agreement is signed as part of a transfer of an existing franchise agreement or as a renewal of an existing Franchise Agreement, any other transfer or renewal documents or other agreements, as the case may be, signed that set forth terms applicable to such transfer or renewal survive and are to be construed together with, and incorporated into the Franchise Agreement.</p>
u. Dispute resolution by arbitration or mediation	Sections 23.7 and 23.8	<p>Except for claims relating to the Marks, trade secrets or other confidential information, and claims for injunctive relief, all disputes must be mediated in Miami-Dade County, Florida unless state law requires otherwise. If a resolution cannot be reached through mediation, then the dispute shall be arbitrated in Miami-Dade County, Florida.</p> <p>Claims must be brought on an individual basis, rather than by class action.</p>
v. Choice of forum	Sections 23.2, 23.7, and 23.8	Subject to certain state laws, which can be found in the state addendums attached to this Disclosure Document, any litigation must be pursued in courts located in Miami-Dade County, Florida. Mediation and arbitration must be pursued in Miami-Dade County, Florida.
w. Choice of law	Section 23.1	<p>Subject to certain state laws, which can be found in the state addendums attached to this Disclosure Document, Florida law applies, except for disputes involving the Marks, which are be governed by the Lanham Act, 15 U.S.C. Sec. 1051 et seq., and disputes over copyrights, which are governed by federal copyright laws of the United States.</p>

### Area Development Agreement

Provision	Section In Area Development Agreement	Summary
a. Length of the franchise term	Section 4.1 and Definitions (Section 1)	The Area Development Agreement term expires on (i) the opening of the last Franchised Store to be developed under the Area Development Agreement or (ii) the last required opening date on the schedule for developing Franchised Stores, whichever occurs earlier.
b. Renewal or extension of the term	Section 4.2	If you wish to renew development rights for the same Development Territory, you must send us written notice within six months before the expiration of the Area Development Agreement. We will then reassess the potential of the Development Territory for further development. If we conclude that there is potential for additional Franchised Stores(s) to be opened within the Development Territory over and above the Stores to be developed under the current term of the Area Development Agreement, and additional Glosslab Store(s) developed or under development, if any, then we will offer you, if you qualify, the first opportunity to enter into a new Area Development Agreement, on our then-current form for the same Development Territory.
c. Requirements for franchisee to renew or extend	Section 4.2	You, and any entities or individuals operating Franchised Stores developed by you must: (1) be in compliance with all agreements with us and our affiliates; (2) meet our then-current criteria to develop additional Franchised Store(s); (3) meet our then-current organizational and financial requirements to develop additional Franchised Store(s); (4) have timely, and without extension, opened all Franchised Stores required to be developed under the Area Development Agreement; and (5) you must sign (i) our then-current form of area development agreement and related agreements for Glosslab Store(s) developed under the Agreement, and (ii) the General Release attached to the Area Development Agreement (if permitted under applicable law). The terms, conditions and fees under any successor area development agreement, and any other franchise document, may be substantially different from your original Area Development Agreement and may contain higher fees and terms less favorable to you.
d. Termination by franchisee	Section 8.1	You may terminate the Area Development Agreement if you are not currently in material breach of the Area Development Agreement or any other agreement between us and we materially breach the Area Development Agreement and fail to cure such breach within forty-five (45) days (or such other reasonable time if additional time is required to cure such breach) after written notice is delivered to us.

e. Termination by franchisor without cause	None	The Area Development Agreement does not allow us to terminate without cause.
f. Termination by franchisor with cause	Section 8.2	We may terminate the Area Development Agreement only if you are in default. If we terminate the term following a default, your interest in the development rights will terminate.
g. “Cause” defined-curable defaults	Section 8.2	<p>If a default arises from your failure to</p> <ul style="list-style-type: none"> <li>• comply with a term or condition in the Area Development Agreement, you can avoid termination of the term of the Area Development Agreement if you cure the default within 30</li> <li>• days of receiving our notice of default.</li> <li>• if a default arises from your failure to have any owner, manager or other required person sign the form non-disclosure and/or non-competition agreement, as the case may be, you can avoid termination of the term of the Area Development Agreement if you cure the default within 5 days of receiving our notice of your failure to obtain a signed agreement.</li> <li>• if a default arises from your failure to make payments due to us, you can avoid termination of the term of the Area Development Agreement if you cure the default within 5 days of receiving our notice of default.</li> <li>• If we terminate the Area Development Agreement, your interest in the development rights will terminate.</li> </ul>
h. “Cause” defined-non-curable defaults	Section 8.2	<p>We have the right to terminate the Area Development Agreement without giving you an opportunity to cure if you or your principals, employees, agents or other representatives:</p> <ul style="list-style-type: none"> <li>• fail to meet or satisfy any timing requirement or deadline contained in the Development Schedule;</li> <li>• made a material misrepresentation or omission in the application for the franchise;</li> <li>• are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the franchised stores;</li> <li>• after notices to cure, fail to refrain from activities, behavior or conduct likely to adversely affect the reputation of either of us or the franchised stores;</li> <li>• use the trade secrets or other confidential information in an unauthorized manner;</li> <li>• breach covenants against competition;</li> <li>• make or attempt to make an unauthorized assignment of the Area Development Agreement, franchise or an ownership interest in developer, or fail or refuse to assign the franchise</li> </ul>

		<p>or interest in developer of a deceased or incapacitated owner as required by the Area Development Agreement;</p> <ul style="list-style-type: none"> <li>• are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors;</li> <li>• misuse or make unauthorized use of the Marks;</li> <li>• fail to comply with any applicable law or regulation within 10 days of receiving notice of that failure;</li> <li>• repeatedly breach the Area Development Agreement;</li> <li>• default under any other agreement between you and us (or our affiliate) such that we (or our affiliate) have the right to terminate the agreement or the agreement terminates;</li> <li>• submit a false statement to us confirming your compliance with the Area Development Agreement any time during the term;</li> <li>• if you or any of your officers, members, managers, directors, equity holders or controlling owners are designated as a Specially Designated National or Blocked Person; or</li> <li>• you otherwise engage in any activity exclusively reserved to us.</li> </ul> <p>Three or more instances of a breach or failure is considered a ‘repeated’ non-curable breach, misuse or make unauthorized use of the Marks;</p> <ul style="list-style-type: none"> <li>• fail to comply with any applicable law or regulation within 10 days of receiving notice of that failure;</li> <li>• repeatedly breach the Area Development Agreement;</li> <li>• default under any other agreement between you and us (or our affiliate) such that we (or our affiliate) have the right to terminate the agreement or the agreement terminates;</li> <li>• submit a false statement to us confirming your compliance with the Area Development Agreement any time during the term;</li> <li>• if you or any of your officers, members, managers, directors, equity holders or controlling owners are designated as a Specially Designated National or Blocked Person; or</li> <li>• you otherwise engage in any activity exclusively reserved to us.</li> </ul> <p>Three or more instances of a breach or failure is considered a ‘repeated’ non-curable breach.</p>
i. Franchisee’s obligations on termination/non-renewal	Section 9	<p>If the term of the Area Development Agreement is terminated or expires, you must:</p> <ul style="list-style-type: none"> <li>• stop any further attempts to select or develop sites on which to construct franchised stores;</li> </ul>



		<ul style="list-style-type: none"> <li>• stop using any Glosslab Store Trade Secrets, other Confidential Information, the franchise System and the Marks;</li> <li>• cancel or assign to us any assumed names;</li> <li>• pay all sums owed to us and all damages and costs incurred in enforcing the termination provisions of the Area Development Agreement;</li> <li>• return the Confidential Operations Manual provided to you on loan and destroy all copies of the portions of the Confidential Operations Manual made and obtained from any electronic version of the Confidential Operations Manual we make available to you, trade secrets and all other confidential information and destroy all access codes to obtain the manual electronically; and</li> <li>• comply with the covenants not to compete and any other surviving provisions of the Area Development Agreement.</li> </ul>
j. Assignment of contract by franchisor	Section 10.1	There are no restrictions on our right to assign our interest in the Area Development Agreement.
k. "Transfer" by franchisee - defined	Sections 10.2 and 10.3	"Transfer" includes any sale, assignment, conveyance, gift, transfer or other encumbrance of the Area Development Agreement, the development rights or an ownership interest in you.
l. Franchisor approval of transfer by franchisee	Sections 10.2 and 10.3	You may not transfer, directly or indirectly, your interest in the Area Development Agreement or the development rights, nor may your principal owners transfer their interest in you without our prior written consent which we agree not to unreasonably withhold.
m. Conditions for franchisor approval of transfer	Sections 10.2, 10.3 and 10.4	<p>We have the right to approve all proposed transfers or other encumbrances.</p> <p>You must submit a request to us along with a \$1,000 non-refundable processing fee, along with financial statements, business experience and other information we may request about the proposed transferee.</p> <p>We will consent to a transfer if:</p> <ul style="list-style-type: none"> <li>• we have not exercised our right of first refusal;</li> <li>• all obligations owed to us are paid;</li> <li>• you and the transferee have signed the General Release attached to the Area Development Agreement (unless not permitted under applicable law);</li> <li>• the prospective transferee meets our business and financial standards;</li> <li>• the transferee signs the then-current Area Development Agreement or takes assignment of the current Area Development Agreement, as we determine;</li> </ul>

		<ul style="list-style-type: none"> <li>• you provide us with a copy of all contracts and agreements related to the transfer;</li> <li>• you or the transferee pay a transfer fee equal to fifty percent (50%) of the then-current initial franchise fee that would otherwise be payable by the transferee if purchasing a new franchise at such time for each Franchised Store remaining to be developed under the Area Development Agreement, net of any pre-paid initial franchise fees for such Franchised Stores included in the development fee, less the processing fee;</li> <li>• you or the transferee provide us with its organizational documents if it is an entity documenting restrictions on transfer and ensuring ownership is held subject to the Area Development Agreement;</li> <li>• if the transferee is an entity, it is in good standing with its state of formation;</li> <li>• the transferee or the 5% or greater owners of transferee have agreed to be personally bound by all provisions of the Area Development Agreement;</li> <li>• the transferee has obtained all necessary consents and approvals of third parties;</li> <li>• you or all of your equity owners have signed the Nondisclosure and Non-Competition Agreement in a form the same or similar to the version attached to the Area Development Agreement;</li> <li>• the transferee has identified a designated developer representative; and</li> <li>• the transferee has provided a certificate identifying its ownership and management.</li> </ul> <p>We provide similar requirements on transfers to controlled entities that are similar in nature, with exceptions given the affiliation (See Section 10.3). We may waive requirements on transfer requests in our discretion.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	Section 11	We may match an offer for your development rights or an ownership interest you propose to sell other than certain related party transfers.
o. Franchisor's option to purchase developer's development rights	Section 11	Except as described in (n) above, we do not have the right to purchase your development rights.
p. Death or disability of franchisee	Section 10.7	Following your death or incapacity if you are an individual, or any holder of majority of the legal or beneficial interest in you, if you are an entity, your or his or her representative must transfer, subject to the terms of the Area Development Agreement, the individual's interest in the Area Development Agreement, the development rights or you within 90 days of

		death or incapacity, which we may extend if reasonable up to 270 days, or we may terminate the term.
q. Non-competition covenants during the term of the franchise	Section 7.2	<p>You, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff may not, either directly or indirectly, (i) divert to attempt to divert any business or customer of any Glosslab Store; (ii) perform any other act injurious or prejudicial to the goodwill associated with the Marks or the franchise System; (iii) carry on, be engaged in or take part in, render services to, or own or share in the earnings of any competitive business; or (iv) solicit or attempt to induce or influence any employee, customer or other business associate to compete against, or terminate or modify his, her or its employment or business relationship with one of our area representatives, multi-unit developers, us or other Glosslab Store; however you and your owners may hire any person that responds to general public solicitations made in the ordinary course of business.</p> <p>We have the right to require specified individuals to enter into nondisclosure, non-solicitation and/or non-competition agreements in a form prepared by and acceptable to us including these restrictions.</p>
r. Non-competition covenants after the franchise is terminated or expires	Section 7.2	<p>Similar restrictions apply as those during the term for a period of up to 2 years after the termination or expiration of the Area Development Agreement, except our non-compete is limited to your development territory or within 50 miles of any other Glosslab Store. You may not at any time after the termination or expiration of the Agreement use any of our confidential information, trade secrets Confidential Operations Manual, the Marks or the franchise System.</p> <p>We have the right to require specified individuals to enter into nondisclosure, non-solicitation and/or non-competition agreements in a form prepared by and acceptable to us including these restrictions.</p>
s. Modification of the agreement	Section 14.6	The Area Development Agreement can be modified only by written agreement between you and us. Under the Franchise Agreements, we may modify the Confidential Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 14.6	<p>Only the terms of the Area Development Agreement are binding, unless state law requires otherwise. The Area Development Agreement clearly states that nothing in the Area Development Agreement is intended to disclaim any representations we make to you in this Disclosure Document. Any representations or promises outside the disclosure document and Area Development Agreement may not be enforceable.</p> <p>However, if the Area Development Agreement is signed as part of a transfer of an existing area development agreement or</p>

		as a successor agreement to an existing area development agreement, any other transfer or renewal documents or other agreements, as the case may be, signed that set forth terms applicable to such transfer or renewal survive and are to be construed together with, and incorporated into the Area Development Agreement.
u. Dispute resolution by arbitration or mediation	Sections 15.7 and 15.8	Except for claims relating to the Marks, trade secrets or other confidential information, and claims for injunctive relief, all disputes must be mediated in Miami-Dade County, Florida, unless state law requires otherwise. If a resolution cannot be reached through mediation, then the dispute shall be arbitrated in Miami-Dade County, Florida.  Claims must be brought on an individual basis, rather than by class action.
v. Choice of forum	Sections 15.2, 15.7, and 15.8	Subject to certain state laws, which can be found in the state addendums attached to this Disclosure Document, any litigation must be pursued in courts located in Miami-Dade County, Florida. Mediation and Arbitration must be pursued in Miami-Dade County, Florida.
w. Choice of law	Section 15.1	Subject to certain state laws, which can be found in the state addendums attached to this Disclosure Document, Florida law applies, except for disputes involving the Marks, which are governed by the Lanham Act, 15 U.S.C. Sec. 1051 et seq., and disputes involving copyrights, which are governed by federal copyright laws of the United States.

[The remainder of this page is intentionally left blank.]

**ITEM 18. PUBLIC FIGURES**

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

**ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any financial performance representations about a franchisee’s future financial performance or the past financial performance of company-owned businesses 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 franchised store, however, we may provide you with the actual records of that franchised store. 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 Franchise Development, Glosslab Franchising, LLC, Attn: Franchise Development at 1821 Purdy Ave, Miami Beach, FL 33139, 1-833-GLOSSED, franchise@glosslab.com, the Federal Trade Commission and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

<b>SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2020 TO 2022*</b>				
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	2	2	0
	2021	2	6	+4
	2022	6	20	+14
Total Outlets	2020	1	1	0
	2021	2	6	+4
	2022	6	20	+14

\*This chart includes both franchised and company-owned Glosslab locations which are opened and operating. As of the Issuance Date of this Franchise Disclosure Document, there are three (3) open and operating Franchised Outlets in Florida and two (2) signed Franchise Agreements in Florida but are not yet open. As of the Issuance Date of this Franchise Disclosure Document there are seventeen (17) open and operating company-owned Outlets.

**Table No. 2**

<b>TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)</b>		
<b>FOR YEARS 2020 TO 2022</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Total</b>	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>

**Table No. 3**

<b>STATUS OF FRANCHISE OUTLETS FOR YEARS</b>								
<b>2020 to 2022*</b>								
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operation for Other Reasons</b>	<b>Outlets at End of the Year</b>
<b>Total</b>	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*As of the Issuance Date of this Franchise Disclosure Document, there are three (3) open and operating Franchised Outlets in Florida and two (2) signed Franchise Agreements in Florida but are not yet open. As of the Issuance Date of this Franchise Disclosure Document there are seventeen (17) open and operating company-owned Outlets.

**Table No. 4**

<b>STATUS OF COMPANY-OWNED OUTLETS</b>							
<b>FOR YEARS 2020 to 2022 *</b>							
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of the Year</b>
Connecticut	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
Florida	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

	2022	0	3	0	0	0	3
Maryland	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
New Jersey	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
New York	2020	2	0	0	0	0	2
	2021	2	4	0	0	0	6
	2022	6	4	0	0	0	10
Texas	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	2	0	0	0	2
Washington D.C.	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	2	0	0	0	2
Total	2020	2	0	0	0	0	2
	2021	2	4	0	0	0	6
	2022	6	14	0	0	0	20

\*As of the Issuance Date of this Franchise Disclosure Document, there are three (3) open and operating Franchised Outlets in Florida and two (2) signed Franchise Agreements in Florida but are not yet open. As of the Issuance Date of this Franchise Disclosure Document there are seventeen (17) open and operating company-owned Outlets.

**Table No. 5**

<b>PROJECTED OPENINGS AS OF DECEMBER 31, 2022*</b>			
<b>State</b>	<b>Franchise Agreements Signed But Outlets Not Yet Opened</b>	<b>Projected New Franchised Outlets In The Next Fiscal Year</b>	<b>Projected New Company- Owned Outlets in the Next Fiscal Year</b>
Arizona	0	1	0
Connecticut	0	1	0

Florida	0	8	0
Georgia	0	1	0
Maryland	0	1	0
New Jersey	0	2	0
New York	0	3	0
North Carolina	0	2	0
Pennsylvania	0	1	0
Texas	0	9	0
Washington D.C.	0	1	0
Total	0	30	0

\*As of the Issuance Date of this Franchise Disclosure Document, there are three (3) open and operating Franchised Outlets in Florida and two (2) signed Franchise Agreements in Florida but are not yet open. As of the Issuance Date of this Franchise Disclosure Document there are seventeen (17) open and operating company-owned Outlets.

As of December 31, 2022, we projected the opening of approximately thirty (30) franchised Glosslab outlets and no Company Owned outlets during fiscal year 2023.

Exhibit G lists the names and development status of all of our current franchisees as of December 31, 2022, and the addresses and telephone numbers of all of the franchised Glosslab Stores.

Exhibit G contains a list of the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone numbers) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document, if any.

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.**

Franchisee Associations.

Franchisor does not sponsor any trademark specific franchisee association and no independent franchisee associations have requested disclosure in this Disclosure Document.

Confidentiality Provisions.

**During the last three fiscal years, we have not signed confidentiality clauses with certain current or former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Glosslab 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.**



## **ITEM 21.      FINANCIAL STATEMENTS**

Attached as Exhibit F is the audited balance sheet of Glosslab Franchising, LLC as of May 23, 2023.

Our fiscal year end is December 31.

**We are a start-up franchisor and have not been in business for three years or more. Therefore, we cannot include audited financial statements for the previous three fiscal years.**

## **ITEM 22.      CONTRACTS**

The Area Development Agreement (with exhibits) is attached to this Disclosure Document as Exhibit D.

The GLOSSLAB Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

The GLOSSLAB General Release is attached to the Franchise Agreement and the Area Development Agreement as Exhibit 1.

The GLOSSLAB Nondisclosure and Non-Competition Agreement is attached to the Franchise Agreement and the Area Development Agreement as Exhibit 2.

The GLOSSLAB Guaranty and Assumption of Obligations is attached to the Franchise Agreement and the Area Development Agreement as Exhibit 3.

The GLOSSLAB Franchise Certificate is attached to the Franchise Agreement and Area Development Agreement as Exhibit 4.

The GLOSSLAB letter agreement confirming franchisees' approved locations and protected territories signed when the approved location and protected territory is not known at the time of signed is attached to the Franchise Agreement as Exhibit 5.

The Commencement Date Agreement confirming franchisees' commencement date is attached to the Franchise Agreement as Exhibit 6.

The GLOSSLAB Agreement Regarding Franchisee Lease is attached to this Disclosure Document as Exhibit J. This Agreement regarding Franchisee Lease is used by many franchisees with their landlords to incorporate the provisions in the Franchise Agreement that are to be included in our franchisees' lease agreements. Franchisees may also incorporate the provisions directly within their lease and therefore not sign this Agreement Regarding Franchisee Lease. Each required provision is subject to review by your landlord.

The Table of Contents for the Manual is attached to this Disclosure Document as Exhibit E.

Franchisees will be required to agree to the Terms of Service as well as sign separate agreements with vendors who will be servicing as our systems integrator by packaging the hardware for re-sale. (SEE ITEMS 6, 7 AND 11)

We provide no other contracts or agreements for your signature.

**ITEM 23.      RECEIPTS**

Our copy and your copy of the Franchise Disclosure Document Receipts are located on the last 2 pages of this Disclosure Document.

[The remainder of this page is intentionally left blank.]

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT**

### **LIST OF STATE ADMINISTRATORS**

The following is a list of state administrators responsible for registration and review of franchises and the Effective Date of this Disclosure Document for these states. The Effective Date of this Disclosure Document for any state that is not included in this list is as shown on the cover of the Disclosure Document. We may register in one or more of these states.

#### California

Department of Financial  
Protection & Innovation  
One Sansome Street, Suite 600  
San Francisco, California 94104

Department of Financial  
Protection & Innovation  
320 W. 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013

Department of Financial Protection  
1515 K. Street, Suite 200  
Sacramento, California 95814  
(866) 275-2677 Toll Free  
(916) 445-7205

#### Connecticut

Connecticut Banking Commissioner  
Department of Banking  
Securities & Business Investments Division  
260 Constitution Plaza  
Hartford, Connecticut 06103

#### Florida

Division of Consumer Services  
Attn: Business Opportunities  
2005 Apalachee Parkway  
Tallahassee, Florida 32399-6500

#### Hawaii

Commissioner of Securities  
Department of Commerce & Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

#### Illinois

Illinois Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

#### Indiana

Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204

#### Kentucky

Office of the Attorney General  
Consumer Protection Division  
Attn: Business Opportunity  
1024 Capital Center Drive  
Frankfort, Kentucky 40601-8204

#### Maine

Department of Professional and  
Financial Regulations  
Bureau of Banking  
Securities Division  
121 Statehouse Station  
Augusta, Maine 04333

#### Maryland

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202

#### Michigan

Department of the Attorney General  
Consumer Protection Division, Franchise Unit  
525 W. Ottawa Street  
G. Mennen Williams Building, 6<sup>th</sup> Floor  
Lansing, Michigan 48909

**EXHIBIT A TO THE DISCLOSURE DOCUMENT** (continued)

Minnesota

Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101

Nebraska

Nebraska Department of Banking and Finance  
Commerce Court  
1230 O Street, Suite 400  
Lincoln, Nebraska 68509

New York

Bureau of Investor Protection and Securities  
New York State Department of Law  
120 Broadway, 23<sup>rd</sup> Floor  
New York, New York 10271

North Carolina

Secretary of State  
Securities Division  
300 North Salisbury Street, Suite 100  
Raleigh, North Carolina 27603-5909

North Dakota

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor  
Department 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

Oregon

Corporate Securities Section  
Dept. of Insurance & Finance  
Labor & Industries Bldg.  
Salem, OR 97310  
(503) 378-4387

Rhode Island

Department of Business Regulation  
Securities Division  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02920  
(401) 462-9588

South Carolina

Office of the Secretary of State  
1205 Pendleton Street  
Edgar Brown Building, Suite 525  
Columbia, South Carolina 29201

South Dakota

South Dakota Division of Insurance  
Securities Regulation  
124 S Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

Texas

Office of the Secretary of State  
Statutory Document Section  
1019 Brazos Street  
Austin, Texas 78701

Utah

Utah Department of Commerce  
Division of Consumer Protection  
160 East Three Hundred South  
P.O. Box 146704  
Salt Lake City, Utah 84114-6704

Virginia

State Corporation Commission  
Division of Securities and Retail Franchising  
Tyler Building, 9<sup>th</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219

Washington

Department of Financial Institutions  
Securities Division  
150 Israel Road Southwest  
Tumwater, Washington 98501  
(360) 902-8760

Wisconsin

Division of Securities  
Department of Financial Institutions  
345 West Washington Avenue  
Madison, Wisconsin 53703  
(608) 266-3364

## **EXHIBIT B TO THE DISCLOSURE DOCUMENT**

### **LIST OF STATE AGENTS FOR SERVICE OF PROCESS**

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

#### California

Department of Financial  
Protection & Innovation  
One Sansome Street, Suite 600  
San Francisco, California 94104

Department of Financial  
Protection & Innovation  
320 W. 4th Street, Suite 750  
Los Angeles, California 90013

Department of Financial Protection  
1515 K St., Suite 200  
Sacramento, California 95814  
(866) 275-2677

#### Connecticut

Connecticut Banking Commissioner  
Department of Banking  
Securities & Business Investments Division  
260 Constitution Plaza  
Hartford, Connecticut 06103

#### Hawaii

Commissioner of Securities  
Department of Commerce & Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

#### Illinois

Illinois Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706

#### Indiana

Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204

#### Maryland

Maryland Securities Commissioner  
Office of Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202

#### Michigan

Michigan Department of Commerce  
Corporations and Securities Bureau  
P.O. Box 30054  
6546 Mercantile Way  
Lansing, Michigan 48909

#### Minnesota

Minnesota Department of Commerce  
Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101

#### New York

Secretary of the State of New York  
41 State Street  
Albany, New York 12231

#### North Dakota

North Dakota Securities Department  
State Capitol – 5<sup>th</sup> Floor  
600 East Boulevard  
Bismarck, North Dakota 58505-0510

#### Rhode Island

Department of Business Regulation  
Securities Division  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02920  
(401) 462-9588

#### South Dakota

South Dakota Division of Insurance  
Securities Regulation  
124 S Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

#### Virginia

Clerk, State Corporation Commission  
Tyler Building, 1<sup>st</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219

#### Washington

Director, Department of Financial Institutions  
Securities Division  
150 Israel Road Southwest  
Tumwater, Washington 98501  
(360) 902-8760

#### Wisconsin

Commissioner of Securities  
345 West Washington Street, 4<sup>th</sup> Floor  
Madison, Wisconsin 53703  
(608) 266-3364

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**

**GLOSSLAB**

**FRANCHISE AGREEMENT**

**FRANCHISEE**

**DATE OF AGREEMENT**

**Anticipated City, State of Franchise Location**

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1. PROTECTED TERRITORY

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1. GENERAL RELEASE
2. NONDISCLOSURE AND NON-COMPETITION AGREEMENT
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7. MULTI-STATE ADDENDA

# GLOSSLAB FRANCHISE

## AGREEMENT

This GLOSSLAB Franchise Agreement (this “Agreement”) is entered into and effective this day of \_\_\_\_\_, 20\_\_ the “**Effective Date**”), by and between Glosslab Franchising, LLC, a Delaware limited liability company, having its principal place of business at 1821 Purdy Ave., Miami Beach, FL 33139 (“**Franchisor**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”).

### RECITALS:

A. Franchisor and its Affiliates, over a period of time and as a result of extensive research and the expenditure of substantial money, effort and time, have developed a business system of uniform standards, methods, procedures and specifications (as may be changed, withdrawn or otherwise further developed or revised by Franchisor, from time to time, for the operation of Glosslab Stores, the “**System**”) identified by the principal mark “GLOSSLAB®” and which relates to the establishment and operation of a retail business that provides high-end, hygiene-first, nail salon related hand and foot services, such as manicures, pedicures, and other related products and services, referred to in this Agreement as a “**Glosslab Store**”.

B. In addition to the Mark “GLOSSLAB®” and certain other Marks, the characteristics of the System include, among other things manicures, pedicures, nail polishing services, and other application techniques and processes, uniform standards and procedures; proprietary technology, educational and training materials, procedures and strategies for marketing, advertising, brand loyalty and promotion; customer service and development techniques; interior and exterior design, signage, layout and décor; other strategies, techniques and Trade Secrets and other Confidential Information, including the Confidential Operations Manual.

C. Franchisor grants to qualified persons and business entities the right to own and operate Glosslab franchise locations using the System and the Marks.

D. Franchisee desires to operate a Glosslab Store, has applied for the Franchise and its application has been approved by Franchisor in reliance upon the representations made in this Agreement and in and with such application.

E. Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Store in strict conformity with the System.

F. Franchisee understands and acknowledges that the rights and duties along with the Franchise granted in this Agreement are personal to Franchisee (and its owners), and Franchisor has entered into this Agreement in reliance on the representations given by Franchisee to secure the Franchise, Franchisee’s and its owners, as applicable, personal and/or collective skills and Franchisee’s and its owners' financial ability.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

### 1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control

with a Person (for purposes of this definition, “controls,” “is controlled by,” or “is under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise).

“**Agreement**” means collectively this agreement entitled “GLOSSLAB Franchise Agreement,” and any supplementary attachments, amendments or confirmations incorporated in this Agreement by reference.

“**Approved Location**” means the site for the operation of the Franchised Store selected by Franchisee and approved in writing by Franchisor.

“**Approved Package and Membership Programs**” means certain marketing strategies developed by Franchisor and its Affiliates from time to time for offering and selling services, including but not limited to unlimited access memberships.

“**Area Representative**” means a party that entered into an Area Representative Agreement with Franchisor, that provides certain services for the benefit of Franchisor, including soliciting prospective Glosslab franchisees and providing certain support services to franchisees within its designated territory.

“**Store Manager**” means the individual Franchisee designates as having primary responsibility for managing the day-to-day operations of the Franchised Store.

“**Competitive Business**” means any business that, directly or indirectly, in the United States of America or any foreign country (i) offers manicures, pedicures, and nail polishing services or related services or products, (ii) manufactures, sells, licenses or otherwise distributes by way of retail or wholesale products which accompany or are related to hand and foot beauty services, including lotions, polishes, or creams, or (iii) that otherwise competes with Franchisor, its Affiliates or the Glosslab System (including through franchising) in general, as such businesses have been conducted, are proposed to be conducted or are being conducted, in each case, during the Term. “Competitive Business” excludes (a) any other business operated by Franchisee or its Affiliates under a Franchise Agreement, Area Development Agreement or an Area Representative Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee, its Affiliates and Franchisee’s equity owners collectively own less than a five percent (5%) legal or beneficial interest; provided, that neither Franchisee, its Affiliates nor any of Franchisee’s equity owners, directly or indirectly, individually or collectively with any other Person, possess the power to direct or cause the direction of the management and policies of such publicly-held entity.

“**Confidential Information**” means technical and non-technical information used in or related to Glosslab Stores or the System that is not commonly known by or available to the public, including Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisor shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee or its Affiliates, employees, agents, officers, directors, shareholders, managers, members or other representatives; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information. For the avoidance of doubt, guest (customer) information shall be deemed Confidential Information.

“**Confidential Operations Manual**” means a set of one or more manuals or user guides made available by Franchisor to franchisees in writing, (including in electronic format), and which is currently provided on Franchisor’s internal secured intranet, and which includes modifications, updates, deletions

and other revisions made over time, and which contains or describe the standards, methods, procedures and specifications of the System, including advertising and marketing promotions, including other operations, administration and managers' manuals or user guides and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor.

**“Consumer Price Index”** means the Consumer Price Index, [U.S. City Average, all items], as published by the United States Department of Labor, Bureau of Labor Statistics, or any replacement thereof.

**“Cooperative Advertising”** means an advertising program designed to promote or benefit two (2) or more franchisees or franchised stores, which may be established within a common market or broader regions, and which Franchisor may require for Glosslab Stores as a whole or within a particular region.

**“Effective Date”** is the date set forth in the preamble of this Agreement, which thereby commencing its effectiveness and Term.

**“Electronic Depository Transfer Account”** means an account established by Franchisee at a national banking institution reasonably acceptable to Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor or Franchisor's Affiliates.

**“Glosslab Marketing Materials”** means marketing and advertising materials, catalogues, point-of-sale display signs, posters and other items developed or produced by or for the benefit of Franchisor and its Affiliates from time to time for promoting Glosslab Stores and their products and services, which may be supplied to Franchisee and other franchisees from time to time, on a for-profit or complimentary basis.

**“Glosslab Products”** means products made available for Glosslab Stores in connection with the System, including custom-designed products, private-labeled products bearing the Marks, and non-branded products, which may be supplied to Franchisee and other franchisees from time to time, on a for-profit or complimentary basis.

**“Glosslab Services”** means nail salon services such as manicures, pedicures, nail polishings, and other related or incidental services provided in connection with the System.

**“Franchise”** means the right granted to Franchisee by Franchisor to use the System and the Marks for the operation of a Franchised Store.

**“Franchised Store”** means the Glosslab location to be established and operated by Franchisee pursuant to this Agreement.

**“Franchisee Affiliate”** means any other franchisee of Franchisor: (i) that is directly or indirectly controlling, controlled by, or under common control with Franchisee, or (ii) in which twenty percent (20%) or more of its outstanding voting or ownership interest is held by the same person or entity, directly or indirectly, as the outstanding voting or ownership interest, directly or indirectly, of Franchisee. For purposes of this definition, the term “controls,” “is controlled by,” or “is under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

**“Generally Accepted Accounting Principles”** or **“GAAP”** means the standards, conventions and rules accountants follow in recording and summarizing transactions for financial statements.

**“Gross Sales”** means, subject to the application of Franchisor's clearing house procedures, the Franchised Store's total revenue encompassing all sources, including product and service sales, gift card

sales, sales of Approved Package and Membership Programs, and specifically including proceeds from business interruption insurance, whether for cash, credit, debit, charge account, check, exchange, or other valuable consideration, regardless of where such sales originated from. For deferred payment obligations, Franchisor, in its discretion, may include such transactions in Gross Sales at the time of the transaction (whether or not Franchisee has received payment therefor), or at the time such payment is received. "Gross Sales" specifically excludes (a) refunds, credits, and other monetary allowances issued in good faith; (b) sales and equivalent taxes collected by Franchisee for or on behalf of governmental taxing authorities and paid thereto; (c) any rebate received by Franchisee from a manufacturer or supplier; and (d) proceeds Franchisee receives for Franchisor.

**"Incapacity"** means the inability of Franchisee, or any holder of a controlling legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Store on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation; provided, that any dispute as to the existence of any "Incapacity" shall be resolved by a decision of a licensed medical physician unaffiliated with Franchisor or Franchisee but selected by Franchisor in good faith, the costs of such medical physician shall be split equally between Franchisor and Franchisee.

**"Internet"** means the global interactive communications network that now exists, as such network may be modified from time to time, including sites and domain names on the World Wide Web.

**"Marks"** means the mark "GLOSSLAB<sup>®</sup>" and any other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, copyrights, drawings, and commercial symbols Franchisor may designate to be used in connection with Glosslab Stores.

**"Person"** means a human being, a legal or business entity devised or constructed for the purpose of carrying out business activities under the name of such devised or constructed entity, which shall not be limited to sole proprietorships, corporations, partnerships, limited liability companies, or other entities; and in the case of entities, a Person shall include, any other entity with a majority or controlling interest in another entity, as well as the individual officers, directors, and other Persons controlling the activities of such entity.

**"Personal Information"** means any information about an identifiable individual.

**"Protected Territory"** means the geographic area of territorial protection granted to Franchisee under this Agreement as defined by Section 2.5.

**"Retail Inventory Package"** means an initial inventory of Glosslab Products to be re-sold to customers in the Franchised Store, which is supplied by Franchisor, its Affiliates, or a third-party Approved Supplier to Franchisee on a for-profit basis prior to opening the Franchised Store and commencing operations.

**"Start-Up Package"** means an initial supply of the necessary equipment, inventory, and products for the establishment and beginning operations of the Franchised Store, which is supplied by Franchisor, its Affiliates or a third-party Approved Supplier to Franchisee on a for-profit basis prior to opening the Franchised Store and commencing operations.

**"Term"** means the period described in Section 4.1 of this Agreement during which the rights granted by this Agreement are in effect, commencing on the Effective Date of this Agreement and, unless terminated earlier pursuant to the Agreement, ending on the Expiration Date.

**"Trade Secrets"** means information in any form (including technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Glosslab Stores or the System that is not commonly known by or available to the public and that



information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Each of the following terms is defined in the Section set forth opposite such term:

<u>Term</u>	<u>Section</u>	<u>Term</u>	<u>Section</u>
ADA	13.6.5	Gross Sales Report	12.2
Approved Customer Rewards and Loyalty Programs	13.5	Initiating Party	23.7.2
Approved Suppliers	13.1.1	Initial Inspection	5.5
Authorized Persons	23.7.2	Local Advertising	11.3
Bankruptcy Code	18.9.1	Marketing Fund	11.3
Commencement Date	4.1	Marketing Fund Contribution	11.3
Controlled Entity	18.3	Multi-State Addenda	22.14
Glosslab Store	Recitals	Nonconformance Notice	5.5
Glosslab Technology	3.3	Plans	5.4.1
Glosslab Technology Fees	3.3	Responding Party	23.7.2
Expiration Date	4.1	Retail Inventory Package	3.3
Franchise Certificate	24.10(vi)	Royalty Fee	3.4
Franchise Fee	3.1	Start-Up Package Fee	3.2
Franchisee	Preamble	Subsequent Inspection	5.5
Franchisee Designated Representative	2.10	Successor Franchise	4.1
Franchisee Obligations	5.3.3.4	System	Recitals
Franchisor	Preamble	Transfer Processing Fee	18.4
Franchisor Indemnitees	21.3	Web site	9.2.2
Grand Opening Advertising	11.2		

Definitions for the other defined terms used in this Agreement are set forth in this Agreement. In this Agreement, unless a clear contrary intention appears: (a) the singular number includes the plural number and vice versa; (b) reference to any Person includes such Person’s heirs, successors and assigns but, if applicable, only if such heirs, successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity includes such Person in any other applicable capacity or individually; (c) reference to any gender includes each other gender; (d) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (e) reference to any law, means such law, as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law means that provision of such law, from time to time, in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (f) “hereunder,” “hereof,” “hereto,” “herein” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision of this Agreement; (g) “including” (and

with correlative meaning “include”) means including without limiting the generality of any description preceding such term; (h) “or” is used in the inclusive sense of “and/or”; (i) with respect to the determination of any period of time, “from” means “from and including” and “to” means “to but excluding”; (j) references to a governmental authority also refer to any regulatory body that succeeds the function of such authority; (k) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; (l) all references to “Dollars” or “\$” shall mean U.S. Dollars; and (m) references to any right under this Agreement which a party “may” exercise shall imply that such party shall in no way be deemed obligated to exercise such right.

## **2. GRANT OF FRANCHISE; APPROVED LOCATION**

### **2.1 Grant of Franchise**

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions contained in this Agreement, a revocable, limited license to: (a) operate one (1) Glosslab Store using the System and Marks, as each may be changed, further developed or improved by Franchisor and its Affiliates from time to time, at the Approved Location; and (b) use the Marks solely in connection with the operation of such Glosslab Store and for no other purpose, and in accordance with the terms and conditions of this Agreement. Franchisee undertakes the obligation to operate the Glosslab Store strictly in accordance with the System and this Agreement, as the System may be changed, further developed, or improved from time to time.

For the avoidance of doubt, the Glosslab Store to be operated by Franchisee shall be an independently owned and operated franchise location of Franchisee, and Franchisee, and not Franchisor, shall be responsible for compliance with all laws, rules and regulations applicable to such operation, as well as for the supervision and oversight of all Franchisee personnel, in each case as further described in this Agreement.

### **2.2 Approved Location Determined**

The street address (or detailed description of the premises) of the Approved Location is:

[IF THE APPROVED LOCATION IS DETERMINED AT THE TIME OF SIGNING, INSERT ADDRESS HERE, IF NOT, INSERT “NOT YET DETERMINED, SEE SECTION 2.3 BELOW”]

### **2.3 Approved Location Not Determined**

If the Approved Location is determined as of the Effective Date, then this Section shall be inapplicable. If the Approved Location of the Franchised Store is not determined as of the Effective Date, then the geographic area in which the Franchised Store is to be located shall be within the geographic area described below (“**Designated Area**”). Franchisee shall select and submit possible sites within the Designated Area for Franchisor’s evaluation in accordance with Section 5.1. When the Approved Location is determined, Franchisor and Franchisee shall execute a letter agreement in the same form and substance as set forth on Exhibit 5 setting forth the Approved Location and the Protected Territory or otherwise insert the Approved Location’s address into Section 2.2 and attach the Protected Territory as Schedule 1 to this Agreement, in which case each such insertion shall be initialed and dated by Franchisee and Franchisor, and upon such determination, the Designated Area shall lapse. The failure to insert such address into Section 2.2 shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection. Franchisee acknowledges that other franchisees may be seeking locations within the same Designated Area and that Franchisor or its Area Representative(s) may create, from time to time, policies and procedures for

approving locations to franchisees within a Designated Area. Franchisee shall observe faithfully and comply with, all such reasonable and nondiscriminatory policies and procedures governing the approving of locations within the Designated Area, as may from time to time be promulgated by Franchisor or its Area Representative(s). A detailed description of the geographic area or boundaries of the Designated Area is:

[INSERT DESCRIPTION OF DESIGNATED AREA]

; provided, that in the event Franchisee desires, in its good faith determination, to locate its Franchised Store outside such area, Franchisor will, upon request from Franchisee to locate such Franchised Store in a different region, not unreasonably withhold, condition or delay such request to modify the Designated Area to such alternate region provided each of the following conditions are satisfied: (a) in Franchisor's reasonable determination, there is sufficient availability in such alternate region to develop a Franchised Store at the time of the request; (b) Franchisee complies with Franchisor's then-existing requirements and procedures for changing regions; (c) Franchisee agrees to execute an amendment to this Agreement documenting the change in the Designated Area, which such amendment shall include other provisions that Franchisor determines, in its good faith discretion, should be included, including any provisions applicable to the specific region, such as alternate applicable demographics for the Protected Territory and any state specific addendums; (d) Franchisee and the applicable Area Representatives execute such additional agreements reasonably required by Franchisor to document the amendment and change in location, including agreements with respect to commissions that may have been paid or may become payable to the respective Area Representative(s), if applicable, in connection with this Agreement; and (e) Franchisee pays to Franchisor, prior to the execution of such an amendment, an administrative fee (not expected to exceed one thousand dollars (\$1,000.00)) for Franchisor's administrative and legal fees and expenses associated with effectuating such a change in location.

#### **2.4 Franchisee Shall Not Sublicense the System or Marks**

Franchisee shall not sublicense the use of the System or Marks to any person or entity; provided, that Franchisees may grant vendors authorized in strict accordance with this Agreement and Franchisor's branding guidelines the rights to use the Marks in connection with services to be provided for the benefit of the Franchised Store. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed under this Agreement and any attempt by Franchisee to do so shall be void and of no force and effect.

#### **2.5 Territorial Protection - Protected Territory**

During the Term, provided Franchisee is not in default of this Agreement, Franchisor shall not license, franchise, establish, own, or operate any other Glosslab Stores within the geographic area ("**Protected Territory**") surrounding the Franchised Store depicted in the map in Section 2.6 below. This grant to the Protected Territory is subject to Franchisor's reservation of rights set forth in Section 2.7.

#### **2.6 Map and Description of Protected Territory**

[IF THE APPROVED LOCATION IS DETERMINED AT THE TIME OF SIGNING]

The Protected Territory shall be defined as described in the map attached to this Agreement as Schedule 1.

[IF THE APPROVED LOCATION IS NOT DETERMINED AT THE TIME OF SIGNING]

The Protected Territory and the Approved Location for the Franchised Store are not yet mutually agreed upon. Accordingly, Section 5.1 shall be applicable. Franchisor and Franchisee intend for the

Approved Location for the Franchised Store to be located in the Designated Area described in Section 2.3 above. Franchisor has the sole discretion to determine the Protected Territory for the Approved Location. Franchisor may take into account a variety of factors when determining the Protected Territory of the Approved Location, including population, density, traffic, median population age, proximity to competitors, proximity to other franchisees, natural, physical, or political boundaries, as well as other factors that Franchisor deems relevant. Upon determination of the Approved Location, Franchisor and Franchisee shall execute a letter agreement in the same form and substance as set forth on Exhibit 5 setting forth the Approved Location and Protected Territory for the Franchised Store.

## **2.7 Franchisor's Retained Rights**

Except to the extent provided in Section 2.5, Franchisor and its Affiliates retain all of their respective rights with respect to and all control of the System and Marks, including the right to:

2.7.1 own, acquire, establish, license, franchise or operate, and license or franchise to any Person the right to establish, license, franchise or operate, Glosslab Stores or other businesses using the Marks, or other proprietary trademarks, tradenames, commercial symbols or other intellectual property, and the System, outside the Protected Territory (which businesses may solicit customers inside the Protected Territory, including through the Internet);

2.7.2 own, acquire, establish, license, franchise or operate, and license or franchise to any Person the right to establish, license, franchise or operate, businesses using other proprietary trademarks, tradenames, commercial symbols or other intellectual property, at any location within or outside the Protected Territory; provided, that if such businesses are to be located within the Protected Territory, such businesses are not substantially similar to or related to the business carried out at Glosslab Stores;

2.7.3 establish Area Representative franchises and businesses in connection with the System within and outside the Protected Territory, and provide Area Representatives and other designees with the right to provide support services to Franchisor, Franchisee and to other franchisees;

2.7.4 subject to Franchisee's rights to its Protected Territory, allow other franchisees the right to search for sites within the Designated Area;

2.7.5 engage in promotional programs and joint marketing programs with partner companies, including promotions and sales through the Internet or any other forms of electronic media (including social technology, mobile applications, social media and social networking platforms), including the use of mobile promotional units (e.g., buses, vans) that may travel into the Protected Territory;

2.7.6 advertise the System on the Internet, and to create, operate and maintain and modify, or discontinue the use of one or more websites or mobile applications, including e-commerce websites that may offer Glosslab Products, gift cards or Approved Package and Membership Programs;

2.7.7 purchase or otherwise acquire the assets or an ownership interest of one (1) or more businesses identical or similar to Glosslab Stores (or acquire franchise, license or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory; provided, that if Franchisor purchases or acquires franchises, licenses or other businesses identical or substantially similar to Glosslab Stores, Franchisor or its Affiliates may, in their sole discretion, act as franchisor or licensor with respect to such franchisee(s) or licensee(s) wherever located, pursuant to the individual franchise or license agreement(s) then existing between Franchisor or its Affiliates on the one hand and such franchisee(s) or licensee(s) on the other; provided, further that if Franchisor purchases or acquires such identical or substantially similar business(es) within the Protected Territory which are not franchised or licensed, and elects to sell such business(es) to a third party, Franchisor shall first offer to sell

any such business(es) to Franchisee at the business(es)' fair market value, as determined in the reasonable discretion of Franchisor, and on other terms deemed acceptable to Franchisor, and Franchisee shall have thirty (30) days from the date of Franchisor's offer (which such offer shall state the business(es)' fair market value as the purchase price and the other material terms of the offer) to accept such offer by providing written notice to Franchisor, and if Franchisee fails or declines to exercise its right to so purchase such business(es) within such thirty (30) day period, Franchisor may sell such business(es) to a third party on terms not materially more favorable to such third party than those terms offered to Franchisee, it being understood that at all times prior to or after any such sale to Franchisee or a third party, subject to the terms of this Section 2.7.7, Franchisor or its Affiliates may operate such franchises, licenses or other businesses without liability to Franchisee;

2.7.8 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Protected Territory;

2.7.9 sell or distribute, at retail or wholesale, directly or indirectly, or license other Persons to sell or distribute, at retail or wholesale, any products whether or not authorized for use in Glosslab Stores, using the Marks or other trademarks, service marks and commercial symbols through any channel of distribution, including through the Internet, mobile applications and catalogue sales, or through permanent or temporary kiosks, displays, carts and stands, trade shows, or through mobile units and pursuant to terms Franchisor or Franchisor's Affiliates deem appropriate, within or outside the Protected Territory, it being understood that Franchisor and Franchisor's Affiliates retain all rights with respect to distribution of products (including Glosslab Products) and Franchisor and its Affiliates shall not be required to provide any commissions or other payments or compensation on the sale of any products within or outside the Protected Territory, including Glosslab Products and other hand, foot, nail, and skin care products, gift certificates and gift cards, and prepaid services or packages; provided, that no GLOSSLAB private-labeled products shall be distributed to any Competitive Business within any shopping center or mall where the Franchised Store is located. For the avoidance of doubt, for purposes of this Section 2.7.9, the term "Competitive Business" shall not include any full-service salons or any other business which do not primarily engage in the business of providing manicures, pedicures, and nail polishing services; and

2.7.10 engage in any activities not expressly forbidden by this Agreement.

## **2.8 Restrictions on Franchisee's Marketing Telephone Numbers**

In all telephone directory listings or advertisements and in all advertising, marketing and promotional materials to be obtained and used to advertise and promote the Franchised Store, Franchisee shall only include telephone numbers related to the phone lines of the Franchised Store or any third-party guest services center, as applicable, in accordance with the Confidential Operations Manual or applicable specifications provided by Franchisor or made available to Franchisee in writing from time to time.

## **2.9 Delegation**

Franchisor has the right to delegate all or any part of the performance or enforcement of any portion or all of its obligations or rights under this Agreement to third party designees, whether these designees are Affiliates or third parties, including Area Representatives, with whom Franchisor may contract from time to time to perform these obligations or to enforce its rights. Such third-party designees may, from time to time, on Franchisor's behalf, perform the delegated functions including support services for franchisees, enforce Franchisor's rights in compliance with this Agreement, prescribe, impose, authorize, or adopt specifications, standards, operating procedures, and requirements, and approve or deny any request for consent or approval submitted by Franchisee. Support services may include initial training, operations assistance, solicitation of prospective franchisees, ongoing support, or periodic quality assurance visits with existing franchisees in a given territory. If Franchisee is required by this Agreement or otherwise to pay

Franchisor for any services or products, Franchisor may require Franchisee to pay Franchisor's designees directly. For the avoidance of doubt, no such designee, including any Area Representative, has authority to bind Franchisor to any agreement. Franchisor reserves the right to change Area Representatives or other designees or the services they provide over time. However, as between Franchisor and Franchisee, Franchisor shall have ultimate responsibility for ensuring the applicable support services are provided to Franchisee.

## **2.10 Franchisee Designated Representative.**

Upon the execution of this Agreement, Franchisee will designate and retain a natural person to serve as the designated representative of Franchisee (the "**Franchisee Designated Representative**"). As between Franchisor and Franchisee, the Franchisee Designated Representative shall have the full authority to act on behalf of Franchisee in all matters related to the performance of this Agreement and the operation of the Franchised Store. Franchisor may rely on any and all directions, elections, information and other communication from the Franchisee Designated Representative as being made on behalf of Franchisee, even if Franchisor receives information from any other owner or Person who claims to have an ownership interest in Franchisee, or any other Person whatsoever, which may be contrary to or different from the information provided by Franchisee Designated Representative. Franchisor has no duty or obligation to inquire into or resolve any conflicting information provided by the Franchisee Designated Representative and any other Person on behalf of Franchisee. If Franchisee is an individual, Franchisee shall perform all obligations of the Franchisee Designated Representative. The Franchisee Designated Representative shall, during the entire period he or she serves as such, meet the following qualifications:

2.10.1 unless otherwise consented to by Franchisor in writing, the Franchisee Designated Representative shall maintain a direct or indirect ownership interest in Franchisee equal to at least twenty-five percent (25%) of the ownership interests in Franchisee; and

2.10.2 the Franchisee Designated Representative shall devote his or her best efforts to the supervision and conduct of the Franchised Store.

If during the Term, (a) the Franchisee Designated Representative is not able to continue to serve in the capacity of Franchisee Designated Representative; (b) the Franchisee Designated Representative no longer qualifies to act as such in accordance with this Section 2.10; or (c) Franchisee desires to replace the Franchisee Designated Representative with another Person who is qualified to act as such in accordance with this Section 2.10, Franchisee shall promptly notify Franchisor and, within thirty (30) days after the Franchisee Designated Representative ceases to serve or be so qualified, provide evidence satisfactory to Franchisor that shows the owners of more than fifty percent (50%) of the ownership interests in Franchisee designated a duly qualified replacement Franchisee Designated Representative who is qualified to act as such in accordance with this Section 2.10. Any failure to comply with the requirements of this Section 2.10 shall be deemed a material breach of this Agreement.

## **3. FEES**

### **3.1 Franchise Fee**

Upon execution of this Agreement, Franchisee shall pay a fee ("**Franchise Fee**") to Franchisor of \_\_\_\_\_ DOLLARS (\$) [\$50,000 for the initial Franchised Store, \$35,000 for each subsequent Franchised Store,] in immediately available funds, by wire transfer to an account designated by Franchisor. The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain limited conditions set forth under Sections 5.2, 5.5, 5.7 and 8.3. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor,

including costs incurred by Franchisor in offering and selling franchises, franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, Franchisor's participation in the franchise sale, legal compliance with franchise laws and regulations, site selection assistance and guidelines, the development and hosting of initial training programs, marketing expenses, legal, accounting and other professional fees.

### **3.2 Start-Up Package Fee**

Prior to commencing operation of the Franchised Store, Franchisee shall pay to Franchisor, its Affiliates or third-party Approved Suppliers, a one (1) time fee representing the purchase price for most of the initial inventory of equipment and supplies necessary for the establishment and initial operation of the Franchised Store ("**Start-Up Package Fee**"). Franchisee's requirement to purchase a Start-Up Package is set forth in Section 5.4.6 of this Agreement.

### **3.3 Retail Inventory Package Fee**

Prior to commencing operation of the Franchised Store, Franchisee shall pay to Franchisor, its Affiliates or third-party Approved Suppliers, a one (1) time fee representing the purchase price of a Retail Inventory Package of Glosslab Products ("**Retail Inventory Package Fee**"). Franchisee's requirement to purchase a Retail Inventory Package is set forth in Section 5.4.7 of this Agreement.

### **3.4 Technology Fees**

The term "**Glosslab Technology**" includes any technology or other network componentry made available by Franchisor, its Affiliates or other Approved Suppliers or third-parties to or the benefit of Franchisee or Franchisee's Affiliates for use with the Franchised Store or the Franchise. Glosslab Technology may be subject to additional terms and conditions and may be changed, withdrawn or otherwise further developed or revised by Franchisor or its Affiliates from time to time, and may include the point of sale system required to be used for the Franchised Store as well other hardware, software, applications or network components, some or all of which may be proprietary to Franchisor or its Affiliates. Franchisor or its Affiliates may, on an exclusive or non-exclusive basis, as the case may be, license, sell, lease or otherwise distribute Glosslab Technology to Franchisee, and may provide certain ongoing support and maintenance for Franchisee in connection with the Glosslab Technology. Franchisee shall pay to Franchisor, or applicable Franchisor Affiliates or third-parties, all applicable fees and costs associated with any such Glosslab Technology (as applicable "**Glosslab Technology Fees**"), including, set-up and/or monthly license or other usage fees for use of any such software, costs incurred to acquire new or modified hardware or software and/or communication/technology capabilities and fees and costs for applicable service and support for such hardware, software or communication/technology capabilities. Glosslab Technology Fees may also include fees and costs associated with obtaining backup services for data and other information and for upgrades, software updates, new versions or bug fixes provided by Franchisor, or applicable Franchisor Affiliates or third parties, as the case may be, e-mail accounts, virus protection software and other services, products, componentry or enhancements. Actual amounts shall be paid at such times and in such manner as specified by Franchisor, from time to time, in the Confidential Operations Manual or otherwise in writing. Glosslab Technology Fees may vary based on level of support, usage, number of licenses and other factors identified by Franchisor or its Affiliates from time to time.

### **3.5 Royalty Fee**

On a weekly basis (or at such other times as Franchisor may designate from time to time, e.g., daily, monthly, or otherwise), Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a fee ("**Royalty Fee**") equal to six percent (6%) of Gross Sales. Each Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period.

### **3.6 Program and Network Fees**

Franchisee acknowledges that over time, the System will likely evolve, and in connection with such evolution, Franchisor and its Affiliates may develop programs, systems and other initiatives, directly or through third-party vendors and suppliers, that may not be contemplated as of the Effective Date. Initiatives may include secret shopper programs, reputation management programs, a centralized guest services call center, auto-shipment programs, cyber liability insurance programs, and other programs, systems and initiatives. Franchisee agrees that Franchisor may assess or otherwise collect reasonable fees and other costs, including management fees, in connection with the implementation, maintenance or operation of any such programs, systems and initiatives, and as applicable, Franchisee's participation in such programs, systems and initiatives, which may be initiated on a network basis, a regional basis or any other basis Franchisor and its Affiliates may determine in their sole reasonable but non-discriminatory discretion. Franchisee acknowledges that such programs, systems and initiatives may be optional, or participation may be required by Franchisor.

### **3.7 Taxes**

Franchisee shall pay to Franchisor, and as applicable, Franchisor's Affiliates, an amount equal to all sales taxes, excise taxes, withholding taxes, use taxes and similar taxes imposed on the fees or other amounts payable by Franchisee to Franchisor or Franchisor's Affiliates under this Agreement and on services or goods furnished to Franchisee by Franchisor or Franchisor's Affiliates at the same time as Franchisee remits such fees to Franchisor or, as applicable, Franchisor's Affiliates, whether such services or goods are furnished by sale, lease or otherwise. In no event shall Franchisee be obligated to pay any net income or franchise taxes, capital stock, inheritance, estate, or any other taxes imposed upon or measured by Franchisor's or its Affiliates' net income or profits.

### **3.8 Electronic Transfer of Fees Payable to Franchisor**

Franchisee shall pay all Royalty Fees, Marketing Fund Contributions, Glosslab Technology Fees, other amounts due for purchases by Franchisee from Franchisor, or by Franchisee from any of Franchisor's Affiliates, and other amounts due to Franchisor or Franchisor's Affiliates through an Electronic Depository Transfer Account. Franchisee shall open and notify Franchisor of the account details of an Electronic Depository Transfer Account within one hundred eighty (180) days after the Effective Date (but in no event later than the opening of the Franchised Store or in the event of a transfer permitted by Article 18, no later than the date of the transfer). Franchisee shall sign Franchisor's standard draft authorization to authorize and direct Franchisee's Electronic Depository Transfer Account to transfer such funds electronically directly to Franchisor's or its applicable Affiliates' account. Franchisee shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor and Franchisor's Affiliates, and in operating the clearing house in accordance with Section 3.9 of this Agreement. Franchisee must maintain a balance in this Electronic Depository Transfer Account sufficient to allow Franchisor and its Affiliates to collect the amounts owed when due. In the event the Electronic Depository Transfer Account should not have sufficient funds at the time of any applicable payment from such account, in addition to other fees set forth in this Agreement for failure to pay such amounts, for each occurrence of delinquent funds, Franchisee shall pay Franchisor's then current reasonable fee for delinquent funds. Franchisee is responsible for any other penalties, fines or other similar expenses associated with the transfer of funds described in this Section. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's prior written consent. In the event Franchisee desires to change its Electronic Depository Transfer Account, it shall provide Franchisor at least thirty (30) days' prior written notice by completing an updated draft authorization with the updated account information. Franchisor reserves the right to assess a reasonable fee upon each such change request.



Any alleged non-performance or breach of Franchisor's or Franchisor's Affiliates' obligations under this Agreement or any related agreements does not establish a right at law or in equity for Franchisee to withhold payment due to Franchisor for the Royalty Fees, Marketing Fund Contributions, Glosslab Technology Fees, amounts due for purchases by Franchisee from Franchisor, or by Franchisee from any of Franchisor's Affiliates, or any other amounts due to Franchisor or Franchisor's Affiliates. Franchisee hereby waives any and all existing and future claims and offsets against any such amounts due hereunder, which amounts must be paid when due. Franchisor and its Affiliates are entitled to apply or cause to be applied against amounts due to either of them, any amounts that may from time to time be held by Franchisor or its Affiliates on Franchisee's behalf or owed to Franchisee by Franchisor or its Affiliates.

### **3.9 Franchisor to Act as a Clearing House for Gift Cards and Membership Plans**

Franchisor may act as a clearing house, pursuant to which it may collect amounts received by Glosslab Stores for gift cards, Approved Package and Membership Programs, rewards points and through other similar promotional programs, and remit all or a portion of these amounts to the Glosslab Stores where these gift cards, Approved Package and Membership Programs, rewards points and other items are redeemed by a guest. If Franchisor operates any such clearing house established by Franchisor or its Affiliates, then Franchisee shall fully cooperate with any electronic method of monetary collection of funds utilized by Franchisor with respect to the clearing house. Terms, conditions and procedures related to the operation of the clearing house may be further detailed in the Confidential Operations Manual or as otherwise prescribed by Franchisor in writing.

In the event Franchisee sells a Glosslab gift card, Approved Package and Membership Program or any similar promotional item that is subject to clearing house operations, the amount of the sale will be included in the Franchisee's Gross Sales at the time of the sale (and therefore subject to Royalty Fees, Marketing Fund Contributions and any other amounts that are based on Gross Sales). Subject to the terms and conditions of this Agreement and Franchisor's clearing house terms, conditions and procedures, any available balance of the gift card, Approved Package and Membership Program or the like is deemed for all purposes that of Franchisee, subject however to the offsetting outstanding liabilities associated with such guest's rights to redeem such item. For the avoidance of doubt, unless otherwise provided by any such clearing house terms, conditions and procedures or otherwise required by applicable law, Franchisee is not required to segregate these amounts from other accounts or assets Franchisee may have, and Franchisee may use these amounts for any legal purpose whatsoever. Upon any redemption of a Glosslab gift card, Approved Package and Membership Program or any similar promotional item that is subject to clearing house operations, Franchisor will "clear" the funds redeemed by debiting this amount from the Electronic Depository Transfer Account of the franchisee that sold the Glosslab gift card, Approved Package and Membership Program or such other promotional item that is subject to clearing house operations, and then credit that same amount to the franchisee that redeemed the same. Gross Sales and related Royalty Fees, Marketing Fund Contributions and any other amounts that are based on Gross Sales shall be adjusted, as applicable, to account for such redemption in accordance with Franchisor's clearing house terms, conditions and procedures. In the event the Glosslab gift card, Approved Package and Membership Program or other promotional item that is subject to clearing house operations is redeemed or refunded at the original location where it was sold, no funds will be cleared, and no activity will appear on any franchisee's clearing house statement as a result of such redemption. In the event Franchisor or its Affiliates issue a Glosslab gift card, Approved Package and Membership Program or any similar promotional item that is subject to clearing house operations or otherwise distribute a Glosslab gift card, Approved Package and Membership Program or any similar promotional item that is subject to clearing house operations through other channels of distribution, including, through Franchisor's website, Franchisor will be responsible for clearing the funds to the redeeming franchisee without any corresponding debit due to the fact that Franchisor originally issued the item.

For the avoidance of doubt, until such time as an outstanding Glosslab gift card, Approved Package and Membership Program or other similar promotional item that is subject to clearing house operations is

redeemed, the issuer (whether that is a franchise location or Franchisor) that sold or issued such item that is subject to the clearing house shall remain fully liable for the outstanding balance (or the pro-rata portion of the cash equivalent with respect to rewards points) that remains unredeemed, regardless of the fact that such liabilities remain contingent on redemption. For purposes of this Agreement, these liabilities shall be deemed liabilities to Franchisor until such amounts are deemed earned on redemption, or are otherwise cleared through the clearing house procedures upon redemption at a different location; provided, that if pursuant to applicable law Franchisee is required to pay such amounts as a result of abandonment (e.g., escheatment laws), Franchisee shall comply with such requirements and any such amounts actually paid shall offset Franchisee's ongoing liabilities associated with such abandoned property. From time to time, Franchisor may provide Approved Package and Membership Programs that provide an unlimited amount of services within the prescribed membership period (e.g., an Unlimited Monthly, Quarterly, or Semi-Annual Memberships), and therefore, each issuing location bears the liability for the total number of possible services under each such unlimited Approved Package and Membership Program in accordance with Franchisor's clearing house policies and procedures, which may equal an amount greater than the face value of the unlimited Approved Package and Membership Program.

Franchisee acknowledges and agrees that certain laws exist that require payors to report and remit amounts that are deemed abandoned or unclaimed under applicable escheatment laws, as well as the exercise of certain efforts to locate the payee of such abandoned and unclaimed amounts. Without limiting Franchisee's responsibility to comply with each such applicable law, in the event Franchisor is required to make any filing or pay any amount related to such abandoned and unclaimed property sold at the Franchised Store under applicable escheatment or similar laws, Franchisor may, in addition to any other rights and remedies Franchisor may have, including Franchisor's rights to indemnification under this Agreement, to the fullest extent permitted by applicable law, clear the funds from Franchisee's Electronic Depository Transfer Account to account for any such amounts Franchisor is required to pay on account of funds Franchisee collected on the sale.

### **3.10 Late Fees**

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor or Franchisor's Affiliates and other amounts that are not received by Franchisor within five (5) days after the due date shall bear interest at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by law of the state where Franchisee is located, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor or Franchisor's Affiliates, including reasonable legal and professional fees.

### **3.11 Administrative Charges**

Franchisee understands and acknowledges the importance of operating the Franchised Store and using the Marks in strict conformity with the System and all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor. Franchisee acknowledges that in the event Franchisee fails to comply with any such compliance requirement, Franchisor will likely incur administrative expenses in reviewing and assessing such non-compliance, issuing non-compliance notifications and performing other functions as a result of such non-compliance, which such amounts are not readily ascertainable, and which have not been elsewhere reserved for in this Agreement. Accordingly, in the event Franchisee fails to comply with System or any applicable requirements, specifications, standards, operating procedures or rules, Franchisor reserves the right to assess an administrative fee for each such documented failure in accordance with Franchisor's policies and procedures. In order to assess any such administrative fee, Franchisor will provide written notice of non-compliance (e-mail acceptable)

to Franchisee, along with reasonably sufficient detail of such act(s) of non-compliance. Franchisee acknowledges that the administrative fees assessed pursuant to this Section are fair and reasonable and not a penalty, and shall not limit any other rights to remedies in law or in equity Franchisor may have pursuant to this Agreement or otherwise in connection with such acts of non-compliance (including Franchisor's self-help rights provided in Section 16.6), but such administrative fees shall be limited to \$1,000 per occurrence; provided, that such limitation may be increased up to an additional \$500 for each additional occurrence that occurs within a 12-month period to account for Franchisor's and its Affiliates' ongoing oversight and review of Franchisee's overall compliance with the System and all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor. The limitations set forth in this Section 3.11 may be increased consistent with increases to the Consumer Price Index since the Effective Date. For the avoidance of doubt, in no event shall Franchisor or its Affiliates have any obligation to Franchisee or any other franchisee to enforce its rights under this Section against any franchisee.

### **3.12 Application of Payments by Franchisor**

Notwithstanding any designation by Franchisee, Franchisor has the right to apply any payments by Franchisee to any past due indebtedness of Franchisee and accrued interest thereon for Royalty Fees, Marketing Fund Contributions, Glosslab Technology Fees, purchases, or any other amount owed to Franchisor or any Franchisor Affiliate.

## **4. TERM AND SUCCESSOR FRANCHISE AGREEMENTS**

### **4.1 Term**

The term of this Franchise Agreement (the "**Term**") shall commence on the Effective Date, and unless terminated sooner pursuant to this Agreement, shall expire on the ten-year anniversary of the Commencement Date (the "**Expiration Date**"). The "**Commencement Date**" shall be the date that is the earliest of: (a) the date Franchisee initially opens for business to the public in the Franchised Store (based on Franchisor's records which shall control), or (b) the one (1) year anniversary of the Effective Date. Subject to Franchisee's rights to a Successor Franchise in accordance with Section 4.2, the Term shall expire without prior notice on the Expiration Date. At the request of Franchisor, Franchisee will execute the Commencement Date Agreement attached hereto as Exhibit 6. In the event of a dispute as to the Commencement Date, Franchisor's determination shall be final and binding.

[NOTE: IF THE FRANCHISE AGREEMENT IS EXECUTED AS PART OF AN ASSIGNMENT OF AN EXISTING FRANCHISE AGREEMENT, THE TERM WILL REFLECT THE TERM OF THE EXISTING FRANCHISE AGREEMENT.]

[NOTE: IF THE FRANCHISE AGREEMENT IS A SUCCESSOR FRANCHISE AGREEMENT EXECUTED AS PART OF A RENEWAL, THE TERM WILL REFLECT 10-YEARS FROM THE EXPIRATION OF THE TERM OF THE INITIAL FRANCHISE AGREEMENT. FRANCHISOR AND FRANCHISEE MAY AGREE IN WRITING TO ADJUST THE TERM TO RUN CONTEMPORANEOUSLY WITH FRANCHISEE'S LEASE AGREEMENT.]

The Term shall be renewable pursuant to the terms of this Agreement for one (1) ten-year renewal period (a "**Successor Franchise**") as provided in Section 4.2. [NOTE, NO 10-YEAR RENEWAL WILL BE AUTOMATICALLY PROVIDED WITH A SUCCESSOR FRANCHISE AGREEMENT]

## **4.2 Successor Franchise Agreement**

Subject to the conditions below, if this Agreement is at such time in full force and effect, Franchisee has the right to obtain one (1) Successor Franchise at the expiration of the Term by entering into a new franchise agreement with Franchisor. Franchisee's right to obtain a Successor Franchise is limited to one (1) additional successive term of ten (10) years. To qualify for a Successor Franchise, each of the following conditions shall have been fulfilled and remain true as of the last day of the Term:

4.2.1 Franchisee shall have submitted to Franchisor written notice of its intent to operate a Successor Franchise not less than twelve (12) months nor more than twenty-four (24) months prior to the end of the Term, along with the payment of a renewal fee in the amount of \$5,000.00 in immediately available funds, by wire transfer to an account designated by Franchisor; provided, that in the event Franchisee does not receive the Successor Franchise for any reason, Franchisor shall promptly refund the full \$5,000 renewal fee (without interest) to Franchisee;

4.2.2 Franchisee complied with all material terms of this Agreement during the Term (Franchisee will be deemed to have "complied" with a material term if Franchisee timely cures any breach of such term within the time periods required by this Agreement);

4.2.3 Franchisee has access to and, for the duration of the Successor Franchise's term, the right to remain in possession of the Approved Location, or a suitable substitute location in the Protected Territory reasonably approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards, it being understood that if Franchisee does not have rights to the Approved Location or any suitable substitute location at the time of renewal for the duration of the Successor Franchise's term, Franchisor may still agree to allow Franchisee to renew for a Successor Franchise, but that in the event Franchisee's rights to the Approved Location expire or are terminated, Franchisee will be required to comply with Franchisor's then-current terms and conditions (which are currently set forth in Section 5 of this Agreement) in connection with locating and obtaining rights to a location within the Protected Territory for the operation of the Franchised Store and in such an event, Franchisee shall not continue to operate the Franchised Store until such time as Franchisee obtains and develops a replacement location pursuant to the terms of Section 5;

4.2.4 Franchisee, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Store reflects Franchisor's then-current standards and specifications;

4.2.5 Franchisee satisfied all monetary obligations owed by Franchisee to Franchisor (or any Franchisor Affiliate);

4.2.6 Franchisee is not currently in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or Franchisor's Affiliates and has not been given written notice of default, whether relating to the same or different defaults, more than twice during the Term, regardless of whether such defaults were cured;

4.2.7 Franchisee executed Franchisor's then-current form of franchise agreement and related agreements as offered to new franchisees (including similar unlimited guarantees to those signed in connection with this Agreement), or at Franchisor's election, executed renewal documents of this Agreement in the form provided to renewing franchisees generally, in each case with appropriate modifications to reflect the grant of a Successor Franchise under this Agreement, it being understood that the terms of such renewal (including those within any then-current form franchise agreement) shall supersede this Agreement and control in all respects for purposes of such Successor Franchise, and the terms of which may differ materially from the terms of this Agreement, including by requiring, among other

things, a different Royalty Fee and Marketing Fund Contribution obligation. Notwithstanding the foregoing, under any such successor franchise agreement: (a) Franchisee shall not be required to pay any Franchise Fee (other than the Renewal Fee); (b) there shall be no further right to another successor term; and (c) Franchisor may, but without an obligation to do so, redefine the Protected Territory for the Successor Franchise to account for changes in population density, demographics, consumer behavior and other factors Franchisor deems reasonably appropriate, taking into account, if applicable, Franchisor's then-current methodology for awarding protected territories for new locations in the region where the Franchised Store is located;

4.2.8 Franchisee complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

4.2.9 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchisee or the Franchised Store is located.

## **5. LOCATION FOR FRANCHISED STORE; LEASE; DEVELOPMENT; OPENING**

### **5.1 Selection of Site**

5.1.1 If an Approved Location for the Franchised Store has not been determined as of the Effective Date, Franchisee shall promptly and diligently after the Effective Date select a site for the Franchised Store and shall notify Franchisor of such selection, in accordance with Franchisor's then-current policies and procedures for site selection. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually thirty [30] days) of receiving notice of the site from Franchisee or as applicable, the Area Representative. If Franchisor approves of such selection, the site will be designated as the Approved Location for purposes of Section 2.2. If Franchisor does not approve of such selection, Franchisee shall continue to select a new site until Franchisor approves of such selection. Franchisor or its designees shall provide Franchisee with general guidelines, standards and policies to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition of the premises, demographics and population density of the surrounding area, proximity to other Glosslab Stores, proximity to competitive businesses, lease requirements, visibility, ease of access, available parking and overall suitability. Franchisee shall not locate the Franchised Store on a selected site without the prior written approval of Franchisor. In no event shall Franchisor or any of its employees, agents, or representatives have any liability to Franchisee for rejecting a proposed location. All costs associated with Franchisee's site selection process, including applicable brokers' fees, shall be borne exclusively by Franchisee.

5.1.2 Franchisor or Franchisor's designees, including Area Representatives, at Franchisor's option, may also present sites to Franchisee for consideration. Franchisee agrees that Franchisor does not guarantee that the terms, including rent, will represent the most favorable terms available in that market. If Franchisor presents Franchisee with a site that meets Franchisor's criteria, as determined in Franchisor's sole discretion, and Franchisee refuses to secure the site for any reason, Franchisor may present the site to another franchisee, and Franchisee would then have to find another suitable site for the Franchised Store. If Franchisee rejects a site for any reason, including because Franchisee does not agree with the proposed lease provisions, Franchisor may permit another franchisee to enter into a lease for such site, whether on the terms rejected by Franchisee or on other terms, or to search for a site in Franchisee's Designated Area. Franchisee will then have to search for another suitable site, which may be in that area or outside of that area.

5.1.3 Franchisee should not, without Franchisor's prior written consent, enter into any contract to purchase or lease the premises Franchisee intends to use as the Franchised Store, as by doing so, Franchisee may incur costs or commitments on a lease or purchase agreement for premises which Franchisor will not allow to be developed as the Franchised Store.

5.1.4 Franchisor does not represent that it, any Affiliate or any of its owners or employees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Store will be profitable or successful at the Approved Location. Franchisee is solely responsible for finding and selecting an acceptable site for the Franchised Store. Franchisee acknowledges that Franchisor's lease negotiations, if any, and approval of locations are for Franchisor's sole benefit and are not intended to imply or guarantee the success or profitability of the Franchised Store, and Franchisee agrees that it is not relying on Franchisor's lease negotiations or site approval for such purposes. **Franchisee acknowledges that it has been advised to obtain the advice of its own professional advisors before Franchisee signs a lease or purchase agreement. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on its review and that of its advisors of any such lease or purchase agreement.**

## 5.2 Failure to Select Site

Should Franchisee fail to select a site for the Franchised Store, which meets with Franchisor's approval within one hundred twenty (120) days after the Effective Date, Franchisor has the right (but not the obligation) to terminate this Agreement. If the Term is terminated pursuant to this Section 5.2, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliates and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities); provided, however, that if a general release is prohibited by applicable law, Franchisee shall give the maximum release allowed by law.

## 5.3 Lease of Approved Location

5.3.1 After the designation of the Approved Location by us (and if the site is to be leased or purchased), Franchisee shall legally secure the Approved Location with a lease agreement or a binding agreement to purchase, the terms of which must have been previously presented to and approved by Franchisor. Franchisor shall not unreasonably withhold its approval. Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. **Franchisee acknowledges that it has been advised to obtain the advice of its own professional advisors before Franchisee signs a lease agreement or otherwise acquires any rights to any property for operations. Franchisor's review of a lease agreement or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute an expression of Franchisor's opinion regarding the terms of such lease agreement or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on its review and that of its advisors of any such lease agreement or purchase agreement.**

5.3.2 Franchisee shall take all actions necessary to maintain the lease agreement, if any, of the Approved Location during the Term. Any default for which the lease agreement may be terminated shall also be deemed a default under this Agreement and the time to cure the same shall expire when the lease agreement is terminated. Franchisor has the right to require that the lease agreement for the Approved Location be assigned by Franchisee to Franchisor upon termination or expiration of the Franchise and

Franchisee shall take all such steps necessary or reasonably requested by Franchisor to assign such rights to the Approved Location to Franchisor, as Franchisor may elect from time to time. Franchisor's approval of a lease agreement shall be conditioned upon inclusion of terms in the lease agreement acceptable to Franchisor and, at Franchisor's option, the lease agreement shall contain such provisions as Franchisor may reasonably require; provided that Franchisor may waive any such provisions in providing its approval in its sole reasonable discretion.

5.3.3 Notwithstanding any terms in the lease agreement to the contrary, Franchisee agrees that:

5.3.3.1 Franchisee shall not amend or otherwise modify the lease agreement in any manner that would affect any of Franchisor's rights under the lease agreement, including those rights set forth in the lease agreement related to the terms required by Section 5.3.2 above, without Franchisor's prior, written consent;

5.3.3.2 in the event that Franchisee does not timely cure any default or breach under its lease agreement within the applicable notice and cure periods under the lease agreement, then Franchisor shall have the right, but not the obligation, subject to the terms and conditions set forth in the lease agreement, to cure such default or breach, on behalf of Franchisee, and (a) to the extent permitted by the lease agreement, allow Franchisee to remain in possession of the leased premises, or (b) at Franchisor's option, take an assignment of the lease agreement from Franchisee (to the extent permitted by law), pursuant to the terms of the lease agreement and if Franchisor exercises its option to take any such assignment under the lease agreement, Franchisor shall notify Franchisee of such intention and Franchisee shall promptly assign its leasehold interest in the lease agreement to Franchisor pursuant to and subject to the terms of the lease agreement;

5.3.3.3 upon termination or expiration of the franchise rights granted by Franchisor to Franchisee, Franchisor has the right, at Franchisor's election, to receive an assignment of Franchisee's leasehold interest in the lease agreement and in the event Franchisor desires to exercise this option in its sole and absolute discretion, Franchisor shall notify Franchisee of such intention and Franchisee shall promptly assign its leasehold interest in the lease agreement to Franchisor pursuant to and subject to the terms of the lease agreement;

5.3.3.4 in the event Franchisor takes an assignment of the lease agreement pursuant to the terms of the lease agreement and in accordance with Franchisor's rights described above in this Section 5.3.3, Franchisee shall be solely responsible for all obligations, debts and payments under the lease agreement arising or accruing under the lease agreement prior to the effective date of the assignment or otherwise while Franchisee is in possession of the leased premises (the "**Franchisee Obligations**") and shall indemnify and hold harmless Franchisor for any losses, damages, liabilities, costs and expenses (including reasonable legal and professional fees) incurred by Franchisor arising out of or related to the Franchisee Obligations, including without limitation, any losses, damages, liabilities, costs and expenses incurred by Franchisor in curing a default or breach on behalf of Franchisee pursuant to Section 5.3.3.2 above;

5.3.3.5 Franchisee shall immediately provide Franchisor with a copy of all lease agreement amendments and assignments, and a copy of all letters and notices that the lessor sends to Franchisee relating to the lease agreement or the leased premises;

5.3.3.6 upon expiration and non-renewal or immediately prior to termination of the lease agreement or this Agreement, Franchisee shall provide access to Franchisor to enter the leased premises, to the extent such access and removal is not prohibited by the lease agreement, to take an inventory of the proprietary property remaining in the leased premises, back up electronic data and otherwise de-identify the leased premises as a Glosslab Store, including the right to remove any interior and exterior signs, fixtures, improvements, décor or other property containing any Marks or which are

proprietary to the Glosslab franchise System, and will, at Franchisor's expense, and to the extent necessary, enforce Franchisor's rights set forth in this Section with respect to such removal of any franchise identifying items;

5.3.3.7 Franchisee shall promptly, and in any event at least sixty (60) days prior to the expiration of the applicable notice period provided in its lease agreement to exercise a renewal option, notify Franchisor of its intent to renew or extend, or not renew or extend, its lease agreement, as the case may be (it being understood that nothing in this Section shall waive Franchisee's obligation under this Agreement to continuously operate the Franchised Store pursuant to the terms herein); and

5.3.3.8 solely with respect to Franchisor's rights explicitly granted to Franchisor under the lease agreement, Franchisee agrees to take such actions as reasonably requested by Franchisor, at Franchisor's expense, to enforce Franchisor's rights granted to Franchisor in the lease agreement, as necessary, as if Franchisor was a party to the lease agreement, with or without the consent or joinder of the lessor, provided that Franchisor shall not bear any costs in connection with Franchisee's assignment to Franchisor of the lease agreement nor should the foregoing relieve Franchisee from its Franchisee Obligations.

The rights in this Section 5.3.3 shall survive the expiration or earlier termination of this Agreement indefinitely.

#### **5.4 Development of Approved Location**

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of a Glosslab Store, including specifications for the exterior and interior design and layout, fixtures, equipment, décor and signs. Franchisee shall diligently cause the Approved Location to be developed, equipped and improved at Franchisee's sole cost and expense, in accordance with such plans and specifications within two hundred forty (240) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.4.1 employ a competent licensed architect, engineer or general contractor to prepare, for Franchisor's approval, preliminary specifications (the "**Plans**") for improvement of the Approved Location adapted from the specifications furnished by Franchisor and in compliance with applicable law and Franchisee will not deviate from any such Plans following approval by Franchisor without Franchisor's written approval; provided if, due to unique circumstances disclosed to Franchisor prior to the date the specifications are submitted to Franchisor, it is necessary to deviate from Franchisor's standard specifications for the development of a Glosslab Store, all deviations, including those that are necessary to adapt the standard specifications to the Approved Location, must be clearly designated in a separate document and submitted to Franchisor along with the Plans;

5.4.2 obtain all zoning classifications and clearances that may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary specifications;

5.4.3 obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Store and certify in writing and provide evidence to Franchisor that all such permits and certifications have been obtained;

5.4.4 obtain all insurance required under Franchisee's lease agreement prior to commencing development;

5.4.5 employ a qualified, licensed general contractor approved by Franchisor to



complete construction of all required improvements to the Approved Location;

5.4.6 purchase the Start-Up Package of inventory, supplies, and equipment necessary for the establishment and operation of the Franchised Store; the exact size and composition of the Start-Up Package and corresponding Start-up Package Fee may vary depending on the capacity, condition, location and layout of the Approved Location and other like factors;

5.4.7 purchase the Retail Inventory Package of inventory of Glosslab Products to be re-sold to customers in the Franchised Store; the exact size and composition of the Retail Inventory Package and corresponding Retail Inventory Package Fee may vary depending on the capacity, condition, location and layout of the Approved Location and other like factors;

5.4.8 purchase any other supplies or inventory and purchase and install any other equipment, signs, furniture and fixtures, including any surveillance camera system equipment, Glosslab Technology containing as applicable, computer system equipment, point-of-sale system equipment and telephone and music system equipment and other network components, meeting Franchisor's specifications, that are necessary for the operation of the Franchised Store;

5.4.9 establish high-speed Internet access in accordance with Franchisor's then current specifications and requirements; and

5.4.10 open an Electronic Depository Transfer Account and notify Franchisor of the pertinent account information by completing Franchisor's standard draft authorization form as required in Section 3.7, or such other forms as Franchisor may require to effect electronic funds transfer to/from such Electronic Depository Transfer Account.

Prior to retaining any architect or design firm, engineer or general contractor, Franchisee will provide to Franchisor the name, address, and relevant work experience on similar projects for any architect or design firm, engineer or general contractor that Franchisee wishes to retain. Franchisor may require that Franchisee hire a different architect or design firm or engineer or general contractor based on prior experiences of Franchisor, its Affiliates or other franchisees' with such person or entity, such person's or entity's general business reputation, and such person's or entity's relevant work experience on similar projects. Franchisor's response or non-response to Franchisee's use of any such person will not be deemed an endorsement or recommendation by Franchisor of any such person. Franchisee acknowledges and agrees that Franchisor is not liable for the unsatisfactory performance of any person retained by Franchisee.

If Franchisee elects or is required by this Agreement or its lease agreement to perform construction work or renovations or refurbishment of the Franchised Store affecting the design, character, or appearance of the Franchised Store, Franchisee will obtain the prior approval of Franchisor that any such construction work or significant renovations or refurbishment complies with the specifications for the development of a Glosslab Store.

Franchisor or its designees will promptly review the Plans for compliance with Franchisor's standard specifications. If Franchisor determines that the Plans do not comply with such specifications, Franchisor will provide recommended changes to Franchisee that Franchisee will incorporate into the Plans and resubmit to Franchisor for its review. Each party will act diligently and in good faith in the preparation, submission, review and revision of the Plans. Franchisee will not begin the construction, renovation or refurbishment until Franchisor notifies Franchisee that the Plans comply with Franchisor's standard specifications, and has secured all insurance required under Franchisee's lease agreement and this Agreement, as applicable. Once finalized, the Plans will not be changed, including changes required by governmental authorities, without the prior written consent of Franchisor.

Franchisee agrees that Franchisee, and not Franchisor or its Affiliates or their designees (including any Area Representative), is responsible for: (i) ensuring that any design, construction documents, specifications, and any construction, renovation, or refurbishment complies with any applicable law, including any requirements relating to disabled persons; (ii) any errors or omissions; (iii) the technical sufficiency, adequacy or safety of the plans, structures, any of their component parts, or any other physical condition or feature pertaining to the improvements; and (iv) discrepancies (of any nature) in any drawings or specifications. Franchisee further acknowledges and agrees that: (a) Franchisor's review of the Plans is limited solely to determining whether the Plans comply with Franchisor's standard specifications; and (b) Franchisor will have no liability or obligation with respect to renovation, upgrading or furnishing of the Franchised Store. Except for Franchisee's own uses related to its construction or operation of the Franchised Store, Franchisee will not reproduce, use or permit the use of any of the design concepts, drawings, or specifications.

### **5.5 Failure to Develop Approved Location**

Should Franchisee fail to develop the Approved Location for the Franchised Store within two hundred forty (240) days after the Effective Date, Franchisor has the right (but not the obligation) to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.5, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities); provided, however, that if a general release is prohibited by applicable law, Franchisee shall give the maximum release allowed by law.

Franchisee acknowledges that Franchisor or its designees will conduct an on-site or remote inspection of the Franchised Store within thirty (30) days following Franchisor's receipt of a certificate of completion from Franchisee or its contractor (the "**Initial Inspection**"). Within five (5) business days following the Initial Inspection, Franchisor will provide written notice to Franchisee that either: (i) the Franchised Store conforms with the applicable Plans, at which point Franchisor shall, subject to satisfaction of all other applicable pre-opening obligations under this Agreement, approve the Franchised Store; or (ii) the Franchised Store does not conform with such Plans, in which case Franchisor shall also provide to Franchisee a written description of such nonconformities (the "**Nonconformance Notice**").

In the event Franchisor provides Franchisee a Nonconformance Notice (whether as a result of the Initial Inspection or any Subsequent Inspection (as defined below)), Franchisee, at its expense, shall correct such nonconformities within a reasonable amount of time and then notify Franchisor in writing when such nonconformities have been corrected at which point Franchisor or its designees shall conduct a subsequent on-site or remote inspection of the Franchised Store within ten (10) business days following Franchisor's receipt of such notice from Franchisee (each such subsequent inspection shall be referred to as a "**Subsequent Inspection**"). Within five (5) business days following any such Subsequent Inspection, Franchisor will provide written notice to Franchisee that either: (i) the Franchised Store now conforms with the applicable Plans, at which point Franchisor shall approve the Franchised Store; or (ii) the Franchised Store does not conform with such Plans, in which case Franchisor shall also provide to Franchisee another Nonconformance Notice, and in such event, Franchisee, at its expense, shall again correct such nonconformities within a reasonable amount of time and then notify Franchisor in writing when such nonconformities have been corrected at which point Franchisor or designees shall conduct a Subsequent Inspection within ten (10) business days following Franchisor's receipt of such notice from Franchisee. The provisions of this paragraph shall continue to apply until Franchisor provides approval of the Franchised Store as described above.

The parties agree that Franchisor shall be entitled to require the payment of Franchisor's then-standard inspection fee for each Subsequent Inspection performed by Franchisor or its designees, which

such amount is intended to reimburse Franchisor for its costs and expenses in performing such Subsequent Inspection. For purposes of this Section 5.5, Franchisor's approval of the Franchised Store only indicates that the Franchised Store complies with the Plans for the Franchised Store, as approved by Franchisor, and the parties agree that Franchisor's approval or disapproval will not impose any liability or obligation on Franchisor.

## **5.6 Opening of the Franchised Store**

5.6.1 Before opening the Franchised Store and commencing business, Franchisee shall:

5.6.1.1 be in good standing in Franchisee's jurisdiction of formation and where the Franchised Store is located, if different, and validly existing for the purpose of owning and operating the Franchised Store, duly authorized to conduct such business;

5.6.1.2 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

5.6.1.3 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease agreement, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.6.1.4 complete initial training to the satisfaction of Franchisor, and ensure that the Store Manager has completed initial training to the satisfaction of Franchisor;

5.6.1.5 hire the personnel necessary or required for the operation of the Franchised Store;

5.6.1.6 obtain all necessary permits and licenses;

5.6.1.7 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee has complied with all material pre-opening obligations under this Agreement, is ready to open and satisfactorily prepared to operate; and

5.6.1.8 pay in full all amounts due to Franchisor and each Franchisor Affiliate. Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Store within one (1) year after the Effective Date, subject to any extensions provided by Franchisor pursuant to Section 5.5.

5.6.2 Franchisee shall not suffer any mechanics', laborers' or materialmen's liens to be filed against the Franchised Store or the Approved Location or any interest in either of them by reason of any work, labor, services or materials performed at or furnished to, or claimed to have been performed at or furnished to, the Franchised Store or the Approved Location, by, or at the direction or sufferance of, Franchisee or anyone holding the Franchised Store or the Approved Location through or under the Franchisee; if any liens shall at any time be filed or claimed, Franchisee shall have the right to contest them in good faith and with reasonable diligence, provided Franchisee has bonded over the lien claim or has taken other measures reasonably satisfactory to Franchisor to assure payment and to prevent any sale, foreclosure or forfeiture of the Franchised Store or the Approved Location by reason of non-payment. On final determination of the lien or claim for lien, Franchisee shall immediately pay any judgment, with all costs and charges, and shall have the lien released of record and any judgment satisfied. If Franchisee shall fail to contest the liens with due diligence or shall fail to cause the liens to be discharged within thirty (30) days after being notified of their filing and in any case, before any sale, foreclosure or forfeiture then, in

addition to any other right or remedy of Franchisor, Franchisor or its Affiliates may discharge the liens by paying the amount claimed to be due or by bonding or other proceeding deemed appropriate by Franchisor, and the amount paid by Franchisor or Franchisor's Affiliates and all costs and expenses, including reasonable attorneys' fees, expenses and court costs, incurred by Franchisor or Franchisor's Affiliates in procuring the discharge of the liens or judgment, shall be due and payable by Franchisee to Franchisor or its applicable Affiliates within ten (10) days after demand by Franchisor. Under no circumstances shall an interest of Franchisor in the Franchised Store or the Approved Location be subject to any mechanic's, laborer's or materialman's lien or any other lien or charge on account of or arising from any contract or obligations of Franchisee and all such parties must look exclusively to Franchisee to obtain payment for same. Franchisee shall deliver written notice of the foregoing provisions to all persons performing work on or in the Franchised Store or the Approved Location. Additionally, if requested by Franchisor, Franchisee shall promptly execute and deliver to Franchisor a notice of non-responsibility, in a form provided by Franchisor.

### **5.7 Failure to Open**

Notwithstanding any provision in this Agreement to the contrary, Franchisee shall commence operations at the Approved Location for the Franchised Store in accordance with the terms and conditions of this Agreement no later than one (1) year after the Effective Date. If this Agreement is terminated pursuant to this Section 5.7, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee, provided that Franchisee signs and returns to Franchisor a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities); provided, however, that if a general release is prohibited by applicable law, Franchisee shall give the maximum release allowed by law. Any Franchise Fee retained by Franchisor in connection with any termination under this Section 5 shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Store and shall not be construed as nor considered to be a penalty.

### **5.8 Use of Approved Location**

Franchisee shall not use the Approved Location for any purpose other than for the operation of a Glosslab Store in full compliance with this Agreement and the Confidential Operations Manual, unless approved in writing by Franchisor.

### **5.9 Relocation of the Franchised Store**

Franchisee shall not relocate the Franchised Store without the prior written consent of Franchisor. Franchisor will approve or disapprove a relocation request based on such factors as Franchisor deems appropriate, including the basis for the relocation request, the condition of the premises, demographics and population density of the surrounding area, proximity to the Glosslab Stores located in the Protected Territory, lease agreement requirements, visibility, ease of access, available parking and overall suitability. Any such relocation shall be at Franchisee's sole expense and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.7, to the extent applicable, and to the extent necessary, shall be documented in an amendment to this Agreement by the parties, including, amending the address the Approved Location for the Franchised Store and as applicable, the designated Protected Territory. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including legal and professional fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. Further, Franchisee may be required to pay certain fees to vendors in order to transfer services and/or accounts in connection with the relocation of the Franchised Store. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease

agreement expires or is terminated or the Approved Location is rendered unusable, Franchisor may terminate this Agreement at any time thereafter upon written notice to Franchisee. Except in instances where the lease agreement was terminated as a result of Franchisee's breach of the lease agreement, any such termination shall be treated for all purposes as if the Term expired. The foregoing shall not limit Franchisor's rights in the event of a termination of Franchisee's lease agreement by its lessor due to a Franchisee default or breach. Notwithstanding any provision in this Agreement to the contrary, Franchisor may condition Franchisor's approval of any such relocation on Franchisor and Franchisee agreeing on a Protected Territory for such new location (which may be the same Protected Territory as the current Approved Location), which may consider such factors as Franchisor deems appropriate, including, nearby locations and Protected Territories and current demographics. Franchisor may further condition such approval on the entry by Franchisee into Franchisor's then-current form of franchise agreement and related agreements as offered to new franchisees, the terms of which may differ from the terms of this Agreement.

## **6. FRANCHISOR'S MARKS**

### **6.1 Franchisor's Ownership of Marks**

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of the business of the Franchised Store by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the Term or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

### **6.2 Limitations on Franchisee's Use of the Marks**

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name without Franchisor's written consent which may be withheld by Franchisor in its sole discretion. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies, in a manner and in a format specified by Franchisor, and obtain such fictitious, assumed name or other business registrations as may be required under applicable law to do business as a Franchised Store. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that includes, consists of or is confusingly similar to any Mark. Franchisee shall include on its letterhead, forms (including all employment forms, policies and applications), cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Store is a licensed "**Independently Owned and Operated Franchise**" of Franchisee, and any such notice shall also include the legal name of Franchisee. Franchisee shall not claim any rights in or to any Mark, or modification or variation thereof.

### **6.3 Notification of Infringements of the Marks; Claims Against the Marks**

Franchisee shall immediately notify Franchisor of any infringement of the Marks, or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and, through Franchisee's counsel, Franchisor's counsel in connection with any such infringement, challenge, or claim; provided, however, Franchisee may

communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take any action in connection with any such infringement, challenge or claim and has the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks but Franchisor shall not be required to take such action. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as Franchisor may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

#### **6.4 Franchisor's Indemnification for Franchisee's Use of Marks**

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar third-party proceeding disputing Franchisee's authorized use of any Mark; provided, that Franchisee has timely notified Franchisor of such proceeding and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designees may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee where Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal or professional fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

#### **6.5 Franchisee's Discontinuance of Use of the Marks**

If it becomes necessary for Franchisee to modify or discontinue use of any of the Marks, or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall, at its sole cost and expense, comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the terms set forth in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark, it being understood and agreed that all goodwill associated with any Marks inures to the benefit of Franchisor.

#### **6.6 Franchisor's Right to Inspect Franchisee's Use of the Marks**

To preserve the validity and integrity of the Marks and any copyrighted materials licensed under this Agreement, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Store, Franchisor and its designees have the right to conduct real time surveillance of the Franchised Store and the right to enter and inspect the Franchised Store and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Store in accordance with the quality control provisions and performance standards established by Franchisor and this Agreement. Franchisor and its designees shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other inventory items offered for retail sale, or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Store and to interview and survey (whether in person or by mail) customers and employees and to photograph and videotape the premises.

## **6.7 Franchisor's Sole Right to Domain Name**

Franchisee shall not establish, create, or operate an Internet site or Web site using a domain name or uniform resource locator, or any other mobile or other applications, containing the Marks or the words "GLOSSLAB" or any variation thereof. Franchisee shall not advertise on the Internet (including through the use of social media or mobile or other applications) using the "GLOSSLAB" name and any other Mark without Franchisor's prior written approval, including the means and manner and content of any such advertisement. Franchisor is the sole owner of all right, title and interest in and to the domain "www.glosslab.com" and any other domain names containing any Marks. Franchisee shall enforce this Section as to its officers, directors, executives, managers, employees, agents and representatives and shall be liable to Franchisor for any unauthorized use of the Marks by any of them.

## **6.8 Contributions and Donations**

In order to protect the Marks, Franchisee must obtain written consent from Franchisor before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

## **7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION**

### **7.1 Requirement of Confidentiality**

7.1.1 Franchisee acknowledges that Franchisor will disclose or otherwise make available Trade Secrets and other Confidential Information to Franchisee during the Term, including through the training program, through the Confidential Operations Manual, through access to Franchisor's secured intranet, through training guides and materials, through Glosslab Technology and as a result of guidance furnished to Franchisee during the Term. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to utilize it in the development and operation of the Franchised Store and in performing its duties during the Term.

7.1.2 Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the Term and shall not, without first having obtained Franchisor's prior written consent to such disclosure, disclose the Confidential Information to any third parties, except to Franchisee's officers, directors, executives, managers, employees, agents and representatives who are on a strict need-to-know basis with respect to such Confidential Information in connection with the operation of the Franchised Store, and who are bound by duties of confidentiality no less stringent than those set forth in this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed, from time to time, by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information.

7.1.3 Notwithstanding any term or condition in this Agreement to the contrary, Franchisee may disclose Confidential Information under certain limited circumstances as follows: (i) as

may be required by law or court process; provided, that Franchisee provides Franchisor reasonable prior notice to allow Franchisor sufficient time to obtain a protective order to prevent disclosure of such Confidential Information, or take other appropriate action; (ii) in confidence to a federal, state, or local government official, either directly or indirectly, or to Franchisee's legal counsel solely for the limited purpose of reporting or investigating a suspected violation of law; (iii) in confidence as part of a complaint or other legal document filed in a lawsuit or other proceeding; provided, that such filing is made under protective seal; and (iv) if Franchisee files a lawsuit for retaliation by Franchisor for reporting a suspected violation of law, Franchisee may disclose, in confidence, relevant Trade Secret information to Franchisee's legal counsel representing Franchisee in such lawsuit, and use such Trade Secret information in the court proceedings; provided, that (x) Franchisee either directly or through its legal counsel, files any document containing any such Trade Secret under protective seal; and (y) Franchisee does not disclose the Trade Secret information, except pursuant to court order or with Franchisor's prior written consent, which such consent may be withheld in Franchisor's sole discretion. This Agreement is not intended in any way to restrict or impede Franchisee from exercising protected rights to the extent such rights cannot be waived by this Agreement. Franchisor reserves the right to pursue all remedies available under federal, state, or local law for any disclosure of Confidential Information (including Trade Secret information) by Franchisee which does not comply with this Section 7.

7.1.4 Franchisee shall enforce this Section as to its officers, directors, executives, managers, employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.1.5 This Section shall survive the expiration or termination of this Agreement indefinitely.

## **7.2 Franchisor Owns All Additional Developments**

Without limiting Franchisee's obligations set forth in Sections 12.5.5 and 13.17 of this Agreement with respect to data protection, all ideas, concepts, techniques, feedback or materials concerning the Franchised Store and the System, including all data related to guests (customers), whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees, therefore, and Franchisee hereby assigns to Franchisor all right, title and interest in any intellectual property so developed. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee hereby assigns ownership of that item, and all related rights to that item, to Franchisor and shall sign, or cause the assignment of, any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisee also waives any author's or moral rights in and to such items, and shall ensure its employees do the same. Franchisor may disclose to Franchisee from time-to-time concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

## **7.3 No Competition with Franchisor**

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Glosslab franchisees if owners of Glosslab Stores and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the Term, and for a period of two (2) years after the expiration



or termination of this Agreement, regardless of the cause of expiration or termination, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business or customer of the Franchised Store to any Competitive Business, by direct or indirect inducement or otherwise;

7.3.2 Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;

7.3.3 Carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere in the United States; or

7.3.4 Solicit or otherwise attempt to induce or influence any employee, customer or other business associate of Franchisee, Franchisor or any other GLOSSLAB franchisee or Area Representative to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Franchisor or any other GLOSSLAB franchisee or Area Representative; provided, however, that the foregoing shall not restrict Franchisee or any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee from hiring any employee or other business associate of Franchisor or any other GLOSSLAB franchisee or Area Representative for the Franchised Store that responds to general public solicitations made in the ordinary course of business.

Following the expiration or termination of this Agreement (unless renewed as set forth in Section 4.2 above), the geographic scope of the restriction set forth in this Section 7.3 shall be limited to the Protected Territory and within fifty (50) miles of any other company-owned location, or Franchised Store existing at the time of such expiration or termination.

In addition, Franchisee agrees and covenants that Franchisee will not, at any time, either directly or indirectly, and shall cause Franchisee's affiliates, officers, directors, executives, managers, members of the professional staff of Franchisee and other employees, agents and representatives not to, make, publish or communicate to any person or entity or in any public forum (including through social media) any defamatory or disparaging remarks, comments or statements concerning Franchisor, its Affiliates, any franchisees or Area Representatives and/or any of their respective employees, agents and representatives, or the System or its Marks.

#### **7.4 Designated Individuals Shall Enter Into Nondisclosure and Non-Competition Agreements**

In addition to the restrictive covenants set forth in Section 7.3 above, Franchisor has the right to require that Franchisee obtain from any holder of a legal or beneficial interest in Franchisee, and any officer, director, executive, manager or member of the professional staff of Franchisee, an executed nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or at any time thereafter. In addition, Franchisor has the right to require that Franchisee obtain from any other personnel an executed confidentiality; non-interference and proprietary rights or similar agreement(s) protecting Franchisor's Confidential Information, Trade Secrets and goodwill, in a form prepared by and acceptable to Franchisor, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or at any time thereafter. Franchisee shall provide Franchisor with copies of all nondisclosure, non-competition and similar agreements signed pursuant to this Section. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

Without limiting Franchisee's obligations and restrictions under Section 18 and Section 19 of this Agreement, Franchisee shall promptly notify Franchisor of all holders of a legal or beneficial interest in Franchisee and any officer, director, executive or manager of Franchisee and any additions or deletions to any of the foregoing.

#### **7.5 Franchisee Acknowledges Reasonableness of Restrictions**

Franchisee acknowledges that the restrictive covenants contained in this Section and Section 17.2 are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth in this Agreement, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, Trade Secrets and other Confidential Information, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Franchisee shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of Franchisor and Franchisee that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought. Franchisor may, at its discretion and at any time, reduce the scope, restricted activities and/or duration of any of the restrictive covenants effective immediately upon notice to Franchisee.

#### **7.6 Relief for Breaches of Confidentiality, Non-Solicitation, Non-Disparagement and Non- Competition**

Franchisee acknowledges that an actual or threatened violation of the covenants contained in Section 7 of this Agreement will cause Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisor shall be entitled, as a matter of right, to seek an injunction from any court of competent jurisdiction restraining any further violation by Franchisee of Section 7 of this Agreement without any requirement to show any actual damage, irreparable harm or establish a balance of convenience, or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisor may have at law or in equity.

### **8. TRAINING AND ASSISTANCE PROVIDED BY FRANCHISOR**

#### **8.1 Franchisor Shall Provide Initial Training**

8.1.1 Franchisor shall make an initial training program available to Franchisee, if Franchisee is an individual, or to the equity holders of Franchisee, if Franchisee is a business entity; provided that, Franchisor reserves the right to require multi-unit operators of Franchised Stores to provide their own initial training program. Prior to the opening of the Franchised Store, Franchisee, or as applicable, its equity holders, must attend and successfully complete, to Franchisor's satisfaction, this initial training program pertaining to operation of the Franchised Store. Franchisor or its representatives shall conduct the initial training program at its headquarters or at another designated location determined by Franchisor. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee and its owners, personnel and other representatives in attending such program including travel costs, room and board expenses and personnel salaries, shall be the sole responsibility of Franchisee. If Franchisee requests additional training, and should Franchisor deem it necessary or appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such

additional training.

8.1.2 Franchisor, in its discretion, may make an initial training program available to Franchisee's Store Manager. Any such Store Manager training may be attended by other personnel and representatives of Franchisee approved by Franchisor. Prior to the opening of the Franchised Store, the Store Manager must attend and successfully complete, to Franchisor's satisfaction, any required Store Manager training program pertaining to operation of the Franchised Store. Franchisor or its designees shall conduct the Store Manager training program at its headquarters or at another designated location determined by Franchisor. Franchisor shall not charge tuition or similar fees for any such Store Manager training, however, all expenses incurred by any such Store Manager or other personnel or representatives of Franchisee in attending such program including travel costs, room and board expenses and personnel salaries, shall be the sole responsibility of Franchisee.

## **8.2 Personnel; Independently Owned and Operated Business**

8.2.1 Franchisee will be required to adequately staff the Franchised Store to operate the Franchised Store, which will likely include, in addition to the Store Manager, at a minimum nail technicians and guest services personnel. Franchisee shall be solely responsible for all hiring, firing, evaluation and disciplinary decisions relating to Franchisee's personnel, as well as the terms (including compensation) of each such employee's employment or engagement, maintaining supervision over such personnel and complying with all federal, state or local laws applicable to such employment, including complying with all employment, tax (including withholding taxes) and wage related laws with respect to such personnel. Franchisee's personnel will remain, as between Franchisee on the one hand and Franchisor on the other, employees of Franchisee, and shall not be deemed to be employees of Franchisor for any purpose, and Franchisor hereby expressly disclaims any employment or agency relationship between Franchisor on the one hand, and Franchisee and its personnel on the other.

8.2.2 Franchisee shall include its legal name in all employment related documents (e.g., employment policies, employee manuals, applications, disciplinary documents, identification cards) and shall identify itself in all interactions with the public as an independently owned and operated licensed franchised location.

8.2.3 Franchisee must comply with Franchisor's minimum operating standards and procedures included in the Confidential Operations Manual or otherwise in writing from time to time with respect to staffing of the Franchised Store. Franchisee acknowledges and agrees that these compliance obligations are imposed by Franchisor to protect the Marks and the goodwill associated therewith, and that notwithstanding Franchisee's obligations to comply with such minimum operating standards and procedures, neither Franchisor, nor its Affiliates nor their respective employees or representatives assume any responsibility or liability for the hiring or engaging of any personnel or service providing contractors of Franchisee or satisfaction of any pre-employment or pre-engagement conditions, which Franchisee understands is its sole responsibility.

8.2.4 Except as otherwise specifically provided in this Section 8. Franchisee shall be responsible for training its personnel subject to the terms of this Section 8. Notwithstanding the foregoing, Franchisor may make available training materials and programs for certain personnel of Franchisee, which Franchisor may require in its discretion to be completed by such persons prior to the provision of any services by such persons to guests of the Franchised Store.

## **8.3 Franchisee's Failure to Complete Initial Training Program**

8.3.1 If Franchisor determines that Franchisee, its principals and/or its Store Manager fails to complete the applicable training program described in Section 8.1 to Franchisor's reasonable

satisfaction within a reasonable time of signing the Franchise Agreement, Franchisor has the right (but not the obligation) to terminate this Agreement. For the avoidance of doubt, a reasonable time, as described in the previous sentence, shall mean no later than thirty (30) days prior to the projected date for Franchisee to commence operations of the Approved Location for the Franchised Store. If the Term is terminated pursuant to this Section 8.3, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release in a form the same as or similar to the General Release attached as Exhibit 1 and acceptable to Franchisor; provided, however, that if a general release is prohibited by applicable law, Franchisee shall give the maximum release allowed by law.

8.3.2 Notwithstanding the provisions of Section 8.3.1, if Franchisee is a business entity and the Store Manager fails to timely complete the training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute Store Manager and such substitute Store Manager must promptly complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be required to pay Franchisor's then-current rates for additional training for providing the substitute manager with an initial training program.

#### **8.4 Franchisor May Provide Opening Assistance**

In conjunction with the beginning of operation of the Franchised Store, and in Franchisor's sole discretion, Franchisor may make available to Franchisee, at Franchisee's expense, one (1) or more of Franchisor's representatives (which may be provided by Area Representatives) to provide general assistance and guidance in connection with the opening of the Franchised Store for a total of approximately six (6) days before and/or after the grand opening of the Franchised Store. If Franchisee requests additional or special assistance with respect to the opening or continued operation of the Franchised Store, and should Franchisor deem it necessary or appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

#### **8.5 New Store Manager Must Complete Brand Immersion and Core Training Program**

After beginning operations, including because of an acquisition of the Franchised Store, should Franchisee name a new Store Manager, Franchisee must notify Franchisor of the identity of any new Store Manager and the new Store Manager must complete the Brand Immersion and Core Training program to Franchisor's satisfaction within thirty (30) days of the new Store Manager assuming the duties of the Store Manager. The new Store Manager may attend the Brand Immersion and Core Training program without charge; provided, that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager changes by Franchisee are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and personnel salaries incurred in connection with the new Store Manager's attendance at such training.

#### **8.6 Franchisee and its Store Manager Must Attend Ongoing Training**

8.6.1 From time to time, Franchisor may provide, and, if it does, has the right to require that Franchisee, its principals, its Store Manager and/or other applicable personnel attend, ongoing or refresher training programs or seminars, including webinars and teleconferences conducted by Franchisor and its representatives or third parties engaged by Franchisor, during the Term. Ongoing and refresher training programs or seminars may be subject to additional fees. Franchisee shall be responsible for all travel costs, room and board and personnel salaries incurred in connection with Franchisee's, its principals, its Store Manager's and/or other applicable personnel's attendance at any such ongoing training session.

8.6.2 In addition to any other ongoing training that may be provided by Franchisor pursuant to this Agreement or otherwise in connection with the System, as well as in addition to any other requirements that Franchisee or its principals, its Store Manager(s) and/or other applicable personnel attend

at any such ongoing training session, Franchisor, in its discretion, may periodically conduct a national conference from time to time, but no more frequently than annually. Franchisee, its principals, its Store Manager and/or other personnel may be required to attend such conferences or conventions at its own cost and expense, as reasonably determined by Franchisor. For the avoidance of doubt, Franchisee shall be responsible for all admission fees for conference activities as well as all travel costs, room and board and personnel salaries incurred in connection with its attendance and the attendance by its personnel at any such conference or training session.

8.6.3 Franchisor may, as it deems advisable, coordinate periodic teleconferences or video conferences of franchisees and/or its personnel on a local, regional or national level and may require that Franchisee, its representatives and/or its personnel, as applicable, attend these meetings. Franchisee and its principals shall attend any such meeting required by Franchisor for franchisees unless Franchisee receives Franchisor's permission to not attend any such meeting.

### **8.7 Franchisor Reserves the Rights to Modify Training Programs**

Franchisor may add or otherwise modify or reduce training components or requirements in its discretion based on changes to the market conditions or other circumstances applicable to the operation of a Franchised Store during the Term. Franchisor may also adapt any training program or create special training programs based on the needs of a particular franchisee or its personnel.

## **9. FRANCHISOR'S CONFIDENTIAL OPERATIONS MANUAL**

### **9.1 Franchisor Shall Loan Franchisee the Confidential Operations Manual**

During the Term, Franchisor shall provide Franchisee with access to the Confidential Operations Manual (which if tangible, shall be considered a loan to Franchisee for the Term and if electronic, such access shall be deemed temporary for the duration of the Term). Franchisee shall conduct operations at the Franchised Store in strict accordance with the provisions set forth in the Confidential Operations Manual. The Confidential Operations Manual may consist of one (1) or more separate manuals, user guides and other materials as designated by Franchisor and may be in written or electronic form. Franchisor owns the copyrights in the Confidential Operations Manual; Franchisee shall not copy or duplicate the Confidential Operations Manual in whole or in part; provided, that Franchisee may print out portions on an as needed basis of the electronic version of the Confidential Operations Manual strictly for Franchisee's own use in operating the Franchised Store and for no other purpose. The Confidential Operations Manual shall, at all times, remain the sole property of Franchisor and shall immediately be returned to Franchisor, along with all user names, passwords and access codes to access the Confidential Operations Manual electronically, upon expiration or termination of this Agreement or destroyed, at the direction of Franchisor, and any portions of the Confidential Operations Manual printed from the electronic version by Franchisee shall be promptly destroyed, as certified by Franchisee. If Franchisee's Confidential Operations Manual is lost or destroyed, Franchisor may supply a replacement Confidential Operations Manual to Franchisee or otherwise make available to Franchisee an electronic version of the Confidential Operations Manual, and Franchisee shall pay Franchisor's costs and expenses related to such replacement.

### **9.2 Franchisor May Modify the Confidential Operations Manual**

9.2.1 Franchisor has the right to add to, delete from, update, revise to or otherwise modify the Confidential Operations Manual, from time to time, to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor. Franchisor may make such modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice (e-mail acceptable) from Franchisor, adopt any such changes and shall ensure that its copy of the Confidential

Operations Manual is up-to-date at all times. Franchisee is obligated to comply with all specifications, standards, operating procedures and rules set forth in the then-current current version of the Confidential Operations Manual.

9.2.2 At Franchisor's option, Franchisor may post some or all of the Confidential Operations Manual on a restricted Web site, intranet, or extranet to which Franchisee will have access. For purposes of this Agreement, "**Web site**" means an interactive electronic document contained in a network of computers linked by communications software, including the Internet and World Wide Web home pages. If Franchisor does so, Franchisee agrees to monitor and access the Web site, intranet, or extranet for any updates to the Confidential Operations Manual. Any password, user name or access code or other digital identification necessary to access the Confidential Operations Manual on a Web site, intranet or extranet will be deemed to be Franchisor's proprietary information, subject to Section 7 above.

9.2.3 If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the most recent form of the Confidential Operations Manual available on Franchisor's intranet, shall be controlling.

### **9.3 Franchisee Must Maintain the Confidentiality of the Confidential Operations Manual**

The Confidential Operations Manual contains Franchisor's Trade Secrets and other Confidential Information and shall be kept confidential by Franchisee both during the Term and after the expiration and non-renewal or termination of this Agreement. If in paper form or stored on computer-readable media, Franchisee shall at all times ensure that its copy is available at the Approved Location in a current and up-to-date manner, and is adequately secured (by passcode, lock or other similar measures) at the Approved Location. If in electronic form, Franchisee shall maintain the Confidential Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel access subject to confidentiality obligations access to the Confidential Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Confidential Operations Manual in an unauthorized manner.

## **10. FRANCHISE SYSTEM**

### **10.1 Franchisee Shall Comply with Franchisor's Requirements, Specifications, Standards, Operating Procedures and Rules**

Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating the Franchised Store in strict conformity with the System. Franchisee shall strictly comply, and shall cause the Franchised Store to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor.

### **10.2 Franchisor May Modify the System**

Franchisor has the right, in its sole reasonable discretion, to change or modify the System from time to time, including the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies or sales and marketing techniques, as well as décor and other specifications in connection with the look and feel of the Franchised Store. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the date Franchisee receives notice of such change or addition. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as

required in Section 13.6. Notwithstanding anything herein to the contrary, Franchisee shall be required to make any and all improvements or modifications whenever required by law, regulation, agency decision or court order.

### **10.3 Franchisor May Vary Standards, Materials or Specifications for any Franchisee**

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor has the right to vary standards, materials or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of any particular Glosslab Store. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance under this Agreement. Franchisee will have no recourse against Franchisor because of any variation from standard specifications and practices granted to any other franchisee and will not be entitled to require Franchisor to grant Franchisee a like or similar variation.

## **11. ADVERTISING AND PROMOTIONAL ACTIVITIES**

### **11.1 Advertising and Promotional Activities Require Franchisor Approval**

All advertising and other promotional efforts and programs that are in any way related to the Franchised Store and that include or otherwise identify any of the Marks, are in all events subject to the prior approval of Franchisor. Advertising and promotional efforts and programs include, but are in no way limited to, Local Advertising, national advertising, press releases or other public statements, media and other promotional or public relations events, sponsorships, endorsements and online activities (to the extent permissible in this Agreement). Franchisee acknowledges that if it enters into any contract or binding arrangement to use any unapproved advertising or otherwise engages in any unauthorized advertising or promotional efforts, it is doing so at its own risk and therefore, in addition to any rights and remedies in law or in equity that Franchisor may have pursuant to this Agreement, including the right to assess an administrative charge pursuant to Section 3.11, Franchisee may be obligated to pay for advertising or promotional materials or programs which Franchisor will not allow to be used for the Franchised Store or the System.

Franchisee shall submit to Franchisor, for its prior approval, all advertising and other promotional programs related to the Franchised Store that include or otherwise identify any of the Marks, including advertising and promotional materials planned to be used by Franchisee (e.g., ad copy, coupons, flyers and scripts), information about target trade areas and media that will be used for such advertising or promotions, as well as other information that may be reasonably requested by Franchisor from time to time. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials within twenty (20) days, such materials shall be deemed to have not received the required approval. Franchisee shall not engage in any such advertising or promotional efforts or programs or use any marketing or promotional material prior to receiving express approval by Franchisor.

### **11.2 Grand Opening Advertising**

In addition to any other advertising or other promotional obligations required by this Agreement, Franchisee shall spend on local advertising and promotion of the initial opening of the Franchised Store: (i) a minimum of \$8,000 over the period spanning the two (2) months prior to the commencement of operations at the Franchised Store; and (ii) a minimum of \$16,000 during the first four (4) months after commencement of operations at the Franchised Store, totaling \$24,000 ("**Grand Opening Advertising**"). Franchisor may

require Franchisee to purchase Glosslab Marketing Materials from Franchisor, its applicable Affiliates or a third party designated by Franchisor for use in Franchisee's Grand Opening Advertising. For the avoidance of doubt, amounts paid by Franchisee for these materials shall not reduce Franchisee's Grand Opening Advertising obligation, but any other amounts paid for Glosslab Marketing Materials from Franchisor or its Affiliates, or any third-party designated by Franchisor shall be considered amounts spent for purposes of Franchisee's Grand Opening Advertising obligation. Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Franchisor through the process set forth in Section 11.1. Grand Opening Advertising expenditures shall be in addition to any Local Advertising and Marketing Fund Contribution obligations.

### **11.3 Marketing Fund and Other Local Advertising Efforts**

Franchisor has established a System-wide marketing, advertising and promotional fund to assist with local, regional and national advertising ("**Marketing Fund**"). Franchisee shall contribute no more than three percent (3%) of Gross Sales to the Marketing Fund (the "**Marketing Fund Contribution**"). Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.4 (or at such other times specified by Franchisor from time to time). As of the date of this Agreement, the required Marketing Fund Contribution is two percent (2%) of Gross Sales. The Marketing Fund, for purposes of any Marketing Fund Contributions made by Franchisee, shall be maintained and administered by Franchisor or its designee as follows:

11.3.1 The Marketing Fund shall oversee all local, regional, national or if applicable, international marketing programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation thereof. Marketing Fund activities are intended to promote both general public recognition and acceptance of the Marks and use of the System, as well as GLOSSLAB recognition at a local, regional, national, and if applicable, international level; provided, that, Franchisor, its Affiliates, and their designees are not obligated to make expenditures for the Franchised Store on a basis equivalent or proportionate to the Marketing Fund charges or to ensure that any particular franchise location benefits directly or proportionately from Marketing Fund activities or expenditures, and Franchisor does not warrant that any particular franchisee, franchise location or any group of franchisees or locations will benefit directly or pro rata from expenditures by the Marketing Fund. Programs(s) may be designed for local franchisees, for regional or national or even international recognition, or apply System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program. While Franchisor does not warrant that any particular franchisee or franchise location will benefit directly or pro rata from expenditures by the Marketing Fund, Franchisor will, and will cause its Affiliates, to operate the Marketing Fund in good faith and in a non-discriminatory manner.

11.3.2 Franchisee's Marketing Fund Contribution may be used to meet the reasonable costs of, or reimburse Franchisor or its Affiliates for, its reasonable costs of operating the Marketing Fund, including reasonable costs of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, newspaper, billboard, social media and digital advertising, other forms of out-of-home advertising and direct mail advertising campaigns and other public relations activities; sampling of products; testing or piloting programs, products and services and developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees or other third-persons). Marketing Fund Contributions may be used to pay: (i) all reasonable costs associated with developing, preparing, producing, directing, administering, researching, conducting, and disseminating Marketing Fund activities, as well as the reasonable administrative costs and overhead incurred by Franchisor, or any of its Affiliates, with respect to the foregoing (including the reasonable cost of salaries and overhead for Franchisor's and its Affiliates' personnel involved in Marketing Fund activities); and (ii) the cost of overseeing marketing and promotional activities as well as collecting and accounting for the Marketing Fund. Franchisor or its Affiliates may (but will not be obligated to) (i) loan money to be used for Marketing Fund activities and Franchisor reserves the right to charge interest at then-



current market rates with respect to such loans, and (ii) use Marketing Fund contributions to repay any such loan plus interest. All Marketing Fund Contributions will be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor or its Affiliates may incur in activities reasonably related to the operation or other administration of the Marketing Fund.

11.3.3 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

11.3.4 Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor reserves the right to, at any time: (i) modify or reconstitute the local, regional, national or international scope of the Marketing Fund activities; and (ii) terminate the Marketing Fund activities and establish methods of funding Marketing Fund activities other than payment to the Marketing Fund. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a pro rata basis based on their Marketing Fund Contributions made during the preceding twelve (12) month period.

11.3.5 Each Glosslab Store operated by Franchisor, or an Affiliate of Franchisor, in the United States shall make Marketing Fund Contributions at the same rate as franchisees.

11.3.6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Such request must be made no earlier than ninety (90) days and no later than one hundred eighty (180) days after the end of such fiscal year. Franchisor retains the right to have the Marketing Fund reviewed, audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.3.7 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty with regard to administering, use, or expenditure of the Marketing Fund.

11.3.8 Franchisor and its representatives have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. Franchisor and its representatives also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Franchisor and its representatives may at any time defer or reduce contributions of a franchisee and, upon thirty (30) days prior written notice to Franchisee, reduce or suspend Marketing Fund Contributions and operations for one (1) or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund.

11.3.9 If the Marketing Fund is terminated, all unspent monies will be distributed to the contributors on a pro rata basis in proportion to their respective Marketing Fund contributions during the preceding twelve (12) month period.

Subject to compliance with the terms of this Agreement, Franchisee must continuously promote the Franchised Store. In addition to the advertising and promotional efforts conducted by the Marketing Fund and the Grand Opening Advertising, Franchisee must spend at least \$300 per month or one percent (1%) of Gross Sales, whichever is greater, on local advertising and promotion of the Franchised Store within the Franchisee's protected territory ("**Local Advertising**"). All Local Advertising and other advertising and other promotional efforts and programs not related to the Marketing Fund, or any other programs conducted by Franchisor or its Affiliates shall be made directly by Franchisee, at Franchisee's sole cost and expense, and shall be conducted in accordance with Franchisor's requirements and specifications and in all events subject

to the approval of Franchisor. Notwithstanding any provision herein to the contrary, Franchisee shall periodically be required to purchase Glosslab Marketing Materials from Franchisor, its Affiliates or from Approved Suppliers for use with the Franchised Store, and any such amounts shall be in addition to Franchisee's Marketing Fund Contribution obligations under this Agreement. Franchisor may provide general guidelines for conducting Local Advertising from time to time. Upon Franchisor's request, and no more than on a quarterly basis, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding calendar quarter.

#### **11.4 Special Marketing Programs; Cooperative Advertising**

Franchisor has the right, but not the obligation, directly or through a designee (including its Area Representatives) to create one or more Cooperative Advertising programs for the benefit of Glosslab Stores located within a particular region. Franchisor has the right to collect and designate all or a portion of the Marketing Fund Contribution to payments or contributions for the funding of any such Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Cooperative Advertising program. Franchisee shall participate in the council in accordance with the council's rules and procedures and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

In addition, Franchisor and its Affiliates may establish, coordinate, affiliate with, and require Franchisee's participation in special marketing programs. Special marketing programs may vary in duration, apply on a local, regional, national basis, or involve clusters or groups of Franchised Stores utilizing services on a shared basis. Examples of special marketing programs include cooperative advertising programs referenced above, sales and marketing programs and customer satisfaction programs. Special marketing programs may have a cost to Franchisee that is in addition to the Marketing Fund Contribution and Grand Opening and Local Advertising obligations. Franchisee may elect to participate in such activities or Franchisor may require participation.

#### **11.5 Internet Advertising; Social Media and Mobile Applications**

Franchisee may not establish a presence on, or market using, the Internet, including on any social media site such as Facebook, Twitter, Instagram, Snapchat, YouTube, or TikTok, in connection with the Franchised Store or use of the Marks without Franchisor's prior written consent. Franchisee shall not establish, create or operate an Internet site or Web site or social media page or any mobile or other applications using a domain name or uniform resource locator containing, or otherwise advertise on the Internet, including on any social media page using, the Marks or the words "GLOSSLAB", or any variation thereof. Franchisor has established and maintains an Internet Web site at the uniform resource locator [www.glosslab.com](http://www.glosslab.com), as well as one or more mobile applications, that provide information about the System and the services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at the GLOSSLAB Web site and through any of its mobile applications, an interior page containing information about the Franchised Store, or include information about the Franchised Store within other pages or applications of its Internet Web site or mobile applications, including through its online reservation system. If Franchisor includes such information on the GLOSSLAB Web site or mobile applications, Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to market on the Internet, including the use of Web sites, domain names, uniform resource locators, keywords, linking, mobile applications, search engines (and

search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet and mobile marketing and shall be required to follow Franchisor's intranet, mobile and Internet usage rules, policies and requirements. Franchisor retains the sole right to use the Marks on the Internet, including on Web sites, mobile applications, social media sites, including Facebook, Twitter, Snapchat and YouTube, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor retains the sole right to approve any linking to, or other use of, the GLOSSLAB Web site, social media pages or connected with any of its mobile applications. Franchisee shall enforce this Section as to its officers, directors, executives, managers, employees, agents and representatives and shall be liable to Franchisor for any unauthorized use of such Marks by any of them.

## **12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS**

### **12.1 Franchisee Shall Maintain Full, Complete and Accurate Books, Records and Accounts**

During the Term, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles or other reasonable standards required by Franchisor. Franchisor acknowledges that such books, records and accounts may not be maintained at the Franchised Store, however Franchisee shall make such books, records and accounts available to Franchisor for auditing purposes at a location reasonably acceptable to Franchisor. Franchisee shall retain during the Term, and for seven (7) years thereafter (unless otherwise required by applicable law), all books and records related to the Franchised Store including enrollment records, gift card and Approved Package and Membership Programs sales and redemptions (including escheatment law compliance), purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

### **12.2 Franchisee Shall Submit Gross Sales Reports**

Franchisee shall maintain an accurate record of Gross Sales and its sales of Glosslab Products and shall deliver to Franchisor a signed and/or verified statement of Gross Sales ("**Gross Sales Report**") for the week ending each Saturday in a form that Franchisor approves or provides in the Confidential Operations Manual. The Gross Sales Report for the preceding week must be provided to Franchisor on a weekly basis (or at such other times as Franchisor may designate from time to time) as provided in Section 3.4.

### **12.3 Franchisee Shall Submit Financial Statements to Franchisor**

Upon Franchisor's request, Franchisee shall supply to Franchisor, in a form and manner approved or otherwise designated by Franchisor, financial statements, which shall be prepared in accordance with GAAP applied on a consistent basis, and such other periodic reports in the manner and at the time specified in the Confidential Operations Manual or otherwise in writing by Franchisor or its representatives.

### **12.4 Franchisee Shall Submit Other Reports**

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor or its representatives may reasonably request from time to time or as specified in the Confidential Operations Manual or otherwise in writing by Franchisor or its representatives. Franchisor shall have the right to release financial and operational information relating to the Franchised Store to Franchisor's lenders or prospective lenders or purchasers, or to such other Persons as Franchisor reasonably determines, including to other franchisees and their employees, agents and representatives or the franchise network as a whole; provided, however,

notwithstanding the foregoing, Franchisor agrees that information containing Franchisee's costs or expenses or overall profit and loss provided by Franchisee will only be disclosed to other third parties with Franchisee's prior written consent; provided, further however, that Franchisor may, without such Franchisee consent, disclose such information to third parties in a manner which does not identify, directly or indirectly, Franchisee or the Franchised Store, such as by de-identifying Franchisee and the Franchised Store or otherwise incorporating and aggregating such information with information from other franchisees into summaries, calculations, reports or other information. For the avoidance of doubt, subject to the foregoing, any financial or operational information disclosed by Franchisee or its representatives to Franchisor or otherwise gathered by Franchisor through other sources related to Franchisee's costs or expenses, results of operations or overall profit and loss in connection with the operation of the Franchised Store may be used by Franchisor and its employees, agents and representatives for any such legitimate business purpose, including for purposes of benchmarking. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

## **12.5 Technology and Network Components/Point of Sale Systems**

12.5.1 Franchisee shall purchase, install and use a point-of-sale system and other applicable technology consisting of hardware and software in accordance with Franchisor's specifications and shall upgrade such systems in accordance with Franchisor's then-current requirements upon request. Franchisee shall also comply with all backup requirements specified by Franchisor in the Confidential Operations Manual or otherwise in writing, from time to time. Franchisee acknowledges that Franchisor may modify such specifications at any time and from time to time, which may result in additional costs to Franchisee, including costs incurred to acquire new or modified hardware or software and/or communication/technology capabilities and to obtain service and support for such hardware, software or communication/technology capabilities. As part of Franchisee's obligations to acquire and maintain such required hardware and software, Franchisor may require Franchisee to obtain licenses to use certain proprietary software developed by Franchisor, its Affiliates, or third parties. Franchisee may be required to pay certain licensing and subscription fees to Franchisor, its Affiliates, or third parties in order to obtain the software licenses that Franchisee is required to utilize in connection with the operation of the Franchised Store.

12.5.2 Franchisor shall, from time to time, determine which features of the point-of-sale system and other applicable technology shall be accessible to Franchisee, as more particularly set forth in the Confidential Operations Manual.

12.5.3 Franchisor has the absolute right to (i) access at any time and without any advance notice, Franchisee's technology and point-of-sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet (as determined by Franchisor); and/or (ii) view, program or modify any part of any network systems or technology or Franchisee's point-of-sale local server or any centralized point-of-sale system as needed to maintain Franchisee's point-of-sale system. Franchisor may restrict Franchisee's access to the point-of-sale system or network at any time in its sole and absolute business discretion. Franchisor's access is intended in part to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement, and to allow Franchisor to retrieve any and all information concerning the operation of the Franchised Store, including all information related to sales and information about guests; provided Franchisor shall comply with all applicable laws related to its use and access of any personal information about guests, and to maintain such technology and as applicable, Franchisee's point-of-sale server and any centralized point-of-sale system server. Franchisor reserves the right, without notice, to modify any programming as necessary that is inconsistent with the programming specifications and guidelines for Approved Package and Membership Programs, client rewards, client loyalty and other programs as outlined in the Confidential Operations Manual. Franchisee shall take all necessary steps to ensure that Franchisor has such access on an ongoing basis and Franchisee shall not install any software or make any hardware modifications that may hamper or interfere with the operation of any

required hardware or software in accordance with Franchisor's specifications.

12.5.4 Franchisee shall maintain high-speed Internet access for the Approved Location in accordance with Franchisor's then-current specifications and requirements.

12.5.5 Franchisee shall have sole responsibility for maintaining its computer hardware and software, including the security of all information secured on any of its computer hardware and software, and all access codes, passwords and user names used to access such hardware and software and the System in general, with at least industry standard and Franchisor required virus protection software, and shall be responsible for any and all consequences that may arise if any such computer hardware or software is not properly operated, maintained, protected and/or upgraded or any consequences as a result of Franchisee's hardware and software interfacing with Franchisor's, Franchisor's Affiliates or any third party's computer system.

12.5.6 If Franchisor believes that the security and/or the integrity of the network has been compromised, Franchisor may, without notice, temporarily terminate Franchisee's access to the network for the period of time reasonably necessary to repair such integrity and/or security breach.

12.5.7 Except in the event of an emergency, including any time in which Franchisor in its sole discretion believes that the security and/or the integrity of the network has been or may reasonably be compromised, in exercising its rights under this Section, Franchisor will use good faith efforts not to disrupt the normal operations of the Franchised Store, and in no event will Franchisor be liable to Franchisee for any damages or other liability as a result of Franchisor terminating such access, except to the extent Franchisor acted grossly negligent or was willful in any misconduct.

12.5.8 Franchisee shall solely incur such costs in connection with obtaining and updating all computer hardware and software as required by Franchisor in connection with Franchisee's operation of the Franchised Store.

12.5.9 In order to maintain the integrity and security of the entire Franchise network, and any centralized point-of-sale system server, all network components (routers, modems, etc.) will be managed and secured exclusively by Franchisor only. Franchisee will not have access to any network components. However, except in the event of an emergency, including any time in which Franchisor reasonably believes that the security and/or the integrity of the network has been or may reasonably be compromised, Franchisor will not prohibit Franchisee's access to the Franchised Store, the network or Franchisee's applicable interfaces by such control.

12.5.10 In the event that Franchisor believes that the security and/or the integrity of the network has been compromised, Franchisor may, without notice, temporarily terminate Franchisee's access to the network for the period of time reasonably necessary to repair such integrity and/or security breach. In no event will Franchisor's actions unreasonably disrupt the normal operation of the Franchised Store or will Franchisor be liable to Franchisee for any damages or other liability as a result of Franchisor terminating such access, except to the extent Franchisor acted grossly negligent or maliciously. Franchisee understands that terminated access to the network may terminate Franchisee's access to all centralized data used in connection with any package, membership, gift certificate or gift card, and any other offsite redemption/transfer point-of-sale operations.

12.5.11 Notwithstanding any provision herein to the contrary, for the avoidance of doubt, as between Franchisee on the one hand and Franchisor and Franchisor's Affiliates on the other, Franchisee shall be fully responsible for ensuring that displays on any such point of sale system or receipts generated by any such point of sale system, comply with all state, local or other laws and regulations applicable to Franchisee's operations, including those related to consumer protection. Franchisor will use good faith,

commercially reasonable efforts to assist with the implementation of any changes requested by Franchisee and that are required to comply with any such applicable law or regulation. Any such requests shall be submitted to Franchisor in writing before any such changes are implemented, unless applicable law provides otherwise.

12.5.12 Without limiting any other term of this Agreement, Franchisor shall not be liable nor responsible for any delays or disruption in any centralized point-of-sale system server or other network component or the maintenance services it provides due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of Franchisor.

#### **12.6 Surveillance Camera System**

If Franchisee elects or is otherwise required to purchase and install a surveillance camera system consisting of cameras and other equipment in accordance with Franchisor's specifications, Franchisee shall comply with all applicable laws related to any such surveillance camera system, including any requirement to post signs informing the public that such surveillance is in place.

#### **12.7 Telephone and Music System**

Franchisee shall purchase and install a phone and music system in accordance with Franchisor's specifications and shall upgrade such system in accordance with Franchisor's requirements.

#### **12.8 Franchisor May Inspect Franchisee**

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor or its Affiliates have been underpaid, then Franchisee shall immediately pay to Franchisor or its applicable Affiliates the amount of the underpayment plus interest from the date such amount was due until paid at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower) pursuant to Section 3.10 of this Agreement. If the audit or any other inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition to any other payments required above, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel expenses and reasonable legal and professional fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

#### **12.9 Franchisor May Inspect Franchisee's Records**

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Store including records evidencing Gross Sales, profits, losses, income, tax liabilities, gift card and Approved Package and Membership Programs sales and redemptions, escheatment law compliance, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly or other basis requested by Franchisor for the length of the unexpired Term or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced in this Agreement to Franchisor.

### **13. FRANCHISEE SHALL COMPLY WITH FRANCHISOR'S STANDARDS OF OPERATION**

#### **13.1 Franchisee Shall Only Sell Franchisor's Authorized Products and Services; Purchases from Approved Suppliers**

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers in a consistent manner. Accordingly, Franchisee shall provide or offer for sale through, or use in its operation of, the Franchised Store only those Glosslab Products and other products, supplies, signs, equipment, inventory and other items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "**Approved Suppliers**" that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate). Franchisee shall not offer for sale, sell or provide through the Franchised Store or from the Approved Location any products or services that Franchisor has not approved, nor may Franchisee offer, sell, provide or otherwise distribute any such products or services through any other channels of distribution other than the Franchised Store.

13.1.2 Unless otherwise not permitted under applicable law, Franchisee shall offer all Glosslab Products and Glosslab Services designated by Franchisor. Franchisee shall implement any additions and changes to the products and services offered by the Franchised Store that Franchisor requires. For the avoidance of doubt, nothing in this Agreement shall require Franchisee to offer any Glosslab Service, or refrain from offering any similar service, if by doing so, Franchisee would violate any applicable law, rule or regulation promulgated by any governmental authority, including any law, rule or regulation related to anti-discrimination applicable to the jurisdiction where the Franchised Store is located.

13.1.3 Without limiting the foregoing, Franchisee may not offer or sell any products or promotional packages that compete with any promotions disseminated by Franchisor.

13.1.4 Subject to applicable laws, Franchisor may prescribe prices that Franchisee may charge customers for products and services offered by the Franchised Store. From time to time and subject to applicable law, Franchisor may permit Franchisee or other franchisees to assess surcharges. While the parties agree that uniform pricing does affect the reputation and goodwill of the System, Franchisor does review requests for deviations from any such permitted standard pricing from time to time. When determining whether to permit any deviation in any such standard pricing model, Franchisor will consider factors such as the location of the Franchised Store, the reasons for your request, variations in cost structures related to the Approved Location, applicable law and other factors Franchisor considers important. Any requests to deviate from any such recommended pricing models shall be submitted to Franchisor in writing before any such changes are implemented, unless applicable law provides otherwise. To the fullest extent permitted by applicable law, Franchisor's failure to affirmatively approve the request shall be deemed a disapproval of any such request.

13.1.5 From time to time, Franchisor may implement a variety of payment plan programs for the benefit of guests and, to the fullest extent permitted by applicable law, may require franchisees to provide such payment plan programs at the Franchised Store. Franchisee acknowledges that certain payment plans may be considered retail installment contracts or otherwise be subject to consumer protection or other similar laws, and therefore Franchisee, and not Franchisor, is responsible for conforming any such payment plan to comply with each applicable law, rule and regulation in the jurisdiction where the Franchised Store is located. In the event Franchisor provides any form agreements or other materials associated with such payment plans, such agreements or materials shall be deemed for all purposes provided without any representation, warranty or guarantee of compliance in any jurisdiction, and the use of any such form or material by Franchisee is at its OWN RISK. Franchisee is advised to consult with its legal advisors in connection with the offering of any such payment plans or programs, and with respect to any agreements

or other materials that may be associated therewith.

13.1.6 Subject to applicable laws, Franchisor may prescribe uniform refund policies for Glosslab Products and pre-paid packages and other items that may be sold at the Franchised Store.

## **13.2 Glosslab Products**

13.2.1 Franchisor and its Affiliates, developed or acquired and may continue to develop, Glosslab Services and a cohesive line of products, such as nail polishes, nail clippers, creams, lotions, exfoliates and other items specially suited for use by Franchisor or for resale in Glosslab Stores referred to throughout this Agreement, collectively, as Glosslab Products. In order to maintain the consistency, quality and uniformity of the System, Franchisor or its Affiliates shall make the Glosslab Products available to Franchisee in reasonable quantities in accordance with the procedures and policies for ordering, handling, stocking and shipping that Franchisor may determine from time to time, provided that Franchisee is in compliance with this Agreement and all other agreements with Franchisor and any Affiliate.

13.2.2 Franchisee acknowledges and agrees that the Glosslab Products developed or acquired by Franchisor and its Affiliates are inextricably interrelated with the Marks. Subject to the terms and conditions of this Agreement, to the fullest extent required by Franchisor and permitted by applicable law, Franchisee agrees to order and purchase all of its requirements of Glosslab Products exclusively from Franchisor, an Affiliate or a supplier designated by Franchisor. Franchisee agrees to, at all times, maintain an inventory of Glosslab Products as necessary to operate the Franchised Store at full capacity, in accordance with Franchisor's standard specifications and requirements.

13.2.3 The following additional terms and conditions shall apply to any orders of any Glosslab Products from Franchisor or any Franchisor Affiliate:

13.2.3.1 Franchisor will provide access to an order management system for the placement of orders for all Glosslab Products Franchisor or any Franchisor Affiliate distributes. Applicable pricing, delivery options and other applicable terms will be provided through the order management system or otherwise made available to Franchisee in writing.

13.2.3.2 Subject to the terms of this Agreement, orders will be filled subject to applicable availability.

13.2.3.3 Franchisor or its Affiliates or their representatives will use good faith efforts to promptly notify Franchisee in writing (e-mail acceptable) of any failure or anticipated failure to provide any such ordered Glosslab Products in accordance with any order, including any details of the status of any backorders.

13.2.3.4 Subject to availability, orders will be delivered to the Franchised Store, or such other locations designated on an order. Unless otherwise communicated at the time of the order, Franchisor or its Affiliates will coordinate and schedule the availability of carriers to deliver ordered Glosslab Products in accordance with any prescribed shipping preferences. Delivery fees and times may vary.

13.2.3.5 All ordered Glosslab Products will be distributed at the listed price, absent manifest error, and are subject to applicable shipping and handling charges, as well as sales and use and other applicable excise taxes. Franchisor or its Affiliates may charge all amounts for such ordered Glosslab Products to the Electronic Depository Transfer Account. Franchisee shall ensure there are adequate funds in the Electronic Depository Transfer Account to cover all applicable amounts for each such order. Invoices will be issued with each order, and all invoices are due upon receipt; provided, that, in the event (i) Franchisee fails to timely pay for any such order or has insufficient funds in the Electronic



Depository Transfer Account to cover all applicable amounts for any such order, or (ii) Franchisor concludes reasonably and in good faith that Franchisee's creditworthiness has materially deteriorated, then, in addition to applicable late fees, interest, insufficient funds fees and other administrative fees otherwise contemplated by this Agreement, Franchisor or Franchisor's Affiliates may, without liability, (A) with written notice (e-mail acceptable) to Franchisee, modify Franchisee's payment terms for outstanding and future purchases, including requiring Franchisee to pay cash in advance or cash on delivery; (B) reject any order received from Franchisee; (C) cancel any previously accepted order from Franchisee; (D) delay or stop shipment of any order from Franchisee; or (E) accelerate any amounts owing by Franchisee to Franchisor or Franchisor's Affiliates. In the event Franchisor exercises any rights set forth in subsections (A) through (E) in the immediately foregoing sentence, Franchisor or its Affiliates may assess reasonable processing and administrative fees for each order placed by Franchisee. Franchisee acknowledges that changes to Franchisee's payment terms and the processes for ordering products will require additional time, effort and expense from Franchisor's or its Affiliates and therefore any such processing and administrative fees assessed pursuant to this Section are fair and reasonable and not a penalty, and shall not limit any other rights or remedies in law or in equity that Franchisor or Franchisor's Affiliates may have pursuant to this Agreement or otherwise (including Franchisor's self-help rights provided in Section 16.6). For the avoidance of doubt, no actions taken by Franchisor or Franchisor's Affiliates under this Section (nor any failure to act) will constitute a waiver by Franchisor or Franchisor's Affiliates of any of its or their rights under this Agreement or otherwise. From time to time, in their reasonable discretion, Franchisor or Franchisor's Affiliates may provide one or more franchisees with more favorable terms on certain orders, which such more favorable terms will govern such certain orders.

13.2.3.6 Franchisee will have a reasonable period of time to inspect all ordered Glosslab Products received and to inform Franchisor or its applicable Affiliates, in writing in accordance with any standard policies and procedures, of rejection due to damage in transit, nonconforming orders or other issues with the delivery. Franchisor or its applicable Affiliates will use commercially reasonable, good faith efforts to accommodate issues with orders, but the failure to promptly notify Franchisor or its Affiliates of any such issues may prejudice Franchisor's and its Affiliates' ability to rectify a nonconforming order. Therefore, Franchisee should inspect all orders immediately upon delivery. Upon receipt of any notice of a timely rejection, Franchisor or its applicable Affiliates will replace, subject to availability, such defective product at no additional cost to Franchisee, or, in Franchisor's or its Affiliates discretion, promptly credit Franchisee for any such defective product. As a condition to receiving any such refund or replacement product Franchisor and its Affiliates may require that Franchisee return such defective products, and if Franchisor or its Affiliates so require, Franchisee shall return such products as a condition to receiving any such credit or replacement product following any reasonable instructions provided by Franchisor or its Affiliates. Orders that are not rejected will be deemed to have been accepted.

13.2.3.7 If Franchisor or its Affiliates issue any recall notices for any products, Franchisor or its Affiliates will promptly replace such products, subject to availability, or provide a credit for any products that were recalled as part of any recall notice. Franchisor and its Affiliates will bear all costs and expenses involved with the return of any recalled products. Franchisee agrees to use good faith efforts to assist in any recall campaigns.

13.2.3.8 Title and all risk of loss with respect to all ordered Glosslab Products shall pass to Franchisee on delivery to the designated location in the order.

13.2.3.9 Notwithstanding any provision herein to the contrary, for the avoidance of doubt, as between Franchisee on the one hand and Franchisor and Franchisor's Affiliates on the other, Franchisee shall be fully responsible for ensuring that all labels included on any Glosslab Product comply with all applicable state and local law where the Franchised Store is located, including those related to consumer protection. Franchisor will use good faith, commercially reasonable efforts to assist with the implementation of any changes requested by Franchisee and that are required to comply with any such applicable law. Any such requests shall be submitted to Franchisor in writing before any such changes are

implemented, unless applicable law provides otherwise.

13.2.3.10 WITHOUT LIMITING ANY OTHER LIMITATIONS OF LIABILITY SET FORTH IN THIS AGREEMENT, EXCEPT DUE TO FRANCHISOR'S OR ANY FRANCHISOR AFFILIATES' GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, IN NO EVENT SHALL FRANCHISOR OR ITS AFFILIATES OR REPRESENTATIVES BE LIABLE FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR ENHANCED DAMAGES, LOST PROFITS OR REVENUES OR DIMINUTION IN VALUE, ARISING OUT OF OR RELATING TO ANY ORDER OF PRODUCTS, INCLUDING DELAYS IN DELIVERY, REGARDLESS OF (A) WHETHER SUCH DAMAGES WERE FORESEEABLE, (B) WHETHER OR NOT THE PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND (C) THE LEGAL OR EQUITABLE THEORY (CONTRACT, TORT OR OTHERWISE) UPON WHICH THE CLAIM IS BASED, AND NOTWITHSTANDING THE FAILURE OF ANY AGREED OR OTHER REMEDY OF ITS ESSENTIAL PURPOSE.

13.2.3.11 FRANCHISOR MAKES NO EXPRESS WARRANTIES AND EXPRESSLY EXCLUDES AND DISCLAIMS ALL IMPLIED WARRANTIES WITH RESPECT TO ALL GLOSSLAB PRODUCTS, NON GLOSSLAB PRODUCTS, AND OTHER PRODUCTS, SUPPLIES, SERVICES, AND EQUIPMENT FRANCHISOR OFFERS, SELLS OR REQUIRES FOR FRANCHISEE'S FRANCHISED STORE, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. FRANCHISEE'S EXCLUSIVE REMEDY AND FRANCHISOR'S EXCLUSIVE LIABILITY FOR ALL CLAIMS AS TO ANY GLOSSLAB PRODUCTS, NON GLOSSLAB PRODUCTS, AND OTHER PRODUCTS, SUPPLIES, SERVICES AND EQUIPMENT IS LIMITED TO THE PURCHASE PRICE THEREFOR, PLUS SHIPPING COSTS, IF ANY, FRANCHISEE PAID; OR, AT FRANCHISOR'S OPTION, THE REPLACEMENT COST THEREOF.

### **13.3 Franchisee Shall Only Purchase from Suppliers Approved by Franchisor**

13.3.1 Franchisor shall provide Franchisee, in the Confidential Operations Manual or otherwise in writing, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may, from time to time, issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase, lease, license or supply agreement or purchase order for the items to be supplied by Franchisor or its Affiliate.

13.3.2 If Franchisee desires to utilize any services or products that Franchisor has not approved (for services and products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether the service or product complies with its standards and specifications, or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty [30] days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. While Franchisor reserves the right to approve or deny any such requests in Franchisor's sole discretion for any reason, the criteria used to determine the approval of a supplier may be conditioned on reasonable requirements related to the frequency of delivery, standards of service, brand compatibility, consistency, reliability and general reputation.

13.3.3 Nothing in this Section 13.3 shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.3.4 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review, from time to time, its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time, and in its sole discretion, by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.3.5 Franchisor has the right to designate (or pilot) certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such reasonable factors as Franchisor determines including Franchisee qualifications, test marketing and regional or local differences. Franchisor has the right, in its sole discretion from time to time, to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System, and to consent to one (1) or more franchisees to provide certain products or services at non-standard pricing based on market conditions and other factors that Franchisor deems relevant in its discretion. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same products or services, or offer the same variation in pricing.

13.3.6 Franchisee acknowledges that Franchisor (or its Affiliates, as the case may be) may realize revenue, profit or mark-up on the supply of any products or services sold to Franchisee by Franchisor (or its Affiliates) and Franchisor (or its Affiliates) shall be entitled, to the fullest extent permitted by law, to retain such revenue, profit or mark-up for its own account without accounting to or sharing same with the Franchisee. Additionally, Franchisee acknowledges and agrees that Franchisor (or its Affiliates) may receive, and shall be entitled to retain for its sole use and benefit, to the fullest extent permitted by law, discounts, volume rebates, allowances, incentives or other similar advantages, benefits or amounts from suppliers, including Approved Suppliers, directly or indirectly, by reason of such supplier furnishing products or services to Franchisee that Franchisee is required to purchase in connection with the Franchised Store. Franchisor (or its Affiliates) may keep all such discounts, volume rebates, allowances, incentives or other similar advantages, benefits or amounts for its own account and benefit, without sharing them with Franchisee or advising Franchisee of the existence, amount or nature of same.

**Preferred and/or approved suppliers, vendors and service providers are listed based on a number of factors Franchisor deems relevant, including previous experience with the System; Franchisor's or its Affiliates' or other franchisees' previous experiences; recommendations Franchisor has received from other third parties; reputation in the industry; willingness to provide preferred pricing for franchisees and other factors Franchisor considers relevant in its discretion. However, by listing any third party supplier, vendor or service provider as a preferred and/or approved provider or otherwise recommending any third party, or any advice or recommendations Franchisor may offer with respect to any such party, is not, and in no shall be deemed, a representation or guarantee by Franchisor, its Affiliates or any of their respective employees and representatives as to the services being performed by these third parties. Franchisee is recommended to consult with legal advisors and other professional advisors when engaging any third party to provide services or other products and supplies for Franchisee and the Franchised Store and to review any agreements required to be executed by Franchisee in connection with the provision of such services, products and/or supplies.**

#### **13.4 Franchisee Shall Sell All Approved Package and Membership Programs**

13.4.1 Franchisee shall institute, honor and sell all Approved Package and Membership Programs, and on the terms associated with such Approved Package and Membership Programs, as specified in the Confidential Operations Manual, from time to time or otherwise provided or made available to Franchisee in writing. At such times as required by Franchisor, as specified in the Confidential Operations Manual or otherwise in writing by Franchisor, Franchisee shall deliver to Franchisor a signed and verified

statement confirming Franchisee's compliance with all Approved Package and Membership Programs.

13.4.2 All customer and prospective customer and member information is confidential, is the property of Franchisor, and shall be used in strict adherence to Franchisor's policies and procedures as stated in the Confidential Operations Manual. Franchisee shall grant access and extend certain privileges to any customer who presents a valid prepaid service pass or membership card, no matter where such prepaid service pass or membership card was issued or purchased. Subject to the terms and conditions of any applicable clearing house, Franchisee shall accept as payment any valid prepaid service pass or such other indication of prepayment or credit, no matter where such credit was issued or such prepayment was made.

13.4.3 Should Franchisee desire to institute an unapproved package or membership program that does not compete with an Approved Package or Membership Program, Franchisee shall obtain Franchisor's prior written consent, which may be withheld by Franchisor in its sole reasonable discretion. At Franchisor's option, any package or membership program proposed by Franchisee may be adopted for use throughout the System by Franchisor as an Approved Package and Membership Program. Should Franchisor, at its option, determine not to approve the proposed package or membership program for use throughout the System, Franchisor shall consent, (unless Franchisor has a reasonable basis to withhold such consent), to Franchisee instituting such package or membership program in the operation of the Franchised Store.

13.4.4 All suggestions, comments or other feedback provided by Franchisee to Franchisor, including any proposed package or membership program shall be owned by Franchisor and Franchisor shall be free to use, disclose, reproduce, license or otherwise distribute, and exploit all suggestions, comments or other feedback provided by Franchisee to Franchisor as it sees fit, entirely without any compensation to Franchisee and without obligation or restriction of any kind on account of intellectual property rights or otherwise.

13.4.5 Franchisor shall reimburse Franchisee for services redeemed as part of an Approved Package or Membership Program purchased at another location in accordance with its standard practices, which may include through the clearing house described in Section 3.9 above, or otherwise set forth in the Confidential Operations Manual or other writings provided by Franchisor.

### **13.5 Approved Customer Rewards and Loyalty Programs**

Franchisor and its Affiliates may develop customer rewards, loyalty programs and other promotional programs and policies for customers of Glosslab Stores ("**Approved Customer Rewards and Loyalty Programs**").

Subject to the terms and conditions of any applicable clearing house, Franchisee shall institute all Approved Customer Rewards and Loyalty Programs and other promotional programs and policies implemented by Franchisor, from time to time, as specified in the Confidential Operations Manual or otherwise by Franchisor in writing. Franchisee acknowledges and agrees that, in all phases of such promotional programs, the decision of Franchisor shall be final and binding.

### **13.6 Appearance and Condition of the Franchised Store**

13.6.1 Franchisee shall maintain the Franchised Store and the Approved Location in "like new" condition, and shall repair or replace furnishings, equipment, fixtures and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

13.6.2 Franchisee shall post all signage, posters, business cards, catalogs, and other promotional materials, at locations and in the manner specified by Franchisor in the Confidential Operations Manual or otherwise in writing from time to time. Franchisee shall also comply with all standards and specifications set forth in the Confidential Operations Manual or otherwise provided by Franchisor in writing, from time to time, regarding the print quality and other specifications for all signage, posters, business cards, catalogs, and other promotional materials.

13.6.3 All signage, posters, business cards, catalogs, and other promotional materials in the Franchised Store must contain Franchisee's then-current pricing.

13.6.4 Franchisor may require Franchisee to purchase any or all of the signage, posters, business cards, catalogs, and other promotional materials required by Franchisor to be purchased from Franchisor or its Affiliate or an Approved Supplier.

13.6.5 Franchisee shall, at its sole cost, promptly comply with all applicable laws now or hereafter enacted with respect to the Franchised Store whether in order to meet the special needs of Franchisee, its personnel, guests (customers) or because of the occupancy thereof or otherwise, and Franchisee shall make all alterations and additions to the Franchised Store required by applicable governmental authorities with respect thereto. Without limiting the generality of the foregoing, Franchisee shall, at its sole cost, promptly comply with all requirements to provide accommodations or alterations which need to be made to the Premises to accommodate disabled employees and guests (customers) of the Franchised Store, including, the requirements under the Americans with Disabilities Act ("ADA") with respect to the Franchised Store.

### **13.7 Management of the Franchised Store**

The Franchised Store shall, at all times, be under the direct supervision of a Store Manager. The Store Manager shall devote his or her full-time efforts exclusively to the management of the day-to-day operation of the Franchised Store. "**Full-time**" means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Store Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement. Should the Franchised Store operate without a Store Manager, then, in addition to such failure being a breach of this Agreement by Franchisee, Franchisor has the right (but not the obligation) to provide a Store Manager on a temporary or more permanent basis, and charge Franchisee its then-current management fee, and Franchisor and Franchisor shall be entitled to reimbursement of any expenses Franchisor or any such Franchisor Affiliate incurs in connection with the provision of such management, which shall be payable by Franchisee immediately upon demand.

### **13.8 Operation of the Franchised Store**

Franchisee shall from the opening date and continuously during the entire Term, operate the Approved Location as a Franchised Store under the name GLOSSLAB (or such alternate name designated by Franchisor for Glosslab franchise operations). Franchisee will operate the Franchised Store in accordance with the best standards of operation of such business, and in a manner reasonably calculated to produce maximum Gross Sales. Subject to force majeure events and subject to periods of remodeling permitted by this Agreement or otherwise approved in writing by Franchisor, Franchisee shall operate the Franchised Store at the Approved Location during normal business hours for Glosslab Stores as specified in the Confidential Operations Manual or otherwise by Franchisor in writing from time to time. Any deviations from the required hours first must be approved in writing by Franchisor which approval may be

revoked or rescinded by Franchisor at any time on notice.

**13.9 No Discrimination**

Franchisee may not discriminate in the conduct and operation of its Franchised Store against any person or group of persons because of the marital status, physical or mental disability, genetic information, race, creed, color, sex, age, national origin or ancestry of such person or group of persons or any other prohibited ground of discrimination.

**13.10 Franchisee Shall Secure All Necessary Licenses and Permits and Comply with All Applicable Laws**

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Store and shall operate the Franchised Store in full compliance with all applicable laws, ordinances and regulations, including, laws governing health and safety, provision of Approved Package or Membership Programs, and collection, use and disclosure of personal information. Franchisee shall ensure that each of its employees has any certifications or licenses required by applicable law. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Store. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Store.

**13.11 Franchisee Shall Provide Franchisor Notification of All Proceedings Against Franchisee**

Franchisee shall notify Franchisor in writing of the commencement or threat of any action, suit or proceeding involving Franchisee or the Franchised Store, and of the issuance of any order, writ, injunction, judgment, award or decree that may affect the operation or financial condition of the Franchised Store not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor, not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

**13.12 Franchisee Shall Comply with Good Business Practices**

Franchisee acknowledges that the quality of service, and every detail of appearance and demeanor of Franchisee and its employees and other representatives, is material to this Agreement and the relationship created and licenses granted by this Agreement. Therefore, Franchisee shall maintain high standards of quality and service in the operation of the Franchised Store. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Store. The Franchised Store shall in all dealings with its customers, vendors, employees, the public, and Franchisor adhere to the highest standards of honesty, fair dealing and ethical conduct in order to protect the goodwill of the System and the Marks. If Franchisor deems in its sole discretion that Franchisee did not fairly handle a complaint or otherwise acted improperly or inappropriately in its dealings or interactions with its customers, vendors, employees, the public, Franchisor, or Franchisor's representatives, in addition to any applicable administrative charges that may be assessed pursuant to Section 3.11, Franchisor has the right, but not the obligation to intervene; provided, Franchisee and Franchisor each acknowledge and agree that all personnel of the Franchised Store are employees of Franchisee and not Franchisor, and that personnel decisions shall be reserved to Franchisee; provided, Franchisee shall use good faith efforts to minimize personnel related matters that may impact the goodwill of the Marks and the System. Franchisor has the right to terminate this Agreement

for repeated violations of this Section. Franchisee shall reimburse Franchisor for all costs and expenses incurred by Franchisor as a result of Franchisee's or the Franchised Store's violation of this Section.

### **13.13 Franchisee Shall Comply with Franchisor's Uniform Requirements**

Franchisee understands and acknowledges the importance of uniform standards of look and feel of the operations of the Franchised Store and therefore agrees, at its own cost and expense, to abide by any uniform requirements stated in the Confidential Operations Manual or otherwise provided by Franchisor in writing. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

### **13.14 Franchisee Shall Accept All Methods of Payment Prescribed for Glosslab Stores**

Franchisor may require Franchisee, to the fullest extent permitted by applicable law, accept all forms of payment prescribed by Franchisor in the Confidential Operations Manual or otherwise in writing for payments for goods, services, products, Approved Package or Membership Programs or other items offered at the Franchised Store. Franchisee shall accept all such permissible forms of payment and shall procure, at its expense, the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard and such other credit and debit card issuers or other forms of payment processing (including those using radio frequency or near-field communication) as Franchisor may designate, from time to time, to enable the Franchised Store to accept such methods of payment from its customers. Franchisee shall comply with terms applicable to such forms of payment, including those prescribed by the Payment Card Industry for credit cards, debit cards and the like.

Franchisee acknowledges that Franchisor and other franchisees currently offer gift cards that are redeemable at Glosslab Stores. Without limiting the foregoing, Franchisee shall accept and honor any valid gift cards presented at the Franchised Store. Franchisee shall also otherwise participate in Franchisor's gift card programs and comply with all applicable laws, rules and regulations applicable to the sale, maintenance and redemption of gift cards, including all record keeping requirements. Franchisor shall reimburse Franchisee for gift cards purchased at other locations and redeemed at the Franchised Store in accordance with its standard practices, which may include through the clearing house described in Section 3.9 above, or otherwise set forth in the Confidential Operations Manual or other writings provided by Franchisor.

### **13.15 Franchisee Shall Use Its Best Efforts**

Franchisee shall use its best efforts to promote the Marks and the GLOSSLAB brand, in an effort to increase the sales and recognition of products and services offered through the Franchised Store. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

Franchisee shall use all reasonable means to encourage and promote the use of System everywhere. For example, if Franchisee receives a request for services in any other area where a Franchised Store is located, Franchisee shall refer such request to Franchisor or such other Franchised Store. Franchisee will not, without obtaining Franchisor's prior consent, associate or affiliate with any other organization that requires Franchisee to refer business to other members of that organization.

Unless Franchisee obtains Franchisor's prior approval, which approval may be withheld in Franchisor's sole discretion, Franchisee will ensure that no part of the Franchised Store is used for or to further or promote or divert business to: (i) any business (including any other business operated by Franchisee or its Affiliates or in which Franchisee, its Affiliates or a principal of Franchisee or its Affiliates owns or holds an ownership interest) not operated under a trade name or trademark owned by Franchisor or

any of its Affiliates; or (ii) any other business or concession.

### **13.16 E-mail**

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor. Franchisor may elect to provide Franchisee with one (1) free e-mail account for Franchisee to use in connection with the operation of the Franchised Store, including for use in communicating with Franchisor, other franchisees and customers (guests). E-mail accounts provided by Franchisor may be provided on domains or servers owned or controlled by Franchisor. Franchisor has the absolute right, at all times and without prior notice, to inspect and search these domains and related accounts when an inspection or investigation is necessary for purposes of promoting safety, troubleshooting technology issues or for other legitimate business purposes. Franchisees have no reasonable expectation of privacy regarding the use of Franchisor issued e-mail accounts, it being understood that any such issued e-mail accounts are only to be used for Franchised Store operations and not for personal or unrelated business. If Franchisee or its employees require additional email addresses to utilize in connection with the Franchised Store, Franchisee has the option either to create and issue non-Glosslab email addresses or to allow its employees to utilize their personal email addresses. Franchisee bears sole responsibility for the creation, management, and monitoring of any non-Glosslab email addresses. Franchisee shall, and shall cause its employees, managers, officers, agents and representatives to, as applicable, only use the e-mail accounts provided by Franchisor in connection with Franchised Store operations, and Franchisee shall comply with any guidelines, policies or other acceptable use rules that may be prescribed by Franchisor from time to time in connection with any such e-mail use. Upon the termination or expiration of this Agreement, Franchisor will make available to the Franchisee a copy of the inbox of any e-mail account provided by Franchisor to Franchisee, in a manner and format determined by Franchisor. Franchisor has no obligation to maintain any such e-mail accounts or the content thereof following such delivery and the termination or expiration of this Agreement. Such copies are provided AS-IS and Franchisor makes no representation or warranty as to the accuracy or completeness of any such copies.

### **13.17 Data Protection Laws; Personal Information**

Without limiting Franchisee's obligation to comply with all applicable laws in its operation of the Franchised Store, Franchisee will: (i) comply with all applicable data protection and privacy laws including laws relating to the collection, use and disclosure of personal information; (ii) comply with all of Franchisor's requirements regarding the data protection and privacy laws contained in the Confidential Operations Manual or otherwise, including those required with respect to credit and debit card processing; (iii) refrain from any action or inaction that could cause Franchisor or its Affiliates to breach any applicable data protection or privacy law; (iv) do and execute, or arrange to be done and executed, each act, document and thing necessary or desirable to keep Franchisor and its Affiliates in compliance with any applicable data protection or privacy law; (v) reimburse Franchisor and its Affiliates for any and all costs and expenses, including reasonable attorneys' fees, incurred in connection with the breach by Franchisee of any such data protection or privacy laws; and (vi) permit Franchisor and its Affiliates to use any data or other information each of them collects concerning Franchisee and its Affiliates in connection with the establishment and operation of Glosslab Stores by Franchisor and its Affiliates.

Without limiting the foregoing, Franchisee hereby consents to the disclosure by Franchisor of certain Personal Information concerning Franchisee, its principals and the Franchised Store, namely the identity of Franchisee, including Franchisee's and its principals' name, address and telephone number, in Franchisor's franchise disclosure document, whether or not such disclosure is required by law, and other documents relating to the sale of Glosslab franchises.

Further, subject to Section 12.4, Franchisee hereby consents to the additional disclosure by



Franchisor of certain information concerning Franchisee and the Franchised Store, including the historical performance of the Franchised Store, including 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, for any legitimate business purpose, including, for benchmarking and for provision to Franchisor's lenders or prospective lenders or buyers, other franchisees, a prospective transferee of Franchisee's Franchised Store (or part thereof) or any other purchaser of another Glosslab franchise.

#### **14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE**

##### **14.1 Franchisor May Provide General Advice and Guidance to Assist Franchisee**

Franchisor and its Affiliates and designees may, from time to time, be available to render advice, discuss problems and offer general guidance and suggestions to Franchisee by telephone, e-mail, newsletters and other methods with respect to planning and operating the Franchised Store. Franchisor shall not charge for this service; however, Franchisor may charge a fee for this service as set forth in the Confidential Operations Manual should Franchisee be deemed to be utilizing this service excessively or in an unintended manner, or in the event Franchisee requests additional consulting beyond that generally made available for the System. Franchisor's advice or guidance is generally based upon the experience of Franchisor and its franchisees in operating Glosslab Stores, and accordingly, Franchisor in no way guarantees any results from any advice or guidance Franchisor and its Affiliates and designees may, from time to time, provide. Franchisee shall hold Franchisor and its designees harmless from any liability that results in connection with any such advice and guidance.

##### **14.2 Franchisor May Make Periodic Visits to Assist Franchisee**

Franchisor, from time to time, may make or cause its designees to make periodic visits to the Franchised Store, with or without notice, for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Store. Franchisee shall provide access to Franchisor and its designees and shall implement any required changes or improvements in a timely manner.

#### **15. INSURANCE REQUIREMENTS**

##### **15.1 Types and Amounts of Coverage Required by Franchisee**

At its sole expense, Franchisee shall promptly procure (in any event prior to commencement of development at the Approved Location) and maintain in full force and effect during the Term, at a minimum, at least the minimum levels of insurance coverages required by Franchisor from time to time, as provided in the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor. Policies shall expressly name Franchisor as an additional insured in accordance with Franchisor's then-current requirements and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums. Franchisor's minimum levels of insurance are in addition to any other insurance that may be required by applicable law, or by lender or lessor. **FRANCHISOR'S INSURANCE COVERAGE REQUIREMENTS ARE ONLY MINIMUM REQUIREMENTS. FRANCHISOR AND ITS AFFILIATES MAKE NO REPRESENTATION, IMPLIED OR EXPRESS, THAT THESE INSURANCE REQUIREMENTS ARE ADEQUATE TO PROTECT FRANCHISEE OR THE FRANCHISED STORE AND SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE OR INJURY RESULTING FROM THE INADEQUACY OR LACK OF ANY INSURANCE COVERAGE.**

**FRANCHISEE SHOULD CONSULT WITH AN INSURANCE PROFESSIONAL TO DISCUSS ITS INSURANCE NEEDS ON AN ONGOING BASIS DURING THE TERM.**

**15.2 Franchisor May Increase Future Requirements**

Franchisor may reasonably increase the minimum liability protection requirement and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

**15.3 Carrier Standards for Franchisee's Insurance**

All insurance policies required under this Section 15 shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A-" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide.

**15.4 Franchisee Shall Provide Franchisor Evidence of Franchisee's Insurance Coverage**

Franchisee's obligation to procure and maintain insurance coverage as required by this Agreement shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Franchisee shall provide, annually, or more frequently if requested by Franchisor, certificates of insurance showing compliance with the foregoing requirements.

**15.5 Franchisee's Failure to Maintain Insurance Coverage**

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, or if evidence of such insurance is not produced by Franchisee upon request by Franchisor, then, in addition to such failure being a breach of this Agreement by Franchisee, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to, in addition to any other costs and expenses incurred by Franchisor and assessed pursuant to Section 16.6 of this Agreement, charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon demand.

**16. DEFAULT AND TERMINATION**

**16.1 Termination of Term by Franchisee**

Subject to applicable law where the Franchisee or Franchised Store is located, without Franchisor's written consent, Franchisee may not terminate this Agreement prior to the expiration of the Term, except through legal process resulting from Franchisor's breach of this Agreement which breach results in a material adverse effect on Franchisee. If (i) Franchisee is not currently in material breach of this Agreement or any other agreement between Franchisor and Franchisee and (ii) Franchisor materially breaches this Agreement and fails to cure such breach within forty-five (45) days (or such other reasonable time if additional time is required to cure such breach with reasonable diligence) after written notice of such breach, specifically enumerating all alleged deficiencies, is delivered to Franchisor by Franchisee, Franchisee may terminate this Agreement. Such termination shall be effective thirty (30) days after delivery to Franchisor of notice that such material breach has not been cured and Franchisee elects to terminate this Agreement.

**16.2 Termination of Term by Franchisor**

16.2.1 Subject to applicable law, Franchisor will have good cause and the right to terminate this Agreement, effective immediately upon notice and without providing any opportunity to cure by Franchisee, if Franchisee, or Franchisee's equity holders, officers, directors, managers, employees, agents or other representatives, as applicable:

16.2.1.1 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement, which may be learned by Franchisor at any time, even after commencement operations of the Franchised Store;

16.2.1.2 fails to timely select an approved site for or establish, equip and commence operations of the Franchised Store pursuant to Section 5 within fifteen (15) days of receiving notice of such default from Franchisor;

16.2.1.3 fails to satisfactorily complete any training program pursuant to Section 8 within fifteen (15) days of receiving notice of such default from Franchisor;

16.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that Franchisor determines is likely to adversely affect the reputation of Franchisor, Franchisee, the Marks or the Franchised Store;

16.2.1.5 after notices to cure and five (5) days to cure, fails to refrain from activities, behavior or conduct likely to materially, adversely affect the reputation of Franchisor, Franchisee, the Marks or the Franchised Store;

16.2.1.6 discloses, duplicates or otherwise uses in an unauthorized manner any material portion of the Confidential Operations Manual, the Trade Secrets or the passwords, user names or access codes to access the Confidential Operations Manual or other System information electronically, or any other Confidential Information;

16.2.1.7 breaches Section 7.3 or any owner or other applicable person breaches the terms of their Nondisclosure and Non-Competition Agreement or Nondisclosure and Non-Solicitation Agreement executed pursuant to the terms of this Agreement;

16.2.1.8 subject to Section 22.9, abandons, fails or refuses to actively operate the Franchised Store for five (5) or more consecutive days (unless the Franchised Store has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Store following the expiration or termination of the lease agreement for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

16.2.1.9 surrenders or transfers control of the operation of the Franchised Store without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or Incapacitated owner thereof as herein required;

16.2.1.10 fails to maintain the Franchised Store under the primary supervision of a Store Manager that has completed all required training, including during the ninety (90) days (as may be extended) following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.7;

16.2.1.11 on two (2) or more separate occasions during the Term understates any

Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period;

16.2.1.12 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for sixty (60) days or longer (unless a supersedeas bond is filed); if execution is levied against Franchisee's business or property; or if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within sixty (60) days or is not in the process of being dismissed;

16.2.1.13 misuses or makes an unauthorized use of any of the Marks or commits any other act that can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.1.14 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to pay any Royalty Fee, Marketing Fund Contribution, Glosslab Technology Fee, amounts due for purchases from Franchisor and any Franchisor Affiliate, or any other payment when due, or before the end of any grace period, to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.15 continues without cure after twenty-four (24) hours of learning of any breach of any health or safety law, ordinance or regulation, or operates the Franchised Store in a manner that presents a health or safety hazard to customers, employees or the public;

16.2.1.16 fails to comply with any other applicable law or regulation (other than health or safety laws, ordinances or regulations referenced in Section 16.2.1.15) within ten (10) days after being given notice of noncompliance;

16.2.1.17 within any period of twelve (12) consecutive months, repeatedly, materially breaches this Agreement or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Confidential Operations Manual, whether or not previous breaches or failures are cured. For purposes of this Section, "repeatedly" means three (3) or more instances of breach or failure of any specifications, standard or procedure, whether relating to the same or different breaches or failures;

16.2.1.18 without limiting any other provision of this Section 16.2, within any period of twelve (12) consecutive months, repeatedly fails to comply with good business practices as required pursuant to Section 13.12, whether or not previous breaches or failures are cured. For purposes of this Section, "repeatedly" means three (3) or more instances of breach or failure of any specifications, standard or procedure, whether relating to the same or different breaches or failures;

16.2.1.19 breaches any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement terminates;

16.2.1.20 breaches any lease agreement for the Approved Location, such that lessor has the right to terminate such lease agreement or such lease agreement terminates;

16.2.1.21 submits to Franchisor a materially false statement confirming Franchisee's compliance with all Approved Package and Membership Programs, this Agreement or any other System specification or requirement any time during the Term, or fails to submit such statements when required after the passing of any right to cure such failure provided by this Agreement, if any;

16.2.1.22 in accordance with Section 24.8 of this Agreement, should Franchisee or any of its officers, members, managers, directors, equity holders or controlling owners, during the Term, be designated as a Specially Designated National or Blocked Person;

16.2.1.23 discriminates in the conduct and operation of the Franchised Store against any person or group of persons in violation of Section 13.9 of this Agreement; or

16.2.1.24 engages in any activity exclusively reserved to Franchisor.

16.2.2 Except as otherwise provided in Section 16.2.1, Franchisor has the right (but not the obligation) to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or breach within the specified period:

16.2.2.1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor or any Franchisor Affiliate;

16.2.2.2 if required by Franchisor, within five (5) days of any such request, fails to have any Person required under Section 7.4 execute a nondisclosure and non-competition agreement, in a form the same as or similar in substance to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, subject to Franchisor's rights to, in its discretion, limit the geographic scope or length of the restrictive covenants, or have Franchisee obtain from any other personnel described in Section 7.4 an executed confidentiality; non-interference and proprietary rights or similar agreement(s) protecting Franchisor's Confidential Information, Trade Secrets and goodwill, in a form prepared by and acceptable to Franchisor; or fails to provide Franchisor with copies of all such agreements signed pursuant to Section 7.4 if requested by Franchisor;

16.2.2.3 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement; or

16.2.2.4 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any term or condition of this Agreement or any mandatory specification, standard or operating procedure prescribed in the Confidential Operations Manual or otherwise provided in writing if not cured by Franchisee within that time.

### **16.3 Reinstatement and Extension**

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the Term for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

### **16.4 Right of Franchisor to Discontinue Services to Franchisee**

If Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2, then, in addition to Franchisor's other remedies, to the fullest extent permitted by applicable law and without waiving Franchisee's obligations under this Agreement, Franchisor and any Franchisor Affiliate may discontinue sales of any products and provision of other services to Franchisee until Franchisee corrects the default, including access to Approved Package and Membership Programs.

## **16.5 Right of Franchisor to Operate Franchised Store**

16.5.1 Following the delivery of a notice of termination pursuant to Section 16.2, and failure by Franchisee to cure such default if permitted by this Agreement, Franchisor shall have the right, but not the obligation, without waiver of any other rights or remedies Franchisor may have under this Agreement, to assume, and Franchisee hereby authorizes Franchisor at Franchisor's election, which Franchisor may exercise directly or through a Franchisor Affiliate, to assume, the operation of the Franchised Store until the earlier of: (a) such time as Franchisee corrects the breach; or (b) ninety (90) days, which such 90-day period may be extended from time to time as necessary in increments of ninety (90) days for an aggregate period of time of up to an additional two hundred seventy (270) days. Franchisor will periodically discuss the status with Franchisee. In operating the Franchised Store pursuant to this Section 16.5, Franchisor may, in each case on behalf of Franchisee, either directly or through any such Franchisor Affiliate:

16.5.1.1 collect any and all revenues due and payable to the Franchised Store and endorse Franchisee's name on checks received;

16.5.1.2 pay any and all expenses incurred to operate the Franchised Store, including wages, salaries and other compensation to Franchisee's employees, to Franchisor and persons Franchisor employs on Franchisee's behalf to manage operations of the Franchised Store and to others for professional services;

16.5.1.3 pay any amounts due to Franchisor or Franchisor's Affiliates, including Royalty Fees, Marketing Fund Contributions and amounts due for purchases of products and supplies;

16.5.1.4 incur debts in the ordinary course of business for materials, supplies and other items needs for the operations of the Franchised Store;

16.5.1.5 execute documents or instruments on behalf of Franchisee in connection with such operations; and

16.5.1.6 take any other actions Franchisor or any such Franchisor Affiliate deems necessary or appropriate in further of this provision.

16.5.2 Franchisor or any such Franchisor Affiliate may charge its then-current management fee, and Franchisor or any such Franchisor Affiliate shall be entitled to reimbursement of any expenses Franchisor or any such Franchisor Affiliate incurs that are not paid out of the operating cash flow of the Franchised Store.

16.5.3 Franchisor or any such Franchisor Affiliate shall maintain separate books and records of such actions under this Section 16.5. The net proceeds, if any, from Franchisor's or any such Franchisor Affiliate's operation of the Franchised Store will be deposited into a separate bank account under Franchisor's direction and control on behalf of Franchisee. Upon termination of Franchisor's rights granted in this Section 16.5, such net proceeds, if any, will be distributed to Franchisee or as Franchisee directs. Neither Franchisor nor any such Franchisor Affiliate will be liable to Franchisee or any of Franchisee's Affiliates, owners or any other person acting on behalf of or through Franchisee for any actions taken pursuant to this Section 16.5 except for Franchisor's or any such Franchisor Affiliate's gross negligence or willful misconduct. Franchisee grants Franchisor and any such Franchisor Affiliate the right to set off such charges or other amounts owed by Franchisee to Franchisor or any Franchisor Affiliate in connection with this Agreement against any amounts to be paid by Franchisor or any such Franchisor Affiliate pursuant to this Section 16.5. Franchisee shall hold harmless and indemnify Franchisor, any Franchisor Affiliate, and all other Franchisor Indemnitees from and against all losses, damages, fines, costs, expenses or liability

(including reasonable legal and professional fees and all other costs of litigation) incurred in connection with, or arising from Franchisor's actions in connection with this Section 16.5, excepting those arising only out of Franchisor's or any such Franchisor Affiliate's gross negligence or willful misconduct.

## **16.6 Failure of Performance by Franchisee**

In the event Franchisee engages in, or fails to refrain from, activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee, the Marks or the Franchised Store, or the goodwill associated therewith, and does not cure such default within one (1) business day after written or oral notice from Franchisor to Franchisee as is reasonably practical under all of the circumstances specifying the default (or does not within said period commence and diligently proceed to cure such default, provided that in cases of emergency, no such advanced notice shall be required), Franchisor, without waiver of or prejudice to any other right or remedy it may have (and without limiting the terms of Section 3.11 of this Agreement), shall have the right (but not the obligation), at any time thereafter, to cure such default for the account of Franchisee, and Franchisee shall reimburse Franchisor for any reasonable amount paid and any other reasonable expense or contractual liability so incurred, by Franchisor or its Affiliates, including up to 10% of such amounts paid to compensate Franchisor for its reasonable overhead costs in curing such default, including, any damages or fines or any reasonable attorneys' fees and disbursements in instituting, prosecuting or defending any action or proceeding, which shall be payable on demand. For the avoidance of doubt, Franchisor's rights under this Section 16.6 all apply notwithstanding any longer notice and cure periods provided in Section 16.2 above, or under applicable law with respect to termination of a franchise. In the event Franchisor imposes any administrative fee pursuant to Section 3.11 in connection with such default, any amounts to be paid by Franchisee under this Section 16.6 shall be reduced on a dollar-for-dollar basis by any administrative fee assessed by Franchisor pursuant to Section 3.11 of this Agreement. For the avoidance of doubt, in no event shall Franchisor or its Affiliates have any obligation to Franchisee or any other franchisee to enforce its rights under this Section against any franchisee, or any liability to any franchisee, including Franchisee, for any failure for any reason to do so.

## **17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

### **17.1 Actions to be Taken by Franchisee Upon Termination**

Except as otherwise provided in this Agreement, upon termination or expiration of this Agreement, this Agreement and all rights granted under this Agreement to Franchisee shall terminate and Franchisee shall:

17.1.1 immediately cease to operate the Franchised Store and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor; provided, however, that Franchisee's owner(s) is/are permitted to identify themselves as former owners of Franchisee on his or her resume and other job and financing application materials;

17.1.2 immediately cease to use any Glosslab Technology, the Trade Secrets and other Confidential Information, the System and the Marks including all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items that display or are associated with the Marks or similar to the Marks;

17.1.3 upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease agreement) its interest in the lease agreement then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "GLOSSLAB®" or any other Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.5 pay all sums owing to Franchisor and any Affiliate within five (5) days after the effective date of termination or expiration of the Franchise, or any later date that the unpaid amounts due to Franchisor or its Affiliates are determined. For the avoidance of doubt, such amounts shall include any liabilities associated with unredeemed Glosslab gift cards, Approved Package and Membership Programs or any such other promotional item that remain subject to Franchisor's clearing house procedures, which are described in greater detail in Section 3.9 of this Agreement. In addition, in the event of termination of this Agreement for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, amounts owed for the purchase of products, loss of future Royalty Fee payments incurred by Franchisor as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliates;

17.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.7 immediately (and in no event later than two (2) days after expiration or termination of this Agreement), return to Franchisor or destroy (as certified by Franchisee), at Franchisor's direction, the Confidential Operations Manual (and any printed versions of any electronic copy of the Confidential Operations Manual), Trade Secrets and all other Confidential Information including passwords, access codes, user names to access the Confidential Operations Manual or other System information electronically, all other manuals, training materials, relevant data bases, guest lists, records, files, instructions, brochures, agreements, disclosure statements and any and all other forms or materials provided by Franchisor to Franchisee or used by Franchisee relating to the operation of the Franchised Store (all of which are acknowledged by Franchisee to be Franchisor's property);

17.1.8 cease from using, and assign to Franchisor, all telephone and facsimile listings and numbers, Internet addresses, e-mail addresses domains and social media accounts for the Franchised Store (it being understood by Franchisee that this Section 17.1.8 is not intended as an approval of Franchisee's to use any Internet addresses, e-mail addresses domains or social media accounts and in no way is it intended to contradict those Sections of this Agreement that prohibit such practice, but rather provide for Franchisor's rights in the event Franchisee has used any such Internet addresses, e-mail addresses domains or social media accounts for the Franchised Store), and notify the telephone company and all listing agencies and other applicable third parties of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers, web pages and social media accounts associated with the Marks in any manner and shall authorize transfer of same to or at the direction of Franchisor. Franchisee acknowledges that all telephone numbers and facsimile numbers, Internet addresses, e-mail addresses and domains and social media pages used in the operation of the Franchised Store constitute assets of Franchisor and Franchisee will promptly execute all documents, including authorization forms, prescribed by Franchisor to transfer and assign any such assets to Franchisor upon termination or expiration of this Agreement and/or upon Franchisor exercising its purchase rights under Section 17.3; and

17.1.9 comply with all other applicable provisions of this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.



## **17.2 Franchisee Shall Not Unfairly Compete with Franchisor**

17.2.1 Franchisee shall not use or display any Mark or any confusingly similar trademark, in any manner whatsoever, in connection with any other business or purpose or the promotion thereof. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate any other businesses and in no way is it intended to contradict those Sections of this Agreement that prohibit such practice.

17.2.2 If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including assigning telephone and facsimile numbers to Franchisor) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including removal of all physical and structural features or trade dress identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand in accordance with Section 16.6.

## **17.3 Franchisor's Option to Purchase Certain Business Assets**

Franchisor has the right (but not the obligation), exercisable by written notice to Franchisee within thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Store including leasehold improvements, equipment, supplies and other inventory. Subject to applicable law, the purchase price shall be equal to the assets' fair market value as agreed to by Franchisor and Franchisee; provided, that if no such agreement can be made within five (5) days of Franchisor's written notice to Franchisee, the purchase price shall be determined by an independent appraiser that is acceptable to both Franchisor and Franchisee. If Franchisor and Franchisee cannot agree on an independent appraiser, then the procedures set forth in Section 23.7 should be used to choose the independent appraiser. If Franchisor elects to exercise this option to purchase, Franchisor may set off all amounts due from Franchisee to Franchisor or Franchisor's Affiliates under this Agreement or otherwise in connection with the Franchised Store, if any, against the purchase price. Franchisor will not assume any liabilities or obligations of Franchisee in connection with such acquisition, and Franchisee shall indemnify Franchisor and its Affiliates from any claims made against Franchisor or its Affiliates arising out of any such acquisition.

The closing of any such acquisition shall occur within thirty (30) days after Franchisor exercises its option by providing written notice to Franchisee, or such later date as may be necessary to comply with any applicable bulk sales or similar law. At the closing, Franchisor and Franchisee shall each execute and deliver all documents necessary to vest title in such assets in Franchisor, free and clear of all liens and encumbrances, except those reserved under any assumed contracts assumed by Franchisor. Franchisor may assign this right to a Franchisor Affiliate or other purchaser designated by Franchisor.

This Agreement shall constitute a security agreement under the Uniform Commercial Code of the jurisdiction in which the Franchised Store is located, and Franchisor is authorized to file financing statements to perfect its security interest in accordance with applicable laws.

By signing this Agreement, Franchisee appoints Franchisor as its lawful attorney-in-fact with respect to the matters contemplated by Section 17.1, Section 17.2 and this Section 17.3, including the right to assign the lease agreement for the Approved Location to Franchisor or any such substitute purchaser, if desired.

**17.4 Survival of Certain Provisions of this Agreement Following Termination or Expiration of this Agreement**

All obligations of Franchisor and Franchisee that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

**18. TRANSFERABILITY OF INTERESTS IN THIS AGREEMENT**

**18.1 Transfer by Franchisor**

This Agreement and all rights and duties under this Agreement are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor under this Agreement and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement subject to applicable state law. Specifically and without limitation to the foregoing, Franchisee expressly agrees and acknowledges that Franchisor may sell its assets, Marks or the System outright to a third party; may make a public offering of Franchisor as securities; may engage in a private placement of some of all of its securities; may merge with or acquire other corporations or entities, or be acquired by another corporation or entity; may undertake a refinancing, recapitalization, leveraged buyout or other economic restructuring; and with regard to any or all active sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of any Marks (or any variation thereof) and/or the loss of association with or identification of Glosslab Franchising, LLC as Franchisor.

**FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT PURSUANT TO SECTION 2.9 OF THIS AGREEMENT, FRANCHISOR MAY, AT ITS SOLE OPTION, DELEGATE ALL OR ANY PART OF THE PERFORMANCE OR ENFORCEMENT OF ANY PORTION OR ALL OF ITS OBLIGATIONS OR RIGHTS UNDER THIS AGREEMENT TO THIRD PARTY DESIGNEES, WHETHER THESE DESIGNEES ARE AFFILIATES OR THIRD PARTIES, INCLUDING AREA REPRESENTATIVES, WITH WHOM FRANCHISOR HAS CONTRACTED TO PERFORM THESE OBLIGATIONS OR TO ENFORCE ITS RIGHTS. THESE THIRD-PARTY DESIGNEES, INCLUDING AREA REPRESENTATIVES, MAY PROVIDE SERVICES SPECIFIED TO BE PROVIDED BY FRANCHISOR PURSUANT TO THIS AGREEMENT. SUCH SERVICES MAY INCLUDE INITIAL TRAINING, OPERATIONS ASSISTANCE, SOLICITATION OF PROSPECTIVE FRANCHISEES, ONGOING SUPPORT, OR PERIODIC QUALITY ASSURANCE VISITS WITH EXISTING FRANCHISEES IN A GIVEN TERRITORY. NO SUCH DESIGNEE, INCLUDING ANY AREA REPRESENTATIVE, HAS ANY RIGHT OR AUTHORITY TO BIND FRANCHISOR TO ANY AGREEMENT. FRANCHISOR RESERVES THE RIGHT TO CHANGE DESIGNEES, INCLUDING ANY AREA REPRESENTATIVES, AND/OR THE SUPPORT SERVICES THEY PROVIDE TO FRANCHISEE OVER TIME. HOWEVER, FRANCHISOR SHALL ULTIMATELY BE RESPONSIBLE FOR ENSURING THE SUPPORT SERVICES ARE PROVIDED TO FRANCHISEE.**

Nothing contained in this Agreement will require Franchisor or its Affiliates to continue to offer franchises, whether in the event that Franchisor exercises its rights to assign or otherwise transfer its rights in this Agreement or otherwise.

## **18.2 Transfer by Franchisee**

The rights and duties along with the Franchise granted in this Agreement are personal to Franchisee (or any of its owners), and Franchisor has entered into this Agreement in reliance on the representations given by Franchisee to secure the Franchise, Franchisee's and its owners, as applicable, personal and/or collective skills and Franchisee's financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted by this Agreement, the Approved Location used in operating the Franchised Store, its assets or any part or all of the ownership interest in Franchisee, or fractionalize any rights of Franchisee, without the prior written approval of Franchisor, which prior written approval shall not be unreasonably withheld. For the avoidance of doubt, it is expressly understood that any transfers in any holding company or other business or legal entity, including any approved trust that holds an interest in Franchisee shall be deemed a transfer for purposes of this Agreement. Any purported transfer not approved by Franchisor or otherwise expressly allowed under the terms of this Agreement, shall be null and void and shall constitute a material breach of this Agreement. The restrictions on transferability described in this Section 18.2 and Section 18.3 shall also apply to any purported involuntary transfers by operation of law, death or incapacity, divorce or separation proceedings or transfers through a shell. If Franchisee is in compliance with this Agreement and the transfer is consistent with the terms of this Agreement, Franchisor's consent to any transfer shall be conditioned upon satisfying the following requirements, which Franchisee expressly acknowledges are reasonable conditions imposed by Franchisor in evaluating a proposed transfer:

18.2.1 Franchisee has complied with the requirements set forth in Section 19, if applicable;

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Store, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities) including claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the transfer of Franchisee's interest in this Agreement or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee or its owners' shall give the maximum release allowed by law;

18.2.4 the transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards for franchisees, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Store;

18.2.5 the transferee, if Franchisor requires, executed either the then-current franchise agreement for new franchisees as offered to new franchisees, or if Franchisor has ceased offering franchises, to renewing franchisees generally, which may be substantially different from this Agreement and its Exhibits, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, or this Agreement, or in the alternative, has executed, along with Franchisee, an assignment and assumption agreement in a form acceptable to Franchisor in which the transferee has agreed to assume all obligations, debts and liabilities under this Agreement or with respect to the Franchised Store. If a new Franchise Agreement is executed, Franchisor has the right to limit its term to the remaining Term;

18.2.6 the transferee and its principals have executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor and its

officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee; provided, however, that if a general release is prohibited, the transferee and its principals shall give the maximum release allowed by law;

18.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of \$10,000 for the first store transferred and \$5,000 for each additional store or license transferred if they occur in a single transaction, less any Transfer Processing Fee previously paid to Franchisor in connection with the applicable transfer;

18.2.9 if the transferee is an entity, such entity will be duly organized, in good standing in its state of formation, and validly existing for the purpose of owning and operating the Franchised Store duly authorized to conduct such business;

18.2.10 if the transferee is an entity, it has caused its organizational governing documents (e.g., bylaws, operating agreement, trust agreement or the like) and each of its stock certificates or other ownership interest certificates to conspicuously indicate in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement, and if the transferee has not done so previously, at Franchisor's request, the transferee and/or Franchisee will deliver copies to Franchisor of all resolutions of Franchisee's and transferee's board of directors or similar governing body authorizing entry into all documents required to consummate the sale, purchase, assignment and assumption along with copies of all of the foregoing organizational documents, and any amendment to any such documents;

18.2.11 if the transferee is an entity, all holders of a legal or beneficial interest in the transferee of five percent (5%) or greater shall have executed a personal guaranty in a form the same as or similar to the standard form Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, and each such person's spouse shall have executed a joinder to such Unlimited Guaranty and Assumption of Obligations attached to such guaranty;

18.2.12 Franchisee or the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.13 the term of the transferred franchise shall be the unexpired Term, including all renewal rights, subject to any and all conditions applicable to such renewal rights in accordance with this Agreement;

18.2.14 if the transferee is an entity, all of the holders of a legal and beneficial interest in the transferee have executed, along with the transferee, and delivered to Franchisor a nondisclosure and non-competition agreement in a form the same as or similar in substance to the standard form Nondisclosure and Non-Competition Agreement attached as Exhibit 2;

18.2.15 the transferee has executed a Franchise Certificate a form the same as or similar to the standard form Franchise Certificate attached as Exhibit 4;

18.2.16 if the transferee is an entity, it shall identify a Franchisee Designated Representative as required for new franchisees under this Agreement; and

18.2.17 the transferee and its Store Manager shall promptly complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8, it being understood that no Store Manager shall assume the management of the day-to-day operation of the Franchised Store until it has completed the initial training program.

Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Store, shall not constitute a waiver of any claims Franchisor may have against Franchisee or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

### **18.3 Restrictions on Transfer by Franchisee to a Controlled Entity**

18.3.1 If Franchisee wishes to transfer this Agreement or any interest in this Agreement to a corporation, limited liability company or other legal entity that is entirely owned by Franchisee or its current owners ("**Controlled Entity**"), which Controlled Entity was formed for the financial planning, tax or other convenience of Franchisee, or if Franchisee is an entity and its owners desire to transfer any existing equity to other current owners of Franchisee, Franchisor's consent to any such transfer shall be conditioned upon the satisfaction of the following requirements, as applicable, in this Section 18.3, as opposed to any requirement in Section 18.2 to the contrary, subject to applicable state law:

18.3.1.1 the Controlled Entity is newly organized and in good standing in its state of formation, and its charter provides that its activities are confined exclusively to the operation of the Franchised Store;

18.3.1.2 Franchisee or at least a majority of the current holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 Franchisee (and any transferring owners, if Franchisee is an entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities) including claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the transfer of Franchisee's interest in this Agreement or to the transfer of Franchisee's or its owners' ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee (and any transferring owners, if Franchisee is an entity) shall give the maximum release allowed by law;

18.3.1.4 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor any such Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.8, except that Franchisor may require a reasonable administrative fee to be paid by Franchisee to cover legal, professional and other administrative expenses to be incurred by Franchisor in connection with such transfer (not expected to exceed \$2,500.00), but in assessing any such amount, Franchisor shall credit Franchisee with an amount equal to any Transfer Processing Fee previously paid to Franchisor in connection with the applicable requested transfer;

18.3.1.5 the Controlled Entity, along with Franchisee, has executed an assignment and assumption agreement in a form acceptable to Franchisor in which the Controlled Entity has agreed to assume all obligations, debts and liabilities under this Agreement or with respect to the Franchised Store, or, if Franchisor requires, the Controlled Entity has executed the then-current franchise agreement for new franchisees as offered to new franchisees; provided, that if a new Franchise Agreement is executed, Franchisor has the right to limit its term to the remaining Term;

18.3.1.6 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the Controlled Entity relating to the intended transfer of the Franchise;

18.3.1.7 Franchisee and/or the Controlled Entity has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.3.1.8 all holders of a legal or beneficial interest in the Controlled Entity of five percent (5%) or greater shall have executed a personal guaranty in a form the same as or similar to the standard form Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, and each such person's spouse shall have executed a joinder to such Unlimited Guaranty and Assumption of Obligations attached to such guaranty;

18.3.1.9 all of the holders of a legal and beneficial interest in Controlled Entity have executed, along with the Controlled Entity, and delivered to Franchisor a nondisclosure and non-competition agreement in a form the same as or similar in substance to the standard form Nondisclosure and Non-Competition Agreement attached as Exhibit 2;

18.3.1.10 the term of the transferred franchise shall be the unexpired Term, including all renewal rights, subject to any and all conditions applicable to such renewal rights in accordance with this Agreement;

18.3.1.11 the Controlled Entity has executed a Franchise Certificate a form the same as or similar to the standard form Franchise Certificate attached as Exhibit 4;

18.3.1.12 the Controlled Entity shall identify a Franchisee Designated Representative as required for new franchisees under this Agreement;

18.3.1.13 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.1.14 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors or similar governing body authorizing entry into all documents required to consummate the sale, purchase, assignment and assumption, have been promptly furnished to Franchisor, and any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Store, shall not constitute a waiver of any claims Franchisor may have against Franchisee or the Controlled Entity, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

#### **18.4 Transfer Requests**

Franchisor shall be under no obligation to consider a request for Franchisor's consent to a transfer until Franchisee shall have submitted in writing to Franchisor a request for Franchisor's consent to such

transfer, together with each of the applicable documents and materials required under Section 18.2 or Section 18.3, as applicable, along with financial statements of the proposed transferee, a history of the proposed transferee's business experience and such other information as required by Franchisor to verify that the criteria for assignment as set forth in Section 18.2 or Section 18.3, as the case may be, are met, and Franchisee shall have paid to Franchisor One Thousand Dollars (\$1,000.00) (the "**Transfer Processing Fee**") to reimburse Franchisor for its time and expense in considering such request. Franchisor will respond within thirty (30) days of Franchisor's receipt of any transfer request from Franchisee that includes the Transfer Processing Fee and any additional information requested by Franchisor in connection with such transfer. Within such thirty (30) days of Franchisor's receipt of all applicable documents, materials and other items required under Section 18.2 or Section 18.3, as the case may be, and this Section 18.4, Franchisor will notify Franchisee of its election to do one of the following: (i) consent to the proposed transfer subject to such conditions as Franchisor may impose in providing such consent; (ii) refuse such consent or (iii) as applicable, exercise its right of First Refusal provided in Section 19. The Transfer Processing Fee is non-refundable, regardless of whether Franchisor consents to the proposed transfer. Franchisor may waive any such provisions under Section 18.2, Section 18.3 or this Section 18.4 in connection with a transfer request in its sole discretion.

### **18.5 Franchisor's Disclosure to Transferee**

Franchisor may, without liability of any kind or nature whatsoever to Franchisee, make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Store or to the history of the relationship of Franchisor and Franchisee. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Store by an intended transferee identified by Franchisee.

### **18.6 Advertising the Sale of the Franchisee**

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Store, or in any communication media, any form of advertising relating to the sale of the Franchised Store, or the rights granted under this Agreement.

### **18.7 Transfer by Death or Incapacity**

18.7.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a majority of the legal or beneficial interest in Franchisee (if Franchisee is an entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding ninety (90) days following such event (which such 90-day period may be renewed from time to time by Franchisor as necessary in increments of ninety (90) days for an aggregate period of time of up to two hundred seventy (270) days), transfer such individual's interest in the Franchised Store or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee was located or resided, with such choice of law provision being applicable only for this Section 18.7. During such ninety (90) day period, as it may be extended, the Franchised Store must remain at all times under the primary management of a Store Manager who otherwise meets Franchisor's qualifications and has completed, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.

18.7.2 Following such a death or Incapacity of such person as described in this Section 18.7, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume (either directly or through a Franchisor Affiliate) operation of the Franchised Store until the earlier

of: (a) the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor; or (b) ninety (90) days, which such 90-day period may be extended from time to time as necessary in increments of ninety (90) days for an aggregate period of time of up to an additional two hundred seventy (270) days. Franchisor will periodically discuss the status with the Franchisee or, as applicable, its heirs if Franchisee is an individual. Franchisor and any such Franchisor Affiliate shall be given access to the Franchised Store, and not be held liable for trespass or any related tort. In the event Franchisor exercises its right to operate the Franchised Store during any such period under this Section 18.7.2, the terms and conditions set forth in Section 16.5 shall apply in the same manner to Franchisor's or any such Franchisor Affiliate's operation of the Franchised Store as if fully set forth in this Section. Franchisor may charge its then-current management fee, and Franchisor and any such Franchisor Affiliate shall be entitled to reimbursement of any expenses Franchisor or any such Franchisor Affiliate incurs that are not paid out of the operating cash flow of the Franchised Store.

### **18.8 No Release of Transferor**

No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in Franchisee or this Agreement will relieve the transferor of the obligations of such transferor contained in this Agreement or in any Unlimited Guaranty and Assumption of Obligations executed by such person, as the case may be, unless expressly authorized by Franchisor in writing. Each Unlimited Guaranty and Assumption of Obligations executed in connection with this Agreement shall remain in full force and effect before and after any such sale, assignment, transfer, conveyance, encumbrance or gift of any interest in Franchisee or this Agreement.

### **18.9 Proposed Assignment as a Result of Franchisee's Bankruptcy**

18.9.1 Franchisee again acknowledges that the rights and duties along with the Franchise granted in this Agreement are personal to Franchisee (or any of its owners), and Franchisor has entered into this Agreement in reliance on the representations given by Franchisee to secure the Franchise, Franchisee's and its owners, as applicable, personal and/or collective skills and Franchisee's financial ability. Franchisee further acknowledges and agrees that because of the personal nature of the rights and duties associated with the Franchise, this Agreement is not freely assignable by its nature and therefore it would not be appropriate to assign the rights and obligations to any assignee other than in accordance with this Section 18.9 (and each other applicable provision of this Section 18). In the event that Franchisee shall become a debtor under Chapter 7 of the United States Bankruptcy Code, 11 USC Section 101, et seq., (the "**Bankruptcy Code**"), and the trustee or Franchisee shall elect to assume this Agreement for the purpose of assigning the same or otherwise, such election and assignment may only be made if all of the terms and conditions of this Agreement are satisfied. No election by the trustee or Franchisee to assume this Agreement, whether under Chapter 7, 11 or 13 of the Bankruptcy Code, shall be effective unless each of the following conditions, and as applicable, any other conditions required in this Section 18, which Franchisor and Franchisee each acknowledge is commercially reasonable in the context of such proceeding, has been satisfied, and Franchisor has so acknowledged in writing:

18.9.1.1 the trustee or Franchisee has cured, or has provided Franchisor adequate assurance (as provided below) that: (i) within ten (10) days from the date of such assumption, the trustee will cure all monetary defaults under this Agreement; and (ii) within thirty (30) days from the date of such assumption, the trustee will cure all non-monetary defaults under this Agreement;

18.9.1.2 the Franchised Store remains at all times under the primary management of a Store Manager who otherwise meets Franchisor's qualifications and has completed, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8;



18.9.1.3 the trustee or Franchisee has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Franchisor that the trustee or Franchisee will have sufficient funds to fulfill the obligations of Franchisee under this Agreement, and to keep the Franchised Store open and operating stocked with merchandise and properly staffed with sufficient employees to conduct a fully-operational Franchised Store, and that the assumption or assignment will not disrupt business operations at the Franchised Store; and

18.9.1.4 that assumption or assignment of this Agreement will not breach any term or condition of, or constitute a default under, any term or condition of any contract, agreement, arrangement, or other commitment to which the trustee or Franchisee is a party or by which the trustee or Franchisee is bound (**including any agreement not to compete**), or constitute an event which, with notice, lapse of time or both, would result in such a breach or event of default nor to the trustee's or Franchisee's knowledge, result in the violation by the trustee or Franchisee of any applicable statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

18.9.2 If a trustee or Franchisee, pursuant to this Agreement, proposes to assign this Agreement or any right in the Franchise pursuant to the provisions of the Bankruptcy Code, to any person or entity who shall have made a bona fide offer to accept an assignment of this Agreement on terms acceptable to the trustee or Franchisee, then, notice of the proposed assignment setting forth (i) the name and address of such person; and (ii) all of the terms and conditions of such offer shall be given to the Franchisor by the Franchisee no later than twenty (20) days after receipt of such offer by the trustee or Franchisee, but in any event no later than ten (10) days prior to the date that the trustee Franchisee shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption.

18.9.3 If the trustee or Franchisee, pursuant to this Agreement, proposes to assign this Agreement or any right in the Franchise pursuant to the provisions of the Bankruptcy Code, to any person or entity who shall have made a bona fide offer to accept an assignment of this Agreement on terms acceptable to the trustee or Franchisee, Franchisor shall thereupon have the prior right and option, to be exercised by notice to the trustee or Franchisee given at any time prior to the effective date of such proposed assignment, to accept an assignment of this Agreement upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person.

Any person or entity to which the trustee's or Franchisee's interest in this Agreement is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Agreement on or after the date of such assignment. As part of providing adequate assurance to Franchisor, any such assignee shall, upon demand, execute and deliver to Franchisor an instrument confirming such assumption.

18.9.4 The following factors may be considered by Franchisor as necessary in order to determine whether or not the proposed assignee has furnished Franchisor with adequate assurances of its ability to perform the obligations of this Agreement:

18.9.4.1 the assignee has satisfied Franchisor that it meets Franchisor's management, business and financial standards for franchisees, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Store;

18.9.4.2 that assumption or assignment of this Agreement is subject to all the provisions hereof, including provisions such as location, use, and the restrictive covenants set forth in Section 7, and will not breach any term or condition of, or constitute a default under, any term or condition of any contract, agreement, arrangement, or other commitment to which the assignee or any holder of a legal or beneficial interest in assignee is a party or by which assignee or such holder of a legal or beneficial

interest in assignee is bound (**including any agreement not to compete**), or constitute an event which, with notice, lapse of time or both, would result in such a breach or event of default nor to assignee's knowledge, result in the violation by assignee or any such holder of a legal or beneficial interest in assignee of any applicable statute, rule, regulation, ordinance, code, judgment, order, injunction or decree; and

18.9.4.3 demonstration that the assumption or assignment will not disrupt business operations at the Franchised Store.

In the event Franchisor rejects the proposed assignee, to the extent permitted by applicable law, the rights and obligations of the parties hereto shall continue to be governed by the terms of this Agreement, and Franchisee shall have all the rights of a franchisee under applicable law.

## **19. RIGHT OF FIRST REFUSAL**

### **19.1 Submission of Offer**

If Franchisee or any of its owners proposes to sell or transfer, except as allowed in Section 18.3 above, any ownership interest in the Franchise, Franchisee, or in the Franchised Store (including assets it owns outside the normal course of its business), Franchisee shall give Franchisor the first right to accept or refuse the offer to purchase. The offer must be a bona fide invitation to purchase and must be signed and submitted in writing to Franchisor. The offer shall have all pertinent documents attached, including any contract or due diligence materials. The offer applies to the assets and interests contemplated in this Section and do not include assets or interests unrelated to the Franchised Store.

### **19.2 Sale or Transfer to Family Members**

Section 19.1 of this Agreement shall be inapplicable in its entirety if the sale or transfer under Section 19.1 is to a family member or with respect to ownership interests in Franchisee, to any other current owner of Franchisee; provided, that the requirements under Section 18.2 and Section 18.3, as applicable, of this Agreement remain in effect and nothing in this Section 19.2 is a waiver to their application.

### **19.3 Franchisor's Right to Purchase**

Franchisor shall have thirty (30) days (following the receipt of the offer to purchase) to accept all material terms of Franchisee's offer to purchase. If Franchisor elects to accept the offer, it shall deliver written confirmation to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any competing buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase on the same terms set out in the invitation to purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

### **19.4 Non Exercise of Right of First Refusal**

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2 or Section 18.3, as the case may be. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, or if there is a material change to the terms, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

## **20. BENEFICIAL OWNERS OF FRANCHISEE**

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in the Franchise Certificate as the only holders of a legal or beneficial interest in Franchisee and/or the Franchised Store. Franchisee further represents to Franchisor that the individuals identified in the Franchise Certificate as officers, directors and/or managers of Franchisee, as the case may be, are the duly elected and qualified officers, directors and/or managers of Franchisee, as the case may be.

## **21. RELATIONSHIP OF FRANCHISOR AND FRANCHISEE AND INDEMNIFICATION**

### **21.1 Description of Relationship of Franchisor and Franchisee**

21.1.1 This Agreement is purely a contractual relationship between Franchisor and Franchisee and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. This Agreement does not establish a fiduciary or employment relationship between Franchisor and Franchisee.

21.1.2 Franchisee may not represent or imply to third parties that Franchisee is an agent or employee of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the Term, and any extension or renewal of this Agreement, Franchisee shall hold itself out to the public only as a franchisee and an owner of the independently owned and operated Franchised Store operating the Franchised Store pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify.

21.1.3 Under no circumstances shall Franchisor be liable for any act, omission, contract, debt nor any other obligation of Franchisee, including those incurred by Franchisor while operating the Franchised Store on behalf of Franchisee pursuant to the terms set forth in Section 16.5 and/or 18.7 of this Agreement respectively. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Store, including those arising from the services and products offered by and sold at the Franchised Store. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

### **21.2 Franchisor May Act in its Own Interest**

Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### **21.3 Indemnification by Franchisee**

Franchisee shall hold harmless, defend and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, Area Representatives, and their respective successors and assigns (collectively "**Franchisor Indemnitees**") from and against all losses, damages, fines, costs, expenses and

liability (including attorneys' fees, legal and professional fees, and all other costs of litigation) incurred by Franchisor Indemnitees in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, arising from or in any way related to Franchisee's: (a) ownership or operation of the Franchised Store; (b) provision of services or sale of products at the Franchised Store; (b) violation, breach, or asserted violation or breach of any federal, state, or local law, regulation, or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee (or an affiliate of Franchisee) and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors, or omissions committed or incurred in connection with the Franchised Store, including any negligent or intentional acts; or (f) infringement, violation, or alleged infringement or violation, of any Mark, patent, or copyright, or any misuse of the Confidential Information. The obligations of this Section 21.3 shall expressly survive the expiration or termination of this Agreement.

#### **21.4 Franchisor's Right to Retain Counsel**

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation, or proceeding. Upon receipt of any such action, demand, claim, investigation, or proceeding, Franchisor has the right, without prior notice to Franchisee, to take any remedial or corrective action that it deems appropriate or expedient to protect persons, property, Franchisor's reputation, or the goodwill associated with the System. Franchisee shall cooperate with Franchisor in its handling of any such action, suit, demand, claim, investigation, or proceeding. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third-party claim, all causes of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

### **22. GENERAL CONDITIONS AND PROVISIONS**

#### **22.1 No Waiver**

No failure of Franchisor to exercise any power reserved to it under this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition under this Agreement, and no custom, course of dealing nor practice of Franchisor or Franchisee in variance with the terms under this Agreement, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

#### **22.2 Franchisor Entitled to Equitable Relief**

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, 9, 13 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled, as a matter of right, to seek an injunction or decree of specific performance from any court of competent jurisdiction restraining any further violation by Franchisee of this Agreement without any requirement to show any actual damage, irreparable harm or establish a balance of convenience or to post



such holder of a legal or beneficial interest in Franchisee shall be required to obtain a joinder to such Unlimited Guaranty and Assumption of Obligations by their spouse, if any, to bind such spouse's interest in jointly held property, if any, held by the equity holder. If any applicable holder of a legal or beneficial interest in Franchisee delivers an Unlimited Guaranty and Assumption of Obligations to Franchisor without the signature of his or her spouse, then Franchisee hereby represents to Franchisor that such holder has no spouse.

## **22.5 Approvals**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval, and except as otherwise provided in this Agreement, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties, conditions or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

## **22.6 Entire Agreement**

This Agreement, its exhibits and the documents referred to in this Agreement and, if Franchisee is an Area Representative, Franchisee's Area Representative Agreement shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter of this Agreement and shall supersede all prior agreements. In the event this Agreement is executed by Franchisor and Franchisee as part of a transfer of an existing franchise agreement or as a Successor Franchise Agreement to Franchisee's initial GLOSSLAB franchise agreement, any other transfer or renewal documents or other agreements, as the case may be, executed by Franchisor or Franchisee that set forth terms applicable to such transfer or renewal shall survive and shall be construed together with, and incorporated into by reference, this Agreement, as applicable. No other representation, oral or otherwise (other than those within Franchisor's GLOSSLAB Disclosure Document), has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's GLOSSLAB Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied in this Agreement, that are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. Nothing in this Agreement is intended to disclaim the representations Franchisor made in Franchisor's GLOSSLAB Disclosure Document that was furnished to Franchisee, if Franchisor was required by law to provide to Franchisee Franchisor's GLOSSLAB Disclosure Document. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

## **22.7 Severability and Modification**

Each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision in this Agreement is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind Franchisor and Franchisee; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

## **22.8 Headings are for Convenience Only**

All captions in this Agreement are intended solely for the convenience of Franchisor and Franchisee, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

## **22.9 Force Majeure**

Whenever a period of time is provided in this Agreement for either party to perform any act, except for Franchisee's payment of monies to Franchisor or any Franchisor Affiliate, neither party shall be liable nor responsible for any delays if it is prevented or delayed in such performance as a result of conditions beyond the reasonable control and without the fault or negligence of such party (*force majeure*), such as strikes, lockouts, casualties, acts of God, epidemics, war, terrorism, or governmental regulation or control, and the time period for the performance of such act shall be extended for the amount of time of the delay. A party wishing to take advantage of the relief provided in this Section must as soon as practicable advise the other party in writing of the existence of the *force majeure* condition and the estimated time of its duration. This clause shall not result in an extension of the Term.

## **22.10 Timing is of the Essence**

Except as set forth in Section 22.9, failure to perform any act within the time required or permitted by this Agreement shall be a breach of this Agreement.

## **22.11 Withholding Payments**

22.11.1 Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any of its Affiliates. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor or any of its Affiliates. The right to set off is hereby expressly waived by Franchisee. No endorsement or statement on any payment for less than the full amount due to Franchisor or any of its Affiliates will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor and any of its Affiliates has the right to accept and cash any such payment without prejudice to Franchisor's or any of its Affiliates' right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law.

22.11.2 Franchisor and its Affiliates have the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor or its Affiliates deem appropriate. Franchisor and its Affiliates may set off, against amounts owed to Franchisee, amounts due under this Agreement by Franchisee to Franchisor or its applicable Affiliates.

## **22.12 Further Assurances**

Franchisor and Franchisee will each execute and deliver, or cause the execution and delivery of, such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

## **22.13 Third-Party Beneficiaries**

Except with respect to Franchisor's applicable Affiliates who shall have rights to enforce this Agreement directly, as well as any applicable Franchisor Indemnitee who also shall have the right to enforce

Franchisee's indemnification obligations herein directly, anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any other person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

#### **22.14 Multi-State Addenda**

Attached as Exhibit 7 to this Agreement (the "**Multi-State Addenda**") and incorporated herein 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. Each provision of the Multi-State Addenda shall 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 Multi-State Addenda. To the extent the Multi-State Addenda shall be deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments thereto [other than the applicable Multi-State Addenda]), the terms of the Multi-State Addenda shall control.

#### **22.15 This Agreement May be Signed in One or More Counterparts**

This Agreement may be executed in one (1) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one (1) and the same instrument. Delivery of an executed signature page by facsimile, e-mail in portable document format (.pdf) or by any other electronic means intended to preserve the original pictorial appearance of a document will have the same effect as delivery of an executed original of this Agreement.

#### **22.16 Blacklining**

The parties agree that this Agreement may be executed with revision markings (so-called "blacklining") appearing in the execution copy (i.e., deleted text is overstricken and newly-inserted text is underscored or in boldface); such "blacklining" shall not be accorded any significance or taken into account in any way; this Agreement shall be construed for all purposes as if all overstricken text were deleted and never included in this Agreement and all bold or underscored text were not bold or underlined.

### **23. DISPUTE RESOLUTION**

#### **23.1 Choice of Law**

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Florida (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, FRANCHISEE AGREES THAT FRANCHISEE MAY BRING CLAIMS AGAINST FRANCHISOR AND ITS AFFILIATES ONLY ON AN INDIVIDUAL BASIS AND NOT AS PART OF ANY PURPORTED CLASS OR REPRESENTATIVE ACTION OR PROCEEDING. UNLESS FRANCHISOR AGREES OTHERWISE, AN ARBITRATOR MAY NOT CONSOLIDATE OR JOIN MORE THAN ONE FRANCHISEE'S CLAIMS, AND MAY NOT OTHERWISE PRESIDE OVER ANY FORM OF A CONSOLIDATED,



REPRESENTATIVE, OR CLASS PROCEEDING. AN ARBITRATOR MAY AWARD RELIEF (INCLUDING MONETARY, INJUNCTIVE, AND DECLARATORY RELIEF), AS APPLICABLE, ONLY IN FAVOR OF THE FRANCHISEE PARTY SEEKING RELIEF AND ONLY TO THE EXTENT NECESSARY TO PROVIDE RELIEF NECESSITATED BY THAT FRANCHISEE PARTY'S INDIVIDUAL CLAIM(S). ANY RELIEF AWARDED WILL NOT AFFECT OTHER FRANCHISEES.

### **23.2 Consent to Jurisdiction**

Any action brought by either Franchisor or Franchisee, except those claims required by this Agreement or by law, to be submitted to arbitration, shall be brought in the appropriate state or federal court located in or serving Miami-Dade County, Florida, or at Franchisor's principal place of business, if different. Franchisor and Franchisee each waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Franchisor and Franchisee each hereby submit to service of process by registered mail, return receipt requested or by any other manner provided by law. Claims for injunctive relief or other equitable relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of either Franchisor or Franchisee to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

### **23.3 Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained in this Agreement shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

### **23.4 Limitations of Claims**

To the extent permitted by law, any claim concerning the Franchised Store or this Agreement or any related agreement will be barred unless an action for a claim is commenced within two (2) years from the date on which Franchisee knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

### **23.5 Limitation of Damages**

FRANCHISEE WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST FRANCHISOR OR ANY FRANCHISOR AFFILIATE AND AGREES THAT IF THERE IS A DISPUTE WITH FRANCHISOR OR ANY FRANCHISOR AFFILIATE, FRANCHISEE WILL BE LIMITED TO THE RECOVERY OF ACTUAL DIRECT DAMAGES SUSTAINED BY IT INCLUDING REASONABLE LEGAL AND PROFESSIONAL FEES, SUBJECT TO THE LIMITATIONS HEREIN. EXCEPT FOR THE PARTIES' INDEMNIFICATION OBLIGATIONS AND THE CONFIDENTIALITY AND NON-COMPETITION OBLIGATIONS PURSUANT TO THIS AGREEMENT OR WITH RESPECT TO WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, OR AS OTHERWISE SET FORTH IN THIS AGREEMENT (e.g., SECTION 17.1.5), IN NO EVENT SHALL EITHER PARTY OR THEIR APPLICABLE AFFILIATES BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR CONTINGENT DAMAGES WHATSOEVER, INCLUDING DAMAGES FOR LOSS OF REVENUE, PROFITS, LOSS OF BUSINESS OPPORTUNITY OR BUSINESS INTERRUPTION, FOR INJURIES TO PERSONS (INCLUDING

DEATH) OR PROPERTY, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH A LOSS, OR WHETHER THE CLAIM IS FOR BREACH OF CONTRACT, TORT, BREACH OF WARRANTY, NEGLIGENCE OR OTHERWISE. THE ESSENTIAL PURPOSE OF THIS SECTION IS TO LIMIT THE POTENTIAL LIABILITY OF EACH PARTY ARISING OUT OF THE TERMS AND CONDITIONS OF THIS AGREEMENT. IN ANY CLAIM OR ACTION BROUGHT BY FRANCHISEE AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, FRANCHISEE'S TOTAL RECOVERABLE DAMAGES AND FRANCHISOR'S TOTAL LIABILITY SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF FRANCHISEE'S FRANCHISE FEE AND ROYALTY FEE PAYMENTS.

### **23.6 Waiver of Jury Trial**

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

### **23.7 Negotiation and Mediation**

#### 23.7.1 Agreement to Use Procedure

The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try to resolve any dispute without litigation or arbitration. Except for controversies or claims relating to the ownership of any of Franchisor's Marks or the unauthorized use or disclosure of Franchisor's Trade Secrets or other Confidential Information, covenants against competition, other claims for injunctive relief, the parties agree that if any dispute arises between them, before beginning any legal action or arbitration to interpret or enforce this Agreement, they will first follow the procedures described in this section. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any legal action or arbitration to interpret or enforce this Agreement.

#### 23.7.2 Initiation of Procedures

The party that initiates these procedures ("**Initiating Party**") must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party's claim for relief, including the damages sought, and identifying one or more persons with authority to settle the dispute for him, her, or it. The party receiving the notice ("**Responding Party**") has seven (7) days within which to designate by written notice to the Initiating Party one or more persons with authority to settle the dispute on the Responding Party's behalf (the "**Authorized Persons**").

#### 23.7.3 Direct Negotiations

The Authorized Persons may investigate the dispute as they consider appropriate, but agree to meet in person at a location designated by Glosslab within seven (7) days from the date of the designation of Authorized Persons to discuss resolution of the dispute. The Authorized Persons may meet at any times and places and as often as they agree. If the dispute has not been resolved within ten (10) days after their initial meeting, either party may begin mediation procedures by giving written notice to the other party that it is doing so.

#### 23.7.4 Selection of Mediator

The Authorized Persons will have seven (7) days from the date on which one party gives notice that he, she, or it is beginning mediation within which to submit to one another written lists of acceptable mediators who are not associated with either of the parties. Within seven (7) days from the date of receipt of any list, the Authorized Persons must rank all the mediators in numerical order of preference and exchange the rankings. If one or more names are on both lists, the highest ranking one of these will be designated the mediator. Within seven (7) days after receipt of the list, the parties must again rank the proposed mediators in numerical order of preference and must simultaneously exchange their lists. The mediator having the highest combined ranking shall be appointed as mediator. If the highest ranking mediator is not available to serve, the parties must go on to contact the mediator who was next highest in ranking until they are able to select a mediator.

#### 23.7.5 Time and Place for Mediation

Mediation shall take place in Miami-Dade County, Florida or in such other county as Franchisor's headquarters may hereafter be located. In consultation with the parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation. Unless circumstances make it impossible, the time may not be later than thirty (30) days after selection of the mediator.

#### 23.7.6 Exchange of Information

If either party to this Agreement believes he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all parties must attempt in good faith to agree on procedures for an exchange of information, with the help of the mediator if required.

#### 23.7.7 Summary of Views

At least seven (7) days before the first scheduled mediation session, each party must deliver to the mediator and to the other party a concise written summary of its views on the matter in dispute and on any other matters that the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator, to him or her.

#### 23.7.8 Representatives

In the mediation, each party must be represented by an Authorized Person and may be represented by counsel. In addition, each party may, with permission of the mediator, bring with him, her, or it any additional persons who are needed to respond to questions, contribute information, and participate in the negotiations.

#### 23.7.9 Conduct of Mediation

The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful after reviewing the position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the

dispute if at all possible.

#### 23.7.10 Termination of Procedure

The parties agree to participate in the mediation procedure to its conclusion, as set forth in this section. The mediation may be concluded (1) by the signing of a settlement agreement by the parties, (2) by the mediator's declaration that the mediation is terminated, or (3) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration in accordance with Section 23.8 within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

#### 23.7.11 Fees of Mediator; Disqualification

The fees and expenses of the mediator must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved.

#### 23.7.12 Confidentiality

The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

### **23.8 Arbitration**

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained in this Agreement. If the Parties were unable to resolve a dispute in mediation in accordance with Section 23.7, then the dispute shall be settled by binding arbitration conducted in Miami-Dade County, Florida, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings shall be held by a single arbitrator agreed upon by Franchisor and Franchisee or otherwise appointed by the Circuit Court for the State of Florida and located in Miami-Dade County, Florida. The decision of the arbitrator shall be final and binding upon Franchisor and Franchisee. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

### **23.9 Remedies in the Event of Breach of This Agreement**

Franchisee and Franchisor agree if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party will be entitled to recover all of its legal and professional fees, investigative fees, administrative fees billed by such party's attorneys and other professionals, court costs and all expenses, including all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings, incurred by the successful or prevailing party in that action or proceeding.

## **24. ACKNOWLEDGMENTS**

### **24.1 Receipt of this Agreement and the Franchise Disclosure Document**

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

### **24.2 Consultation by Franchisee**

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

### **24.3 True and Accurate Information**

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all material respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

### **24.4 Risk**

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a Glosslab Store involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

### **24.5 No Guarantee of Success**

FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES, WARRANTIES CONDITIONS, OR ESTIMATES OF ANY KIND REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISEES GENERALLY OR OF ANY FRANCHISED STORE WERE MADE

BY OR ON BEHALF OF FRANCHISOR, EXCEPT AS SET FORTH IN THE DISCLOSURE DOCUMENT, WHICH HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT. FRANCHISEE UNDERSTANDS THAT WHETHER FRANCHISEE SUCCEEDS IN THE DEVELOPMENT OF A FRANCHISE IS DEPENDENT UPON FRANCHISEE'S AND ITS OWNERS' AND PERSONNEL'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND FRANCHISOR'S CONTROL OR INFLUENCE. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE, OR LESS SUCCESSFUL THAN OTHER FRANCHISEES, AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL DO AS WELL AS ANY OTHER FRANCHISEE.

#### **24.6 Franchisee's Representations and Warranties**

Franchisee represents and warrants to Franchisor that:

24.6.1 Franchisee is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, and Franchisee possesses the organizational power to validly own its properties and conduct its business;

24.6.2 Franchisee has the power to execute, deliver, and carry out the terms and conditions of this Agreement, and this Agreement has been duly authorized, executed and delivered by Franchisee and constitutes the valid, legal and binding agreement and obligation of Franchisee in accordance with the terms of this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally from time to time in effect; and

24.6.3 Franchisee's execution of this Agreement and its performance of its obligations under this Agreement will not result in (i) the breach of any term or condition of, or constitute a default under, any term or condition of any contract, agreement, arrangement, or other commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party or by which Franchisee or such holder of a legal or beneficial interest in Franchisee is bound (**including any agreement not to compete**), or constitute an event which, with notice, lapse of time or both, would result in such a breach or event of default nor (ii) to Franchisee's knowledge, result in the violation by Franchisee or any such holder of a legal or beneficial interest in Franchisee of any applicable statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

#### **24.7 Notice of Potential Franchisor and Affiliate Profit**

Franchisee acknowledges that Franchisor and Franchisor's Affiliates will make available to Franchisee goods, products and/or services for use in the Franchise on terms which Franchisor and its Affiliates will make a profit. Franchisee acknowledges that Franchisor and Franchisor's Affiliates are entitled to said profits and/or consideration.

#### **24.8 Anti-Terrorism and Money Laundering Representation**

Franchisee certifies that: (i) neither it nor its officers, members, managers, directors, equity holders or controlling owners is acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order, the United States Department of Justice, or the United States Treasury Department as a terrorist, "Specially Designated National or Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control; (ii) neither it nor its officers, members, managers, directors, equity holders or controlling owners is engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group,

entity or nation; and (iii) neither it nor its officers, members, managers, directors, equity holders or controlling owners is in violation of Presidential Executive Order 13224, the USA Patriot Act, the Bank Secrecy Act, the Money Laundering Control Act or any regulations promulgated pursuant thereto. Should Franchisee or any of its officers, members, managers, directors, equity holders or controlling owners, during the Term, be designated Specially Designated National or Blocked Person, Franchisor may, at its sole option, terminate this Agreement.

#### **24.9 Franchisor Must Sign Franchise Agreement to be Effective**

The provision of this Agreement and its related agreements and documents to Franchisee for examination, negotiation and if applicable, execution, does not constitute an offer for a Franchise, shall not bind Franchisor in any way nor does it provide any franchise rights associated with acquiring a Franchise, it being understood that this Agreement shall become effective and binding only upon execution and delivery of this Agreement by Franchisee and by Franchisor. No act or omission of any Area Representative or any other Person shall alter, change or modify any of the provisions of this Section 24.9.

#### **24.10 Franchisee Minimum Deliverables Upon Signing this Franchise Agreement**

Franchisee shall deliver to Franchisor, or cause to be delivered to Franchisor, each of the following:

- (i) this Agreement, signed by an authorized representative of Franchisee;
- (ii) the Franchise Fee, as described in Section 3.1;
- (iii) a Nondisclosure and Non-Competition Agreement, in substantially the same form attached to this Agreement as Exhibit 2, for each equity holder of Franchisee at the time of the Effective Date, signed by an authorized representative of Franchisee on the one hand, and such equity holder on the other;
- (iv) an Unlimited Guaranty and Assumption of Obligations, in substantially the same form attached to this Agreement as Exhibit 3, signed by each holder of a legal or beneficial interest in Franchisee of five percent (5%) or greater, along with the joinder from each such holder's spouse, if any, to bind such spouse's interest in jointly held property, if any, held by the equity holder;
- (v) Franchisor's then-current form questionnaire, in substantially the same form attached to Franchisor's Franchise Disclosure Document; and
- (vi) a Franchise Certificate, in substantially the same form attached to this Agreement as Exhibit 4 (a "**Franchise Certificate**"), signed by an authorized representative of Franchisee, certifying, as applicable, Franchisee's organizational documents, good standing, ownership and management information, as of the Effective Date.

The foregoing shall not in any way limit Franchisor's rights to request any additional documents that may be required pursuant to this Agreement, from time to time.

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound hereby have duly executed this Agreement.

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

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

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

FRANCHISEE:

\_\_\_\_\_

(type/print name)

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

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

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

[or, if an individual]

Signed: \_\_\_\_\_

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



**SCHEDULE 1 TO THE FRANCHISE AGREEMENT**

**PROTECTED TERRITORY:**

**EXHIBIT 1 TO THE FRANCHISE AGREEMENT**

**GENERAL RELEASE**

This General Release is made and given on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by, \_\_\_\_\_ (“RELEASOR”) an individual/corporation/limited liability company/partnership with a principal address of \_\_\_\_\_ in consideration of:

\_\_\_\_\_ the execution by GLOSSLAB FRANCHISING, LLC, a Delaware limited liability company (“RELEASEE”), of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”) granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the “Franchise Agreement”) between RELEASOR and RELEASEE; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the Franchise Agreement; or

\_\_ RELEASEE’S refund of fifty percent (50%) of the Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby, to the fullest extent permitted by law, releases and discharges RELEASEE, RELEASEE’S parent and affiliated entities, and its and their officers, directors, shareholders, members, managers, employees, representatives and agents (whether acting in an agency capacity or in their individual capacities), and RELEASEE’S heirs, successors, beneficiaries and assigns, as applicable, each of whom is intended as a beneficiary of this Release, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR’S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE, whether known or unknown, arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

RELEASOR covenants not to sue or to assert, prosecute or maintain, directly or indirectly, in any form, any claim or cause of action against any RELEASEE with respect to any matter, cause, omission, act, or thing whatsoever; occurring in whole or in part on or at any time prior to the date of this Release, and which is subject to such release provided for in this Release. RELEASOR represents and warrants that RELEASOR has not filed nor made any claims, charges, complaints, or actions of any type, whether legal, equitable, or administrative, against any RELEASEE.

[For California - **RELEASOR expressly waives and relinquishes any and all released claims and likewise waives to the fullest extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code, which provides: “GENERAL RELEASE; EXTENT. A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”**]

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Franchise Agreement.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR: \_\_\_\_\_  
(type/print name)

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

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

Title: \_\_\_\_\_  
(or, if an individual)

Signed: \_\_\_\_\_

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

## EXHIBIT 2 TO THE FRANCHISE AGREEMENT

### NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This Nondisclosure and Non-Competition Agreement (this “**Agreement**”) is entered into and effective as of the \_\_ day of \_\_, 20\_\_, by and between \_\_\_\_\_ (“**Franchisee**”) (d/b/a GLOSSLAB), and \_\_\_\_\_ (“**Individual**”).

#### RECITALS:

A. Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (as amended, supplemented, renewed, restated, or otherwise replaced from time to time, “**Franchise Agreement**”) by and between Franchisee and Glosslab Franchising, LLC (“**Franchisor**”).

B. Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are defined and more particularly described below.

C. Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said confidential materials.

D. Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Franchisor, Franchisee or any other franchisee of Franchisor in any Competitive Business (as defined below).

**NOW, THEREFORE**, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, Franchisee and Individual hereby mutually agree as follows:

1. Trade Secrets and Confidential Information.

(a) Individual understands that Franchisor and Franchisee each possess and will possess Trade Secrets and other Confidential Information that are important to the operation of a Glosslab Store.

(b) For the purposes of this Agreement,

“**Competitive Business**” means any business that, directly or indirectly, in the United States of America or any foreign country (i) offers manicures, pedicures, and nail polishing services or related services or products, (ii) manufactures, sells, licenses or otherwise distributes by way of retail or wholesale products which accompany or are related to hand and foot beauty services, including lotions, polishes, or creams, or (iii) that otherwise competes with Franchisor, its Affiliates or the Glosslab System (including through franchising) in general, as such businesses have been conducted, are proposed to be conducted or are being conducted, in each case, during the Term. “**Competitive Business**” excludes (a) any other business operated by Individual under a Franchise Agreement, Area Development Agreement or an Area Representative Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Individual owns less than a five percent (5%) legal or beneficial interest; provided, that Individual does not, directly or indirectly, individually or collectively with any other Person, possess the power to direct or cause the direction of the management and policies of such publicly-held entity.

“**Confidential Information**” means technical and non-technical information used in or related to the System that is not commonly known by or available to the public, including, without limitation, the Trade Secrets and information contained in Franchisor’s Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered or made available by Franchisor or Franchisee shall be deemed Confidential Information. For

the avoidance of doubt, guest (customer) information shall be deemed Confidential Information;

“**Marks**” means the trademark “GLOSSLAB®,” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with the Glosslab franchise System;

“**Person**” means a human being, a legal or business entity devised or constructed by for the purpose of carrying out business activities under the name of such devised or constructed entity, which shall not be limited to sole proprietorships, corporations, partnerships, limited liability companies, or other entities; and in the case of entities, a Person shall include, any other entity with a majority or controlling interest in another entity, as well as the individual officers, directors, and other Persons controlling the activities of such entity;

“**System**” means the uniform standards, methods, procedures and specifications, revisions or modifications Franchisor advances for the operation of Glosslab Stores; and

“**Trade Secret**” is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Glosslab Stores or otherwise in the System, that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other Persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(c) Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual or Franchisee or Franchisee’s affiliates, employees, agents, officers, directors, shareholders, managers, members or other representatives; (ii) Franchisee or Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

(d) Any information expressly designated by Franchisor or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations under this Agreement in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisor’s and/or Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual, Franchisor and Franchisee with respect to the Trade Secrets and other Confidential Information.

## 2. Confidentiality/Non-Disclosure.

(a) Individual shall not communicate or divulge to (or use for the benefit of) any other Person, with the sole exception of Franchisee or other employees, agents or representatives of Franchisee who are on a strict need-to-know basis with respect to such Confidential Information in connection with the operation of Franchisee’s Glosslab Franchised Store, and who are bound by duties of confidentiality no less stringent than those set forth in this Agreement, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee or Franchisor to ensure that the Confidential Information and the Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisor and/or Franchisee have established and may establish from time to time regarding the

## Confidential Information and the Trade Secrets.

(b) Individual may not in any manner or at any time, either directly or indirectly use any part of the Confidential Information or the Trade Secrets except in connection with the operation of Franchisee's Glosslab Franchised Store, and in no case in any manner detrimental to Franchisee, Franchisor or their respective affiliates.

(c) Individual's obligations under Section 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee and Franchisor are each entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisor and/or Franchisee for protection of its rights under this Agreement and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in the Glosslab franchise System.

(d) Upon termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, or at any other time when requested by Franchisor, Franchisee and/or their respective affiliates, Individual shall immediately deliver to Franchisee (or Franchisor and/or its affiliates, as appropriate and as directed), all Confidential Information and other property in Individual's possession, or under Individual's care and control, belonging to Franchisee and/or Franchisor and/or their respective affiliates. The provisions of this Section 2(d) shall survive any such termination of Individual's relationship with Franchisee.

(e) Notwithstanding any term or condition in this Agreement to the contrary, Individual may disclose Confidential Information under certain limited circumstances as follows: (i) as may be required by law or court process; provided, that Individual provides Franchisee and Franchisor reasonable prior notice to allow Franchisee and/or Franchisor sufficient time to obtain a protective order to prevent disclosure of such Confidential Information, or take other appropriate action; (ii) in confidence to a federal, state, or local government official, either directly or indirectly, or to Individual's legal counsel solely for the limited purpose of reporting or investigating a suspected violation of law; (iii) in confidence as part of a complaint or other legal document filed in a lawsuit or other proceeding; provided, that such filing is made under protective seal; and (iv) if Individual files a lawsuit for retaliation by Franchisee or Franchisor for reporting a suspected violation of law, Individual may disclose, in confidence, relevant Trade Secret information to Individual's legal counsel representing Individual in such lawsuit, and use such Trade Secret information in the court proceedings; provided, that (x) Individual either directly or through its legal counsel, files any document containing any such Trade Secret under protective seal; and (y) Individual does not disclose the Trade Secret information, except pursuant to court order or with Franchisee's or Franchisor's prior written consent, which such consent may be withheld in Franchisee's and Franchisor's sole discretion. This Agreement is not intended in any way to restrict or impede Individual from exercising protected rights to the extent such rights cannot be waived by this Agreement. Franchisee and Franchisor each reserve the right to pursue all remedies available under federal, state, or local law for any disclosure of Confidential Information (including Trade Secret information) by Individual which does not comply with this Section 2.

### 3. Non-Competition.

(a) Individual acknowledges that Franchisee and Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Glosslab franchisees and Area Representatives if Individual and members of Individual's immediate family and household were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of the Franchise Agreement, neither Individual nor any member of Individual's immediate family and household, may, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any Person:

(i) divert or attempt to divert any business or customer of a Glosslab Store to any Competitive Business, by direct or indirect inducement or otherwise;

(ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;

(iii) carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere in the United States; or

(iv) solicit or otherwise attempt to induce or influence any employee, customer or other business associate of Franchisor or any other Glosslab Store, or any franchisee or Area Representative of the System, to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisor, any such franchisee or Area Representative or any other Glosslab Store; provided, however, that, the foregoing shall not restrict Individual from hiring any employee or other business associate of Franchisor or any other Glosslab franchisee or Area Representative to work for Franchisee in connection with the System that responds to general public solicitations made in the ordinary course of business.

In addition to the in-term non-competition restrictive covenants set forth above in this Section 3(a), for a period of two (2) years after the expiration or termination of the Franchise Agreement, regardless of the cause of expiration or termination, neither Individual nor any member of Individual's immediate family and household), may, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any Person:

(i) divert or attempt to divert any business or customer of a Glosslab Store to any Competitive Business, by direct or indirect inducement or otherwise;

(ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;

(iii) carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within fifty (50) miles of any other Glosslab Store operating under the System and the Marks at the time of such expiration or termination; or

(iv) solicit or otherwise attempt to induce or influence any employee, customer or other business associate of Franchisor or any other Glosslab Store, or any franchisee or Area Representative of the System, to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisor, any such franchisee or Area Representative or any other Glosslab Store.

Any assignment or other transfer of the Franchise Agreement, or of Individual's complete interest in, or affiliation with, Franchisee (in each and every capacity, including as owner, employee, consultant or otherwise), shall be deemed, for purposes of Individual's obligations under this Section only, as the expiration or termination of the Franchise Agreement.

(b) If Individual operates any other business, Individual shall not use or display any of the Marks, or any confusingly similar trademark, in any manner whatsoever in connection with such other business and/or the promotion thereof. Individual shall not utilize in such other business any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section 3(b) is not intended as an approval of Individual's right to operate other businesses and in no way is it intended to contradict those Sections of this Agreement or the Franchise Agreement that prohibit such practice.

#### 4. Reasonableness of Restrictions.

Individual acknowledges that each of the terms set forth in this Agreement, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Franchisor, and the Trade Secrets and other Confidential Information, the System and the Marks, and

Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. Franchisee may, upon the direction from Franchisor at any time, reduce the scope, restricted activities and/or duration of any of the restrictive covenants effective immediately upon notice to Individual. It is the desire and intent of both Franchisee and Individual that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Non-Disparagement.

Individual agrees and covenants that Individual will not, at any time, either directly or indirectly, and shall cause Individual's affiliates and members of its family not to, make, publish or communicate to any person or entity or in any public forum (including through social media) any defamatory or disparaging remarks, comments or statements concerning Franchisor, its Affiliates, any franchisees or Area Representatives and/or any of their respective employees, agents and representatives, or the System or its Marks, other than as part of the judicial, arbitration or other dispute resolution process in connection with any litigation, mediation, arbitration or administrative or other judicial proceeding arising under any claim brought in connection with this Agreement or the Franchise Agreement, or other than when compelled to testify under oath by subpoena, regulation or court order.

6. Relief for Breaches of Confidentiality, Non-Solicitation, Non-Disparagement and Non-Competition.

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Franchisor shall be entitled, as a matter of right, to seek an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage, irreparable harm or establish a balance of convenience or to post any bond or other security. Such right to seek an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Franchisor may have at law or in equity.

7. Miscellaneous.

(a) If any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover all of its legal and professional fees, investigative fees, administrative fees billed by such party's attorneys and other professionals, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

(b) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns.

(c) The failure of either party to insist in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

(d) The headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.



(e) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts of this Agreement shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part of this Agreement.

(f) The existence of any claim or cause of action Individual might have against Franchisee or Franchisor will not constitute a defense to the enforcement by Franchisee or Franchisor of this Agreement.

(g) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Franchisor pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

(h) Individual and Franchisee each acknowledge that Individual's compliance with the terms of this Agreement is also critical to Franchisor. Accordingly, Individual and Franchisee each agree and acknowledge that even though Franchisor is not a party to this Agreement and does not have any obligations under this Agreement, Franchisor shall be a third-party beneficiary of Individual's agreements and covenants under this Agreement and Franchisor shall be entitled to all rights and remedies conferred upon Franchisee and Franchisor under this Agreement. Accordingly, Individual and Franchisee each agree that Franchisor may enforce such rights and promises in its own right (without being required to obtain consent from Franchisee or add Franchisee as a party to any proceedings for such enforcement).

(i) This Agreement may be executed in one (1) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one (1) and the same instrument. Delivery of an executed signature page by facsimile, e-mail in portable document format (.pdf) or by any other electronic means intended to preserve the original pictorial appearance of a document will have the same effect as delivery of an executed original of this Agreement.

(j) This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of Florida, without regard to principles of conflicts of laws. Franchisee and Individual each hereby irrevocably consent and submit to the non-exclusive jurisdiction of the Courts of Miami-Dade County, Florida, and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement, in each case whether arising in contract, tort, equity or otherwise, and agrees that any dispute arising out of this Agreement shall be heard only in the courts described above.

(k) Individual may not assign or delegate his or her duties or obligations under this Agreement.

(l) This Agreement constitutes the entire agreement between Individual on the one hand, and Franchisee and/or Franchisor on the other, with respect to the subject matter of this Agreement. This Agreement supersedes any prior agreements, negotiations and discussions between Individual, Franchisee and/or Franchisor with respect to the subject matter of this Agreement. This Agreement cannot be altered or amended except by an agreement in writing signed by Individual, Franchisee and Franchisor.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO INDIVIDUAL TO INDUCE THE SIGNING OF THIS AGREEMENT.**

*[Signatures Appear on Following Page]*

IN WITNESS WHEREOF, Franchisee has caused this Agreement to be executed by its duly authorized representative, and Individual has executed this Agreement, all being done as of the day and year first above written.

FRANCHISEE:

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

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

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

INDIVIDUAL:

Signature: \_\_\_\_\_

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

## EXHIBIT 3 TO THE FRANCHISE AGREEMENT

### UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

This Unlimited Guaranty and Assumption Of Obligations (this “**Guaranty**”) is given this \_\_\_\_ day of \_\_\_\_\_, 20\_, by \_\_\_\_\_ (each, a “**Personal Guarantor**”).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated as the same date of this Guaranty (as amended, supplemented, renewed, restated, or otherwise replaced from time to time, the “**Agreement**”) by Glosslab Franchising, LLC (“**Franchisor**”), each of the undersigned Personal Guarantors hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_ (“**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (collectively, “**Guaranteed Obligations**”). Each of the undersigned Personal Guarantors shall be personally bound by, and personally liable for, Franchisee’s breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Section 7 of the Agreement. Each of the undersigned Personal Guarantors waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any Guaranteed Obligations; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any Guaranteed Obligations; (d) any right it may have to require that an action be brought against Franchisee or any other Person as a condition of liability; (e) the benefit of any circumstances, defense or statute of limitations affecting its liability which might otherwise discharge a guarantor or hinder prompt enforcement of this Guaranty, (f) any requirement that Franchisor proceed against or exhaust any collateral or security which Franchisor may now hold or obtain, and (g) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned Personal Guarantors, jointly and severally, represent as follows: (a) each of the undersigned Personal Guarantors has the capacity to enter into, perform and deliver this Guaranty; (b) this Guaranty constitutes the legal, valid, binding and enforceable obligations of each of the undersigned Personal Guarantors; and (c) each of the undersigned Personal Guarantors has independent means of obtaining reports and financial information about Franchisee, and Franchisor has no obligation, either prior to the execution of this Guaranty or any time thereafter, to notify any of the undersigned Personal Guarantors concerning Franchisee’s financial condition or of any event or occurrence affecting Franchisee’s financial condition or business operation.

Each of the undersigned Personal Guarantors further consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several with all other applicable guarantors of Franchisee’s obligations under the Agreement and shall include any property held jointly with any other applicable guarantors, including any interest held as a result of such property being community property or jointly held property, as joint tenants, tenants by the entirety, or otherwise; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other Person; (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may, from time to time, grant to Franchisee or to any other Person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the Term; and (e) this Guaranty shall remain in full force and effect before and after any sale, assignment, transfer, conveyance, encumbrance or gift of any interest in Franchisee or the Agreement.

None of the undersigned Personal Guarantors may delegate any of his, her or its rights, obligations or liabilities under this Guaranty. The provisions of this Guaranty may not be amended, supplemented, waived or changed orally, but only by a writing signed by the party as to whom enforcement of any such amendment, supplement, waiver or modification is sought and Franchisor, and making specific reference to this Guaranty.

This Guaranty shall be binding upon each undersigned Personal Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision of this Guaranty, each Personal Guarantor expressly agrees that, as applicable, such Personal Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made in this Guaranty and that such Personal Guarantor's estate and heirs shall continue to be liable under this Guaranty with respect to any Guaranteed Obligations created or arising after such Personal Guarantor's death. Franchisor may at any time, without notice to any of the undersigned Personal Guarantors, transfer or assign to any Person any of the Guaranteed Obligations, or any interest therein, and each and every immediate and successive assignee or transferee of the Guaranteed Obligations, or any interest therein, shall, to the extent of its interest, be entitled to the benefits of this Guaranty to the same extent as if such assignee or transferee were Franchisor.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between each Personal Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Florida (without giving effect to principles of conflicts of law).

Each of the undersigned Personal Guarantors hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of Florida and the United States District Court located in or serving Miami-Dade County, Florida and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guaranty, the Agreement or in any way connected with or related or incidental to the dealings of each of the undersigned Personal Guarantors and Franchisor in respect of this Guaranty, the Agreement or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between the undersigned Personal Guarantors or Franchisee and Franchisor or the conduct of any such Persons in connection with this Guaranty, the Agreement or otherwise shall be heard only in the courts described above (except that Franchisor may bring any action or proceeding against the undersigned Personal Guarantors or his, her or its property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Franchisee or the undersigned Personal Guarantors to Franchisor or to otherwise enforce its rights against any of the undersigned Personal Guarantors or his, her or its property).

This Guaranty may be executed in one (1) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one (1) and the same instrument. Delivery of an executed signature page by facsimile, e-mail in portable document format (.pdf) or by any other electronic means intended to preserve the original pictorial appearance of a document will have the same effect as delivery of an executed original of this Guaranty.

This Guaranty represents the entire understanding and agreement between the undersigned Personal Guarantors and Franchisor with respect to the subject matter of this Guaranty, and supersedes all other negotiations, understandings and representations (if any) made by and between such parties. Capitalized terms used in this Guaranty and not otherwise defined shall have the meaning set forth in the Agreement.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

**PERSONAL GUARANTOR**

**PERSONAL GUARANTOR**

\_\_\_\_\_

\_\_\_\_\_

Personally and Individually (Printed Name)

Personally and Individually (Printed Name)

\_\_\_\_\_

\_\_\_\_\_

Personally and Individually (Signature)

Personally and Individually (Signature)

HOME ADDRESS

HOME ADDRESS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN FRANCHISEE: \_\_\_\_\_%  
(at the time of execution)

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN FRANCHISEE: \_\_\_\_\_%  
(at the time of execution)

**Joinder of Spouse.** Each of the undersigned, being a spouse of a Personal Guarantor, if applicable, executes this Joinder to acknowledge its fairness and that it is in such spouse's best interests, and to bind such spouse's interest, if any, in property held by the Personal Guarantor, including any interest held as a result of such property being community property or jointly held property, as joint tenants, tenants by the entirety, or otherwise. Accordingly, each of the undersigned, being a spouse of a Personal Guarantor, agrees to be bound by the provisions of this Unlimited Guaranty and Assumption of Obligations, as amended or restated from time to time, in order to bind such spouse's interest, if any, in property held by the Personal Guarantor, including any interest held as a result of such property being community property or jointly held property, as joint tenants, tenants by the entirety, or otherwise, as if such undersigned spouse was a personal guarantor as well pursuant to this Unlimited Guaranty and Assumption of Obligations. The undersigned is aware that the legal, financial and related matters contained in this Unlimited Guaranty and Assumption of Obligations and the Agreement to which it relates are complex and that he/she is free to seek independent professional guidance or counsel with respect to this Joinder. If any Personal Guarantor delivers this Unlimited Guaranty and Assumption of Obligations to Franchisor without the signature of his or her spouse below, then he or she hereby represents to Franchisor that he or she has no spouse.

**SPOUSE**

**SPOUSE**

\_\_\_\_\_  
Personally and Individually

\_\_\_\_\_  
Personally and Individually

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

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

Print Name of Your Spouse: \_\_\_\_\_

Print Name of Your Spouse: \_\_\_\_\_

HOME ADDRESS:

HOME ADDRESS:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**

**FRANCHISE CERTIFICATE**

**[see attached form of]**

[FRANCHISEE ENTITY]

Franchise Certificate

\_\_\_\_\_, 20\_

This Franchise Certificate (the “Certificate”) is delivered in connection with that certain GLOSSLAB Franchise Agreement (the “Franchise Agreement”), by and between Glosslab Franchising, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”). Capitalized terms not defined in this Certificate shall have the meaning given to those terms in the Franchise Agreement.

By signing below, each of the undersigned do hereby certify to Franchisor that:

1. Attached hereto as Exhibit A is a true and correct copy of the [Articles of Organization/Articles of Incorporation/Other Applicable Corporate Charter] of the Franchisee (the “Charter”) and such Charter is in full force and effect as of the date hereof and has not been amended other than as appearing on Exhibit A.

2. Attached hereto as Exhibit B is a true and correct copy of the [Operating Agreement/Partnership Agreement/Shareholders Agreement/Bylaws/Other Applicable Governing Documents] of the Franchisee (the “Franchisee Governing Agreement(s)”), and such Franchisee Governing Agreement(s) is/are in full force and effect as of the date hereof and has not been amended other than as appearing on Exhibit B.

3. Attached hereto as Exhibit C is a true and correct copy of a [certificate of good standing/existence] of Franchisee as issued by the office of the Secretary of State or other applicable governmental entity of the state in which Franchisee was formed, confirming Franchisee’s good standing/existence as of the date of the Franchise Agreement.

4. The following-named person is Franchisee’s Franchisee Designated Representative:

**Franchisee Designated Representative:**

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

Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Percentage of Ownership in Franchisee:

\_\_\_\_\_

%

5. The following-named persons are collectively all of the equity holders of Franchisee, as well as all of the authorized managers, directors, officers and other representatives of Franchisee, holding the position or positions set forth opposite his or her name:

**Holders of Legal or Beneficial Interest and Officers, Directors and/or Managers:**

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

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

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

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

Home Address: \_\_\_\_\_

Home Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Percentage of Ownership: \_\_\_\_\_%

Percentage of Ownership: \_\_\_\_\_%



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

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

Home Address: \_\_\_\_\_

\_\_\_\_\_

Telephone Number: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Percentage of Ownership: \_\_\_\_\_%

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

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

Home Address: \_\_\_\_\_

\_\_\_\_\_

Telephone Number: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Percentage of Ownership: \_\_\_\_\_%

IN WITNESS WHEREOF, each of the undersigned, by signing below, certifies the accuracy of the information set forth in this Certificate as of the date of the Franchise Agreement.

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

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

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

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

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

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

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

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

Exhibit A to Franchise Certificate

Charter

Exhibit B to Franchise Certificate

Franchisee Governing Agreement(s)

Exhibit C to Franchise Certificate

Good Standing

**EXHIBIT 5 TO THE FRANCHISE AGREEMENT**

**LETTER AGREEMENT REGARDING**  
**APPROVED LOCATION AND PROTECTED**  
**TERRITORY**

\_\_\_\_\_, 20\_

[INSERT FRANCHISEE NAME AND ADDRESS]

Re: GLOSSLAB Franchise Agreement (the “Franchise Agreement”) <sup>1</sup>, dated \_\_\_\_\_, 20\_ Lease Approval; Approved Location and Protected Territory

Dear \_\_\_\_\_:

This truly is an exciting time. Now that you have received lease approval for your location in \_\_\_\_\_, we would like to document for purposes of the Franchise Agreement: (1) the street address of the Approved Location for your Franchised Store and (2) the agreed upon Protected Territory for your franchise. By signing below, you acknowledge and agree that the description of the Approved Location and the Protected Territory set forth in this letter agreement shall satisfy each of our obligations set forth in Section 2 of the Franchise Agreement to insert and describe such terms in the Franchise Agreement and shall be binding on both you, as the Franchisee, and us, as the Franchisor, as if fully set forth therein.

**Approved Location:**

For purposes of the Franchise Agreement, the street address for the Approved Location shall be:

\_\_\_\_\_.

**Protected Territory:**

For purposes of the Franchise Agreement, Franchisee’s Protected Territory based on the above Approved Location is described by the map set forth as **Schedule 1** to this letter agreement.

Please confirm the foregoing by signing this letter in the space provided below and returning the signed letter to Franchisor. Except as supplemented by this letter agreement, all of the terms and provisions of our Franchise Agreement shall remain in full force and effect. This letter agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page by facsimile, e-mail in portable document format (.pdf) or by any other electronic means intended to preserve the original pictorial appearance of a document will have the same effect as delivery of an executed original of this letter agreement. **Please understand that the effectiveness of this letter is conditioned on the full execution of the lease documents for the Approved Location.**

Sincerely,

Glosslab Franchising, LLC

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

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

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

AGREED AND ACKNOWLEDGED:

[FRANCHISEE]

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

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

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

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

\_\_\_\_\_

<sup>1</sup> Capitalized terms used in this letter agreement but not otherwise defined shall have the meaning set forth in the Franchise Agreement.

**Schedule 1 to Letter Agreement**

Protected Territory

**EXHIBIT 6 TO THE FRANCHISE AGREEMENT**

**COMMENCEMENT DATE AGREEMENT**

This Commencement Date Agreement is entered into by and between Glosslab Franchising, LLC, a Delaware limited liability company (“**Franchisor**”), and \_\_\_\_\_ (“**Franchisee**”), pursuant to the provisions of that certain GLOSSLAB Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, 20\_\_, by and between Franchisor and Franchisee. All capitalized terms used herein but not otherwise defined shall have the meaning assigned to such terms in the Franchise Agreement.

Franchisee and Franchisor agree as follows:

1. The Commencement Date of the Franchise Agreement is \_\_\_\_\_, 20\_\_.
2. The Expiration Date of the Franchise Agreement is \_\_\_\_\_, 20\_\_.
3. Under the Franchise Agreement, Franchisee agreed to execute, acknowledge and deliver to Franchisor an agreement setting forth, among other things, the Commencement Date.

Franchisee and Franchisor have each duly executed and delivered this Commencement Date Agreement.

**FRANCHISOR:**

Glosslab Franchising, LLC

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

**FRANCHISEE:**

[\_\_\_\_\_]

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



**EXHIBIT 7 TO THE FRANCHISE AGREEMENT**

**MULTI-STATE ADDENDA**

**NO WAIVER OF DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.

## **FOR THE STATE OF CALIFORNIA**

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000- 3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for Glosslab Franchising, LLC is amended as follows:

The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement that may supersede provisions in the Franchise Agreement, specifically Sections 4.2 and 16.2.

Section 16.2.1.12, which terminates the Franchise Agreement upon the bankruptcy of the Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Section 7.3 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.

In accordance with Cal. Corp. Code § 31126, and notwithstanding anything to the contrary set forth herein, Franchisor must notify prospective franchisees of the approval or disapproval of their transfer application within 60 days after receiving the information required from the franchisee. The franchisor's notice must be in writing and delivered to the prospective franchisee by email, courier, or certified mail. If the prospective franchisee's application is denied, the franchisor's notice must set forth the reasons for the disapproval.

The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

The Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.

Section 23.8 requires binding arbitration. The arbitration will occur at the forum indicated in Section 23.8 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult 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 the Franchise Agreement restricting venue to a forum outside of the State of California.

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

## **FOR THE STATE OF HAWAII**

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E et seq., the Franchise Agreement for Glosslab Franchising, LLC is amended as follows:

The Hawaii Franchise Investment Law provides rights to Franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Agreement, and more specifically Sections 4.2, 16.2 and 18, contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law shall control.

Sections 4.2.9, 18.2.3, 18.2.6 and 18.3.1.3 require Franchisee to sign a general release as a condition of renewal or transfer of the franchise and Sections 5.2, 5.5, 5.7 and 8.3 require Franchisee to sign a general release as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

Section 16.2.1.12, which terminates the Franchise Agreement upon the bankruptcy of the Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

## **FOR THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for Glosslab Franchising, LLC is amended as follows:

Sections 4.2.9, 5.2, 5.5, 5.7, 8.3, 18.2.3, 18.2.6 and 18.3.1.3 are amended to add:

No general release shall be required as a condition of renewal or transfer or as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise that is intended to require Franchisee to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.

Sections 16, 17 and 23 are amended to add:

The conditions under which the Franchise Agreement can be terminated and Franchisee's rights upon termination or non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

Sections 23.1 and 23.2 are amended to add:

The Franchise Agreement shall be governed by Illinois Law. Jurisdiction and venue for court litigations shall be in Illinois. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State is void; provided, that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.

Section 23.4 is amended to add:

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.

Any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**FOR THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Franchise Agreement for Glosslab Franchising, LLC is amended as follows:

Sections 4.2.9, 18.2.3, 18.2.6 and 18.3.1.3 require Franchisee to sign a general release as a condition of renewal or transfer of the franchise and Sections 5.2, 5.5, 5.7, 8.3 require Franchisee to sign a general release as a condition of receiving a refund of a portion of the Franchise Fee following termination of the franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.

Section 16.2.1.12, which terminates the Franchise Agreement upon the bankruptcy of the Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Section 23.1 requires that the franchise be governed by the laws of the State of Florida; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.

Sections 23.2 and 23.8 require litigation or arbitration to be conducted in the State of Florida; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.

Any Section of the Franchise Agreement or any questionnaire requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise are not intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 23.4 is amended to the extent that any claims arising under the Maryland Franchise Registration and Disclosure Law may be brought within three (3) years after the grant of the franchise.

Any portion of the Franchise Agreement which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**FOR MARYLAND FRANCHISEES ONLY (PLEASE SEE SECTION 22.14 OF THE FRANCHISE AGREEMENT):**

**ACKNOWLEDGED AND AGREED:**

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

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

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

FRANCHISEE:

\_\_\_\_\_  
(type/print name)

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

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

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

[or, if an individual]

Signed: \_\_\_\_\_

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

**FOR THE STATE OF MINNESOTA**

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Franchise Agreement agree as follows:

Sections 4 and 16 are amended to add that with respect to franchises governed by Minnesota Law, Franchisor shall comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires, (except in certain specified cases) (1) that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Sections 4.2.9, 5.2, 5.5, 5.7, 8.3, 18.2.3, 18.2.6 and 18.3.1.3 do not provide for a prospective general release of any claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Section 6 is amended to add that as required by Minnesota Franchise Act, Franchisor shall reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. Franchisor will reasonably protect Franchisee's rights to use the Marks.

Section 22.2 is amended to provide that Franchisor is entitled only to seek an injunction or other equitable relief. Section 22.2 is further amended to add that a court will determine if a bond is required.

Section 23.4 of the Franchise Agreement shall be amended to provide that no action may be commenced pursuant to the Franchise Agreement more than three (3) years after the cause of action accrues in accordance with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce (1) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**FOR MINNESOTA FRANCHISEES ONLY (PLEASE SEE SECTION 22.14 OF THE FRANCHISE AGREEMENT):**

**ACKNOWLEDGED AND AGREED:**

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

FRANCHISEE:

\_\_\_\_\_  
(type/print name)

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

[or, if an individual]

Signed: \_\_\_\_\_  
Name Printed: \_\_\_\_\_

## **FOR THE STATE OF NEW YORK**

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Franchise Agreement for Glosslab Franchising, LLC is amended as follows:

Sections 4.2.9, 5.2, 5.5, 5.7, 8.3, 18.2.3, 18.2.6 and 18.3.1.3 require Franchisee to sign a general release as a condition of renewal, transfer or receiving a refund of a portion of the Franchise Fee following termination of the franchise; such release shall exclude claims arising under the General Business Laws.

Under Section 18.1, Franchisor shall not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee is able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.

Section 23.1 requires that the franchise be governed by the laws of the state the Franchisor's principal business is then located, such a requirement will not be considered a waiver of any right conferred upon the Franchisee by Article 33 of the General Business Laws.

## **FOR THE STATE OF NORTH DAKOTA**

The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 et seq. Such provisions in the Agreement are hereby amended as follows:

Under Sections 4.2.9, 5.2, 5.5, 5.7, 8.3, 18.2.3, 18.2.6 and 18.3.1.3, the execution of a general release upon renewal, termination or transfer shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.

Section 7 is amended to add that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

Sections 17.1.5 and 17.1.6 are amended to state:

If Franchisor or Franchisee is required to enforce this Agreement through judicial proceedings, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees in connection with such proceeding.

Section 7.3 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

Section 23.1 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.

Section 23.2 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota.

Section 23.4 is amended to state that the statute of limitations under North Dakota Law shall apply.

Section 23.8 is amended to state that arbitration involving a franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator shall determine the location; and is amended to state that the statute of limitations under North Dakota Law shall apply.

## **FOR THE STATE OF RHODE ISLAND**

In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Franchise Agreement for Glosslab Franchising, LLC is amended as follows:

Sections 4.2.9, 5.2, 5.5, 5.7, 8.3, 18.2.3, 18.2.6 and 18.3.1.3 require Franchisee to sign a general release as a condition of renewal, transfer, or receipt of a refund of a portion of the Franchise Fee following termination of the franchise; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.

Sections 23.1, 23.2 and 23.8 are amended to state that restricting jurisdiction or venue to a forum outside the state of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

## **FOR THE COMMONWEALTH OF VIRGINIA**

Section 16.2.1.12 of the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.



## **FOR THE STATE OF WASHINGTON**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§ 19.100.010 – 19.100.940, the Franchise Agreement for Glosslab Franchising, LLC is amended as follows:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

**FOR WASHINGTON FRANCHISEES ONLY (PLEASE SEE SECTION 22.14 OF THE FRANCHISE AGREEMENT):**

**ACKNOWLEDGED AND AGREED:**

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

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

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

FRANCHISEE:

\_\_\_\_\_  
(type/print name)

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

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

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

[or, if an individual]

Signed: \_\_\_\_\_

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

**FOR THE STATE OF WISCONSIN**

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Franchise Agreement.

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**EXHIBIT D TO THE DISCLOSURE DOCUMENT**

**GLOSSLAB**

**AREA DEVELOPMENT AGREEMENT**

**DEVELOPER**

**DATE OF AGREEMENT**

**Development Territory**

**Number of Stores**

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# GLOSSLAB

## AREA DEVELOPMENT AGREEMENT

This GLOSSLAB Area Development Agreement (this “**Agreement**”) is entered into and effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”) by and between Glosslab Franchising, LLC, a Delaware limited liability company, having its principal place of business at 1821 Purdy Ave., Miami Beach, FL 33139 (“**Franchisor**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Developer**”).

### RECITALS:

A. Franchisor and its Affiliates, over a period of time and as a result of extensive research and the expenditure of substantial money, effort and time, have developed a business system of uniform standards, methods, procedures and specifications (as may be changed, withdrawn or otherwise further developed or revised by Franchisor, from time to time, for the operation of Glosslab Stores, the “**System**”) identified by the principal mark “GLOSSLAB®” and which relates to the establishment and operation of a retail business that provides high-end, hygiene-first, nail salon related hand and foot services, such as manicures, pedicures, and other related products and services, referred to in this Agreement as a “**Glosslab Store**”.

B. In addition to the Mark “GLOSSLAB®” and certain other Marks, the characteristics of the System include, among other things, manicures, pedicures, nail polishing services, and other application techniques and processes, uniform standards and procedures; proprietary technology, educational and training materials, procedures and strategies for marketing, advertising, brand loyalty and promotion; customer service and development techniques; interior and exterior design, signage, layout and décor; other strategies, techniques and Trade Secrets and other Confidential Information, including the Confidential Operations Manual.

C. Franchisor grants to qualified persons and business entities the right to develop Glosslab franchise locations using the System and the Marks within certain defined territories.

D. Developer desires to, and has applied for the right to, develop Glosslab Stores within the Development Territory (as defined in this Agreement), and Franchisor has approved Developer’s application in reliance upon all of the representations made in this Agreement and in such application.

E. Developer understands and acknowledges that the rights and duties along with the Development Rights granted in this Agreement are personal to Developer (and its owners), and Franchisor has entered into this Agreement in reliance on the representations given by Developer to secure the Development Rights, Developer’s and its owners, as applicable, personal and/or collective skills and Developer’s and its owners’ financial ability.

**NOW, THEREFORE**, Franchisor and Developer, intending to be legally bound, agree as follows:

### 1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with a Person (for purposes of this definition, “controls,” “is controlled by,” or “is under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or

otherwise).

**“Agreement”** means collectively this agreement entitled “GLOSSLAB Area Development Agreement,” and any supplementary attachments, amendments or confirmation incorporated in this Agreement by reference.

**“Approved Location”** means the site for the operation of a Franchised Store selected by Developer and approved in writing by Franchisor.

**“Approved Package and Membership Programs”** means certain marketing strategies developed by Franchisor and its Affiliates from time to time for offering and selling services.

**“Competitive Business”** means any business that, directly or indirectly, in the United States of America or any foreign country (i) offers manicures, pedicures, and nail polishing services or related services or products, (ii) manufactures, sells, licenses or otherwise distributes by way of retail or wholesale products which accompany or are related to hand and foot beauty services, including lotions, polishes, or creams, or (iii) that otherwise competes with Franchisor, its Affiliates or the Glosslab System (including through franchising) in general, as such businesses have been conducted, are proposed to be conducted or are being conducted, in each case, during the Term. “Competitive Business” excludes (a) any other business operated by Developer or its Affiliates under a Franchise Agreement, Area Development Agreement or an Area Representative Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Developer, its Affiliates and Developer’s equity owners collectively own less than a five percent (5%) legal or beneficial interest; provided, that neither Developer, its Affiliates nor any of Developer’s equity owners, directly or indirectly, individually or collectively with any other Person, possess the power to direct or cause the direction of the management and policies of such publicly-held entity.

**“Confidential Information”** means technical and non-technical information used in or related to Glosslab Stores or the System that is not commonly known by or available to the public, including Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisor shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Developer or its Affiliates, employees, agents, officers, directors, shareholders, managers, members or other representatives; (b) Developer can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information. For the avoidance of doubt, guest (customer) information shall be deemed Confidential Information.

**“Confidential Operations Manual”** means a set of one or more manuals or user guides made available by Franchisor to franchisees in writing, (including in electronic format), and which is currently provided on Franchisor’s internal secured intranet, and which includes modifications, updates, deletions and other revisions made over time, and which contains or describe the standards, methods, procedures and specifications of the System, including advertising and marketing promotions, including other operations, administration and managers’ manuals or user guides and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor.

**“Consumer Price Index”** means the Consumer Price Index, [U.S. City Average, all items], as published by the United States Department of Labor, Bureau of Labor Statistics, or any replacement thereof.

**“Discounted Initial Franchise Fee”** shall be \$25,000 and means the initial Franchise Fee for a

Franchised Store developed after the first Franchised Store under Franchisee's Area Development Agreement.

**"Effective Date"** is the date set forth in the preamble of this Agreement, which thereby commencing its effectiveness and Term.

**"Electronic Depository Transfer Account"** means an account established by Developer at a national banking institution reasonably acceptable to Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor or Franchisor's Affiliates.

**"Franchise"** means the rights granted to Developer by Franchisor under this Agreement to develop Franchised Stores within the Development Territory.

**"Franchised Store"** means a Glosslab Store to be developed by Developer pursuant to this Agreement and established and operated by Developer or a Developer Operating Entity under a Franchise Agreement.

**"Incapacity"** means the inability of Developer, or any holder of a controlling legal or beneficial interest in Developer, to operate or oversee the operation of the Developer's business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation; provided, that any dispute as to the existence of any "Incapacity" shall be resolved by a decision of a licensed medical physician unaffiliated with Franchisor or Developer but selected by Franchisor in good faith, the costs of such medical physician shall be split equally between Franchisor and Developer.

**"Internet"** means the global interactive communications network that now exists, as such network may be modified from time to time, including sites and domain names on the World Wide Web.

**"Marks"** means the mark "GLOSSLAB<sup>®</sup>" and any other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, copyrights, drawings, and commercial symbols Franchisor may designate to be used in connection with Glosslab Stores.

**"Person"** means a human being, a legal or business entity devised or constructed for the purpose of carrying out business activities under the name of such devised or constructed entity, which shall not be limited to sole proprietorships, corporations, partnerships, limited liability companies, or other entities; and in the case of entities, a Person shall include, any other entity with a majority or controlling interest in another entity, as well as the individual officers, directors, and other Persons controlling the activities of such entity.

**"Required Opening Date"** means the date by which Developer is required to have opened and commenced commercial operation of each Glosslab Store to be developed hereunder pursuant to Section 5.1 of this Agreement, the Development Schedule and the applicable Franchise Agreement.

**"Term"** means the period described in Section 4.1 of this Agreement during which the rights granted by this Agreement are in effect, commencing on the Effective Date of this Agreement and, unless terminated earlier pursuant to the Agreement, ending on the Expiration Date.

**"Trade Secrets"** means information in any form (including technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Glosslab Stores or the System that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its

disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Each of the following terms is defined in the Section set forth opposite such term:

<u>Term</u>	<u>Section</u>	<u>Term</u>	<u>Section</u>
Authorized Persons	15.7.2	Franchisor Indemnitees	13.3
Bankruptcy Code	10.9.1	Initiating Party	15.7.2
Controlled Entity	10.3	Multi-State Addenda	14.14
Developer	Preamble	Responding Party	15.7.2
Developer Designated Representative	2.4	System	Recitals
Development Fee	3.1	Transfer Processing Fee	10.4
Development Rights	2.1		
Development Schedule	2.1		
Development Territory	2.1		
Glosslab Store	Recitals		
Expiration Date	4.1		
Franchise Agreement	2.1		
Franchise Certificate	16.10(vi)		
Franchisor	Preamble		

Definitions for the other defined terms used in this Agreement are set forth in this Agreement. In this Agreement, unless a clear contrary intention appears: (a) the singular number includes the plural number and vice versa; (b) reference to any Person includes such Person’s heirs, successors and assigns but, if applicable, only if such heirs, successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity includes such Person in any other applicable capacity or individually; (c) reference to any gender includes each other gender; (d) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (e) reference to any law, means such law, as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law means that provision of such law, from time to time, in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (f) “hereunder,” “hereof,” “hereto,” “herein” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision of this Agreement; (g) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term; (h) “or” is used in the inclusive sense of “and/or”; (i) with respect to the determination of any period of time, “from” means “from and including” and “to” means “to but excluding”; (j) references to a governmental authority also refer to any regulatory body that succeeds the function of such authority; (k) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; (l) all references to “Dollars” or “\$” shall mean U.S. Dollars; and (m) references to any right under this Agreement which a party “may” exercise shall imply that such party shall in no way be deemed obligated to exercise such right.

## **2. GRANT OF DEVELOPMENT RIGHTS**

### **2.1 Grant of Development Rights.**

Franchisor hereby grants to Developer, and Developer undertakes and accepts, upon the terms and conditions contained in this Agreement, the development rights (the “**Development Rights**”) to establish and operate \_\_\_ ( ) Franchised Stores (minimum of 10) at specific locations to be designated in separate GLOSSLAB Franchise Agreements (each, a “**Franchise Agreement**”) executed as provided in Section 5.3 hereof. Each Franchised Store developed hereunder shall be located in the area described in Schedule 1 to this Agreement (the “**Development Territory**”). The development schedule (“**Development Schedule**”) setting forth mandatory dates for the Developer to acquire control of property, and open Franchised Stores, is set forth in Schedule 2 to this Agreement.

Each Franchised Store for which a Development Right is granted hereunder shall be established and operated pursuant to a Franchise Agreement to be entered into between Franchisor and Developer in accordance with Section 5.3 hereof. The location of each specific Franchised Store developed under this Agreement shall be subject to Franchisor’s prior written approval. During the Term, provided Developer is not in default of this Agreement and neither Developer nor any Developer Operating Entity is in default of any Franchise Agreement executed pursuant to this Agreement, Franchisor shall not license, franchise, establish, own or operate any Glosslab Stores within the Development Territory. This grant to the Development Territory is subject to Franchisor’s reservation of rights set forth in Section 2.2 below.

### **2.2 Franchisor’s Retained Rights.**

Except as expressly set forth in Section 2.1, Franchisor and its Affiliates retain all of their respective rights with respect to and all control of the System and Marks. Without limitation of the foregoing, Franchisor and its Affiliates retain the following rights:

2.2.1 to continue to own and operate, and allow others to continue to own and operate, Glosslab Stores existing inside of the Development Territory as of the date of this Agreement, as identified in Schedule 1;

2.2.2 to own, acquire, establish, license, franchise or operate, and license or franchise to any Person the right to establish, license, franchise or operate, Glosslab Stores or other businesses using the Marks, or other proprietary trademarks, tradenames, commercial symbols or other intellectual property, and the System, outside the Development Territory (which businesses may solicit customers inside the Development Territory, including through the Internet);

2.2.3 to own, acquire, establish, license, franchise or operate, and license or franchise to any Person the right to establish, license, franchise or operate, businesses using other proprietary trademarks, tradenames, commercial symbols or other intellectual property, at any location within or outside the Development Territory; provided, that if such businesses are to be located within the Development Territory, such businesses are not substantially similar to or related to the business carried out at Glosslab Stores;

2.2.4 to engage in promotional programs and joint marketing programs with partner companies, including promotions and sales through the Internet or any other forms of electronic media (including social technology, mobile applications, social media and social networking platforms), including the use of mobile promotional units (e.g., buses, vans) that may travel into the Development Territory;

2.2.5 to advertise the System on the Internet, and to create, operate and maintain and modify, or discontinue the use of one or more websites or mobile applications, including e-commerce

websites that may offer Glosslab Products, gift cards or Approved Package and Membership Programs;

2.2.6 to purchase or otherwise acquire the assets or an ownership interest of one (1) or more businesses identical or similar to Glosslab Stores (or acquire franchise, license or similar agreements for such businesses), some or all of which may be located anywhere, including within the Development Territory; provided, that if Franchisor purchases or acquires franchises, licenses or other businesses identical or substantially similar to Glosslab Stores, Franchisor or its Affiliates may, in their sole discretion, act as franchisor or licensor with respect to such franchisee(s) or licensee(s) wherever located, pursuant to the individual franchise or license agreement(s) then existing between Franchisor or its Affiliates on the one hand and such franchisee(s) or licensee(s) on the other; provided, further that if Franchisor purchases or acquires such identical or substantially similar business(es) within the Development Territory which are not franchised or licensed, and elects to sell such business(es) to a third party, Franchisor shall first offer to sell any such business(es) to Developer at the business(es)' fair market value, as determined in the reasonable discretion of Franchisor, and on other terms deemed acceptable to Franchisor, and Developer shall have thirty (30) days from the date of Franchisor's offer (which such offer shall state the business(es)' fair market value as the purchase price and the other material terms of the offer) to accept such offer by providing written notice to Franchisor, and if Developer fails or declines to exercise its right to so purchase such business(es) within such thirty (30) day period, Franchisor may sell such business(es) to a third party on terms not materially more favorable to such third party than those terms offered to Developer, it being understood that at all times prior to or after any such sale to Developer or a third party, subject to the terms of this Section 2.2.6, Franchisor or its Affiliates may operate such franchises, licenses or other businesses without liability to Developer;

2.2.7 to be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Development Territory;

2.2.8 to sell or distribute, at retail or wholesale, directly or indirectly, or license other Persons to sell or distribute, at retail or wholesale, any products whether or not authorized for use in Glosslab Stores, using the Marks or other trademarks, service marks and commercial symbols through any channel of distribution, including through the Internet, mobile applications and catalogue sales, or through permanent or temporary kiosks, displays, carts and stands, trade shows, or through mobile units and pursuant to terms Franchisor or Franchisor's Affiliates deem appropriate, within or outside the Development Territory, it being understood that Franchisor and Franchisor's Affiliates retain all rights with respect to distribution of products (including Glosslab Products) and Franchisor and its Affiliates shall not be required to provide any commissions or other payments or compensation on the sale of any products within or outside the Development Territory, including Glosslab Products and other bath and body and skin care products, gift certificates and gift cards, and prepaid services or packages; provided, that no GLOSSLAB private-labeled products shall be distributed to any Competitive Business within any shopping center or mall where any Franchised Store is located. For the avoidance of doubt, for purposes of this Section 2.2.8, the term "Competitive Business" shall not include any full-service salons or any other business which do not primarily engage in the business of providing manicures, pedicures, nail polishings, or other hand and foot services; and

2.2.9 to engage in any activities not expressly forbidden by this Agreement.

### **2.3 No Additional Rights; Restrictions on Developer.**

This Agreement is not a franchise agreement or sub-franchise agreement. This Agreement does not grant any right to use or license the use of the Marks or the System. Without limiting the generality of the foregoing, Developer acknowledges that Developer is not permitted to use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales of products or

services within or outside of the Development Territory. Developer further acknowledges that it may not maintain a website without Franchisor's prior written consent. Franchisor shall have the right to condition its approval on the terms that Franchisor determines are necessary, including requiring that Developer's domain name and home page belong to Franchisor and be licensed to Developer for use during the Term.

## **2.4 Developer Designated Representative.**

Upon the execution of this Agreement, Developer will designate and retain a natural person to serve as the designated representative of Developer (the "**Developer Designated Representative**"). As between Franchisor and Developer, the Developer Designated Representative shall have the full authority to act on behalf of Developer in all matters related to the performance of this Agreement. Franchisor may rely on any and all directions, elections, information and other communication from the Developer Designated Representative as being made on behalf of Developer, even if Developer receives information from any other owner or Person who claims to have an ownership interest in Developer, or any other Person whatsoever, which may be contrary to or different from the information provided by Developer Designated Representative. Franchisor has no duty or obligation to inquire into or resolve any conflicting information provided by the Developer Designated Representative and any other Person on behalf of Developer. If Developer is an individual, Developer shall perform all obligations of the Developer Designated Representative. The Developer Designated Representative shall, during the entire period he or she serves as such, meet the following qualifications:

2.4.1 unless otherwise consented to by Franchisor in writing, the Developer Designated Representative shall maintain a direct or indirect ownership interest in Developer equal to at least twenty-five percent (25%) of the ownership interests in Developer; and

2.4.2 the Developer Designated Representative shall devote his or her best efforts to the supervision and conduct of the Franchised Store.

If during the Term, (a) the Developer Designated Representative is not able to continue to serve in the capacity of Developer Designated Representative; (b) the Developer Designated Representative no longer qualifies to act as such in accordance with this Section 2.4; or (c) Developer desires to replace the Developer Designated Representative with another Person who is qualified to act as such in accordance with this Section 2.4, Developer shall promptly notify Franchisor and, within thirty (30) days after the Developer Designated Representative ceases to serve or be so qualified, provide evidence satisfactory to Franchisor that shows the owners of more than fifty percent (50%) of the ownership interests in Developer designated a duly qualified replacement Developer Designated Representative who is qualified to act as such in accordance with this Section 2.4. Any failure to comply with the requirements of this Section 2.4 shall be deemed a material breach of this Agreement.

## **3. FEES**

### **3.1 Development Fee**

Upon the execution of this Agreement, and in consideration of the Development Territory granted herein, Developer shall pay to Franchisor a fee of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) (the "**Development Fee**"), in immediately available funds, by wire transfer to an account designated by Franchisor. The Development Fee is calculated as one hundred percent (100%) of the initial Franchise Fee for the first Franchised Store (\$50,000), plus a deposit equal to \$12,500 for each additional Franchised Store to be developed hereunder (minimum of ten total Franchised Stores required). The Development Fee shall be deemed fully earned upon execution of this Agreement for administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted to Developer in this Agreement. Under no circumstances will all or any portion of the Development Fee be

refunded to Developer for any reason.

### **3.2 Application of Development Fee**

The initial Franchise Fee for the first Franchised Store has been paid in full in the Development Fee. For each additional Franchised Store developed hereunder, if Developer is in compliance with its obligations under this Agreement, Franchisor agrees to apply a pro rata portion of the remainder of the Development Fee toward the Discounted Initial Franchise Fee for each such Franchised Store. The balance of the Discounted Initial Franchise Fee for each of the additional Franchised Stores to be developed under this Agreement is payable to Franchisor in a lump sum upon the execution of the Franchise Agreement for each such Franchised Store. In no event shall Developer be entitled to a credit greater than the amount of the Development Fee.

### **3.3 Effect of Franchisor Assignment Upon Development Fee**

In the event of an assignment or transfer by Franchisor of its interest in this Agreement pursuant to Section 10.1 hereof, Franchisor shall transfer the balance of the Development Fee which it holds to the transferee and, upon such transfer and assumption of the obligation by the transferee to apply the Development Fee in accordance with Section 3.2, Franchisor shall be released from all liability relating to such deposit or rights arising because of such deposit. Developer shall have no right to assign or encumber in any way, its interest in the deposit held by Franchisor or its transferee.

### **3.4 Taxes**

Developer shall pay to Franchisor, and as applicable, Franchisor's Affiliates, an amount equal to all sales taxes, excise taxes, withholding taxes, use taxes and similar taxes imposed on the fees or other amounts payable by Developer to Franchisor or Franchisor's Affiliates under this Agreement and on services or goods furnished to Developer by Franchisor or Franchisor's Affiliates at the same time as Developer remits such fees to Franchisor or, as applicable, Franchisor's Affiliates, whether such services or goods are furnished by sale, lease or otherwise. In no event shall Developer be obligated to pay any net income or franchise taxes, capital stock, inheritance, estate or any other taxes imposed upon or measured by Franchisor's or its Affiliates' net income or profits.

### **3.5 Electronic Transfer of Fees Payable to Franchisor**

Developer shall pay all Development Fees, other amounts due for purchases by Developer from Franchisor, or by Developer from any of Franchisor's Affiliates, and other amounts due to Franchisor or Franchisor's Affiliates through an Electronic Depository Transfer Account. Developer shall open and notify Franchisor of the account details of an Electronic Depository Transfer Account within one hundred eighty (180) days after the Effective Date (but in no event later than the opening of the initial Franchised Store or in the event of a transfer permitted by Article 10, no later than the date of the transfer). Developer shall sign Franchisor's standard draft authorization to authorize and direct Developer's Electronic Depository Transfer Account to transfer such funds electronically directly to Franchisor's or its applicable Affiliates' account. Developer shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor and Franchisor's Affiliates. Developer must maintain a balance in this Electronic Depository Transfer Account sufficient to allow Franchisor and its Affiliates to collect the amounts owed when due. In the event the Electronic Depository Transfer Account should not have sufficient funds at the time of any applicable payment from such account, in addition to other fees set forth in this Agreement for failure to pay such amounts, for each occurrence of delinquent funds, Developer shall pay Franchisor's then current reasonable fee for delinquent funds. Developer is responsible for any other penalties, fines or other similar expenses associated with the transfer of funds described in this Section. Once established, Developer shall not close the Electronic Depository Transfer Account without Franchisor's prior written consent. In the event Developer desires to change its Electronic Depository Transfer Account, it shall provide Franchisor at least thirty (30) days prior written



notice by completing an updated draft authorization with the updated account information. Franchisor reserves the right to assess a reasonable fee upon each such change request.

Any alleged non-performance or breach of Franchisor's or Franchisor's Affiliates' obligations under this Agreement or any related agreements does not establish a right at law or in equity for Developer to withhold payment due to Franchisor for the Development Fees, amounts due for purchases by Developer from Franchisor, or by Developer from any of Franchisor's Affiliates, or any other amounts due to Franchisor or Franchisor's Affiliates. Developer hereby waives any and all existing and future claims and offsets against any such amounts due hereunder, which amounts must be paid when due. Franchisor and its Affiliates are entitled to apply or cause to be applied against amounts due to either of them, any amounts that may from time to time be held by Franchisor or its Affiliates on Developer's behalf or owed to Developer by Franchisor or its Affiliates.

### **3.6 Late Fees**

All Development Fees, amounts due for purchases by Developer from Franchisor or Franchisor's Affiliates and other amounts that are not received by Franchisor within five (5) days after the due date shall bear interest at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by law of the state where Developer is located, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Developer shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Development Fees or any other amounts due Franchisor or Franchisor's Affiliates, including reasonable legal and professional fees.

### **3.7 Administrative Charges**

Developer understands and acknowledges the importance of developing and opening the Franchised Stores in accordance with this Agreement and the Development Schedule. Developer acknowledges that in the event Developer fails to comply with any such requirement, Franchisor will likely incur administrative expenses in reviewing and assessing such non-compliance, issuing non-compliance notifications and performing other functions as a result of such non-compliance, which such amounts are not readily ascertainable, and which have not been elsewhere reserved for in this Agreement. Accordingly, in the event Developer fails to comply with the requirements for developing and opening Franchised Stores under this Agreement and the Development Schedule, Franchisor reserves the right to assess an administrative fee for each such documented failure in accordance with Franchisor's policies and procedures. In order to assess any such administrative fee, Franchisor will provide written notice of non-compliance (e-mail acceptable) to Developer, along with reasonably sufficient detail of such act(s) of non-compliance. Developer acknowledges that the administrative fees assessed pursuant to this Section are fair and reasonable and not a penalty, and shall not limit any other rights to remedies in law or in equity Franchisor may have pursuant to this Agreement or otherwise in connection with such acts of non-compliance, but such administrative fees shall be limited to \$1,000 per occurrence; provided, that such limitation may be increased up to an additional \$500 for each additional occurrence that occurs within a 12-month period to account for Franchisor's and its Affiliates' ongoing oversight and review of Developer's overall compliance with the Development Schedule and all Franchised Store development and opening requirements set forth in this Agreement. The limitations set forth in this Section 3.7 may be increased consistent with increases to the Consumer Price Index since the Effective Date. For the avoidance of doubt, in no event shall Franchisor or its Affiliates have any obligation to Developer or any other franchisee to enforce its rights under this Section against any franchisee.

### **3.8 Application of Payments by Franchisor**

Notwithstanding any designation by Developer, Franchisor has the right to apply any payments by Developer to any past due indebtedness of Developer and accrued interest thereon for Development Fees, purchases or any other amount owed to Franchisor or any Franchisor Affiliate.

#### 4. TERM AND RIGHT OF FIRST REFUSAL

##### 4.1 Term.

The term of this Agreement (the “**Term**”) shall commence on the Effective Date and, unless sooner terminated pursuant to this Agreement, shall expire upon the earlier of: (i) the opening of the last Glosslab Store to be developed hereunder; or (ii) the Required Opening Date for the last Glosslab Store to be developed hereunder as set forth in the Development Schedule (the “**Expiration Date**”). Upon the expiration of the Term, this Agreement and all rights, including development rights, granted hereunder will automatically terminate, and Developer shall have no right to renew or extend the Term.

**4.2 Additional Development following Expiration.** This Agreement and the development rights granted in it expire on the Expiration Date. If Developer wishes to renew exclusive development rights for the same Development Territory, Developer must advise Franchisor in writing within six months prior to the Expiration Date. Franchisor will then reassess the potential of the Development Territory for further development. If Franchisor in its sole and absolute discretion concludes that there is potential for additional Glosslab Store(s) to be developed and opened within the Development Territory over and above the Glosslab Stores to be developed under this Agreement, and additional Glosslab Store(s) developed or under development, if any, then Franchisor will offer Developer, if Developer qualifies, the first opportunity to enter into a new Area Development Agreement, on Franchisor’s then-current form, for the same Development Territory set forth in this Agreement.

4.2.1 In order to qualify to be offered the first opportunity to enter into a new Area Development Agreement for the same geographic area, Developer, and any entities and individuals operating Glosslab Store(s) developed by Developer, must: (1) be in compliance with all agreements with Franchisor and its Affiliates; (2) meet Franchisor’s then-current criteria to develop additional Glosslab Store(s); (3) meet Franchisor’s then-current organizational and financial requirements to develop additional Glosslab Store(s); and (4) have timely, and without extension, opened all Glosslab Store(s) required to be developed under this Agreement.

4.2.2 The terms, conditions and fees of each such agreement, if offered, may differ substantially from this Agreement and the agreements may contain higher fees and terms less favorable to Developer.

4.2.3 If Developer meets Franchisor’s qualifications and accepts such offer, Developer shall execute Franchisor’s then-current form of Area development agreement and related agreements for Glosslab Store(s) developed under the new area development agreement.

4.2.4 Developer shall further execute a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, any Affiliate, and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities); provided, however, that if a general release is prohibited, Developer shall give the maximum release allowed by law.

**4.3 After Expiration of Term.** At any time after the expiration or termination of the Term for any reason: (a) Franchisor shall have the right to own or operate, or license others to own or operate, Glosslab Stores within the Development Territory; provided, however, that in no event shall Franchisor cause such Glosslab Store(s) to be constructed or operated within the Protected Territory defined in any Franchise Agreement executed pursuant hereto; and (b) Developer shall have no further right under this Agreement to construct or operate Glosslab Stores, or enter into Franchise Agreements with respect thereto; provided, however, that the expiration or termination of Developer’s rights under this Agreement shall not

affect any Franchise Agreement entered into prior to the expiration of such rights.

## **5. DEVELOPMENT AND OPENING REQUIREMENTS**

### **5.1 Development Obligations**

Developer agrees that it shall strictly comply with the Development Schedule, including opening each Glosslab Store by the applicable “Required Opening Date.” It is specifically agreed that **TIME IS OF THE ESSENCE** in performing these obligations. Developer acknowledges that this Agreement may require Developer to pursue and develop multiple projects at the same time, and that time is of the essence with respect to Developer’s developing and opening of Glosslab Stores.

5.1.1 Notwithstanding any provision in this Agreement to the contrary, Developer understands and agrees that, as a condition to the granting of a franchise to operate any Glosslab Store that Developer is required to develop under this Agreement, Developer must apply for, meet and maintain Franchisor’s then-current operational, financial, credit, legal and other criteria for developing and operating a new Glosslab Store.

5.1.2 Prior to securing a site Developer is required to open under this Agreement, Developer shall furnish to Franchisor all financial data Franchisor requests to establish to Franchisor’s satisfaction that Developer has the financial ability to develop, open and operate each such Glosslab Store, including balance sheets, profit and loss statements, and statements of cash flow for the periods designated by Franchisor.

5.1.3 If Developer or any Developer Operating Entity is in default under the terms of any then-existing Franchise Agreement, Franchisor shall have no obligation to approve the development and opening of any subsequent Glosslab Store(s) pursuant to this Agreement until Developer and each such Developer Operating Entity is in full compliance under its existing Franchise Agreement(s).

### **5.2 Site Approval.**

5.2.1 Developer shall submit each proposed location for each Glosslab Store to be developed hereunder in writing in advance to Franchisor for approval of the location, in accordance with Franchisor’s then-current policies and procedures for site selection. Franchisor shall evaluate the site and notify Developer of its approval or disapproval of the site within a reasonable time (usually thirty [30] days) of receiving notice of the site from Developer. If Franchisor approves of such selection, the site will be designated as the Approved Location for that Glosslab Store for purposes of the Franchise Agreement. If Franchisor does not approve of such selection, Developer shall continue to select a new site until Franchisor approves of such selection.

5.2.2 Franchisor or its designees shall provide Developer with general guidelines, standards and policies to assist Developer in selecting sites suitable for Approved Locations. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition of the premises, demographics and population density of the surrounding area, proximity to other Glosslab Stores, proximity to competitive businesses, lease requirements, visibility, ease of access, available parking and overall suitability. Developer shall not locate a Franchised Store on a selected site without the prior written approval of Franchisor. In no event shall Franchisor or any of its employees, agents, or representatives have any liability to Developer for rejecting a proposed location. All costs associated with Developer’s site selection process, including applicable brokers’ fees, shall be borne exclusively by Developer.

5.2.3 Developer should not, without Franchisor's prior written consent, enter into any contract to purchase or lease the premises Developer intends to use as a Franchised Store, as by doing so, Developer may incur costs or commitments on a lease or purchase agreement for premises which Franchisor will not allow to be developed as the Franchised Store.

5.2.4 Franchisor does not represent that it, any Affiliate or any of its owners or employees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that a Franchised Store will be profitable or successful at an Approved Location. Developer is solely responsible for finding and selecting acceptable sites for the Franchised Stores. Developer acknowledges that Franchisor's lease negotiations, if any, and approval of locations are for Franchisor's sole benefit and are not intended to imply or guarantee the success or profitability of any Franchised Store, and Developer agrees that it is not relying on Franchisor's lease negotiations or site approval for such purposes. Developer agrees that Franchisor does not guarantee that the terms, including rent, will represent the most favorable terms available in that market. **Developer acknowledges that it has been advised to obtain the advice of its own professional advisors before Developer signs a lease or purchase agreement. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Developer acknowledges and agrees that Developer shall solely rely on its review and that of its advisors of any such lease or purchase agreement.**

### **5.3 Franchise Agreement and Ancillary Agreements**

For each approved Glosslab Store location, Developer shall sign Franchisor's then-current form of Franchise Agreement and such other standard, customary agreements, including guarantee agreements as required under the Franchise Agreement (the "Franchise Documents"). Developer acknowledges and agrees that the then-current forms of Franchise Documents may contain different terms as compared to the current form of Franchise Agreement, provided, however, so long as Developer is not in default under this Agreement, the initial franchise fee and royalty fee shall be as set forth in the Franchise Disclosure Document delivered to Developer in connection with this Agreement. Developer shall sign and deliver to Franchisor the Franchise Agreement and ancillary agreements, and pay to Franchisor the balance of the of the Discounted Initial Franchise Fee in a lump sum, for each Franchised Store to be developed under this Agreement.

### **5.4 Legal Entities**

Developer shall have the right to form corporations, limited liability companies, or partnerships (each a "**Developer Operating Entity**") to enter into the Franchise Documents with respect to operating each Glosslab Store opened under this Agreement, provided that Developer is the sole owner of any Developer Operating Entity or, if Developer is an entity, the ownership structure of any Developer Operating Entity is identical to the ownership structure of Developer.

### **5.5 Continuous Operation**

Developer shall at all times continuously maintain in operation, pursuant to each Franchise Agreement, at least the number of Glosslab Stores required to be operational at such time as set forth in the Development Schedule.

## **5.6 Franchisor May Modify the System**

Developer acknowledges and agrees that Franchisor has the right, in its sole reasonable discretion, to change or modify the System from time to time, including the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies or sales and marketing techniques, as well as décor and other specifications in connection with the look and feel of the Franchised Stores. The Marks and the System as referred to herein shall refer to the System and the Marks as changed or modified by Franchisor from time to time as provided in this Section 5.6 and under the Franchise Agreements. Developer shall accept and use any such changes in, or additions to, the System, and make such expenditures as such changes, additions or modifications in the System may reasonably require, in accordance with the Franchise Agreements.

## **5.7 Franchisor May Vary Standards, Materials or Specifications for any Franchisee**

Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor has the right to vary standards, materials or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of any particular Glosslab Store. Franchisor shall not be required to disclose or grant to Developer or any Developer Operating Entity a like or similar variance under this Agreement or any Franchise Agreement. Developer will have no recourse against Franchisor because of any variation from standard specifications and practices granted to any other franchisee and will not be entitled to require Franchisor to grant Developer or any Developer Operating Entity a like or similar variation.

## **6. FRANCHISOR'S MARKS**

This Agreement does not grant Developer any right to use the Marks in any manner or in connection with the development or operation of any Glosslab Store. The right to use the Marks in connection with the development, operation, advertising or promotion of a Glosslab Store may only be granted by the terms of a Franchise Agreement.

Developer shall not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms designs, or symbols, or in any modifying words, terms designs or symbols, or in any modified form, nor may Developer use any Mark in connection with any business or activity other than the business conducted by Developer pursuant to a Franchise Agreement or in any other manner not explicitly authorized in writing by Franchisor.

## **7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION**

### **7.1 Requirement of Confidentiality.**

7.1.1 Developer acknowledges that Franchisor will disclose or otherwise make available Trade Secrets and other Confidential Information to Developer during the Term, including under the Franchise Agreements and as a result of guidance furnished to Developer during the Term. Developer shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to utilize it in performing its duties under this Agreement during the Term.

7.1.2 Developer acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of

competition. Developer acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Developer solely on the condition that Developer (and all holders of a legal or beneficial interest in Developer and all officers, directors, executives, managers and members of the professional staff of Developer): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the Term and shall not, without first having obtained Franchisor's prior written consent to such disclosure, disclose the Confidential Information to any third parties, except to Developer's officers, directors, executives, managers, employees, agents and representatives who are on a strict need-to-know basis with respect to such Confidential Information in connection with the performance of Developer's duties under this Agreement, and who are bound by duties of confidentiality no less stringent than those set forth in this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed, from time to time, by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information.

7.1.3 Notwithstanding any term or condition in this Agreement to the contrary, Developer may disclose Confidential Information under certain limited circumstances as follows: (i) as may be required by law or court process; provided, that Developer provides Franchisor reasonable prior notice to allow Franchisor sufficient time to obtain a protective order to prevent disclosure of such Confidential Information, or take other appropriate action; (ii) in confidence to a federal, state, or local government official, either directly or indirectly, or to Developer's legal counsel solely for the limited purpose of reporting or investigating a suspected violation of law; (iii) in confidence as part of a complaint or other legal document filed in a lawsuit or other proceeding; provided, that such filing is made under protective seal; and (iv) if Developer files a lawsuit for retaliation by Franchisor for reporting a suspected violation of law, Developer may disclose, in confidence, relevant Trade Secret information to Developer's legal counsel representing Developer in such lawsuit, and use such Trade Secret information in the court proceedings; provided, that (x) Developer either directly or through its legal counsel, files any document containing any such Trade Secret under protective seal; and (y) Developer does not disclose the Trade Secret information, except pursuant to court order or with Franchisor's prior written consent, which such consent may be withheld in Franchisor's sole discretion. This Agreement is not intended in any way to restrict or impede Developer from exercising protected rights to the extent such rights cannot be waived by this Agreement. Franchisor reserves the right to pursue all remedies available under federal, state, or local law for any disclosure of Confidential Information (including Trade Secret information) by Developer which does not comply with this Section 7.

7.1.4 Developer shall enforce this Section as to its officers, directors, executives, managers, employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.1.5 This Section shall survive the expiration or termination of this Agreement indefinitely.

## **7.2 No Competition with Franchisor.**

Developer acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Glosslab developers and franchisees if owners of developers and Glosslab Stores and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the Term, and for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of expiration or termination, neither Developer nor any holder of a legal or beneficial interest in Developer, nor any officer, director, executive, manager or member of the professional staff of Developer, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited

liability company or other business entity, shall:

7.2.1 Divert or attempt to divert any business or customer of any Franchised Store developed under this Agreement to any Competitive Business, by direct or indirect inducement or otherwise;

7.2.2 Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;

7.2.3 Carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere in the United States; or

7.2.4 Solicit or otherwise attempt to induce or influence any employee, customer or other business associate of Developer, Franchisor or any other Glosslab developer or franchisee to compete against, or terminate or modify his, her or its employment or business relationship with, Developer, Franchisor or any other Glosslab developer or franchisee; provided, however, that the foregoing shall not restrict Developer or any holder of a legal or beneficial interest in Developer, nor any officer, director, executive, manager or member of the professional staff of Developer from hiring any employee or other business associate of Franchisor or any other Glosslab developer or franchisee that responds to general public solicitations made in the ordinary course of business.

Following the expiration or termination of this Agreement, the geographic scope of the restriction set forth in this Section 7.2 shall be limited to the Development Territory and within fifty (50) miles of any other company- owned location, or Franchised Store existing at the time of such expiration or termination.

In addition, Developer agrees and covenants that Developer will not, at any time, either directly or indirectly, and shall cause Developer's affiliates, officers, directors, executives, managers, members of the professional staff of Developer and other employees, agents and representatives not to, make, publish or communicate to any person or entity or in any public forum (including through social media) any defamatory or disparaging remarks, comments or statements concerning Franchisor, its Affiliates, any Glosslab developers or franchisees and/or any of their respective employees, agents and representatives, or the System or its Marks.

**7.3 Designated Individuals Shall Enter Into Nondisclosure and Non-Competition Agreements.**

In addition to the restrictive covenants set forth in Section 7.2 above, Franchisor has the right to require that Developer obtain from any holder of a legal or beneficial interest in Developer, and any officer, director, executive, manager or member of the professional staff of Developer, an executed nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Developer or at any time thereafter. In addition, Franchisor has the right to require that Developer obtain from any other personnel an executed confidentiality; non-interference and proprietary rights or similar agreement(s) protecting Franchisor's Confidential Information, Trade Secrets and goodwill, in a form prepared by and acceptable to Franchisor, upon execution of this Agreement or prior to each such person's affiliation with Developer or at any time thereafter. Developer shall provide Franchisor with copies of all nondisclosure, non-competition and similar agreements signed pursuant to this Section. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

Without limiting Developer's obligations and restrictions under Section 10 and Section 11 of this Agreement, Developer shall promptly notify Franchisor of all holders of a legal or beneficial interest in Developer and any officer, director, executive or manager of Developer and any additions or deletions to

any of the foregoing.

#### **7.4 Developer Acknowledges Reasonableness of Restrictions.**

Developer acknowledges that the restrictive covenants contained in this Section 7 are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Developer acknowledges that each of the terms set forth in this Agreement, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, Trade Secrets and other Confidential Information, the System and the Marks and Developer waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Developer shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of Franchisor and Developer that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought. Franchisor may, at its discretion and at any time, reduce the scope, restricted activities and/or duration of any of the restrictive covenants effective immediately upon notice to Developer.

#### **7.5 Relief for Breaches of Confidentiality, Non-Solicitation, Non-Disparagement and Non- Competition.**

Developer acknowledges that an actual or threatened violation of the covenants contained in Section 7 of this Agreement will cause Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisor shall be entitled, as a matter of right, to seek an injunction from any court of competent jurisdiction restraining any further violation by Developer of Section 7 of this Agreement without any requirement to show any actual damage, irreparable harm or establish a balance of convenience, or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisor may have at law or in equity.

### **8. DEFAULT AND TERMINATION**

#### **8.1 Termination of Term by Developer.**

Subject to applicable law where the Developer or applicable Franchised Store is located, without Franchisor's written consent, Developer may not terminate this Agreement prior to the expiration of the Term, except through legal process resulting from Franchisor's breach of this Agreement which breach results in a material adverse effect on Developer. If (i) Developer is not currently in material breach of this Agreement or any other agreement between Franchisor and Developer and (ii) Franchisor materially breaches this Agreement and fails to cure such breach within forty-five (45) days (or such other reasonable time if additional time is required to cure such breach with reasonable diligence) after written notice of such breach, specifically enumerating all alleged deficiencies, is delivered to Franchisor by Developer, Developer may terminate this Agreement. Such termination shall be effective thirty (30) days after delivery to Franchisor of notice that such material breach has not been cured and Developer elects to terminate this Agreement.

#### **8.2 Termination of Term by Franchisor.**

8.2.1 Subject to applicable law, Franchisor will have good cause and the right to terminate this Agreement, effective immediately upon notice and without providing any opportunity to cure



by Developer, if Developer, or Developer's equity holders, officers, directors, managers, employees, agents or other representatives, as applicable:

8.2.1.1 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement, which may be learned by Franchisor at any time, even after commencement of operations at any Franchised Store;

8.2.1.2 fails to meet or satisfy any timing requirement or deadline contained in the Development Schedule;

8.2.1.3 is convicted of or pleads no contest to a felony or other crime or offense that Franchisor determines is likely to adversely affect the reputation of Franchisor, Developer, the Marks or the Franchised Stores;

8.2.1.4 after notices to cure and five (5) days to cure, fails to refrain from activities, behavior or conduct likely to materially, adversely affect the reputation of Franchisor, Developer, the Marks or the Franchised Stores;

8.2.1.5 discloses, duplicates or otherwise uses in an unauthorized manner the Trade Secrets or any other Confidential Information;

8.2.1.6 breaches Section 7.2 or any owner or other applicable person breaches the terms of their Nondisclosure and Non-Competition Agreement or Nondisclosure and Non-Solicitation Agreement executed pursuant to the terms of this Agreement;

8.2.1.7 makes or attempts to make an unauthorized direct or indirect assignment of this Agreement, the Franchise or an ownership interest in Developer, or fails or refuses to assign the Franchise or the interest in Developer of a deceased or Incapacitated owner thereof as herein required;

8.2.1.8 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for sixty (60) days or longer (unless a supersedeas bond is filed); or if execution is levied against Developer's business or property;

8.2.1.9 misuses or makes an unauthorized use of any of the Marks or commits any other act that can reasonably be expected to impair the goodwill associated with any of the Marks;

8.2.1.10 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

8.2.1.11 within any period of twelve (12) consecutive months, repeatedly, materially breaches this Agreement, whether or not previous breaches or failures are cured. For purposes of this Section, "repeatedly" means three (3) or more instances of breach, whether relating to the same or different breaches or failures;

8.2.1.12 breaches any other agreement between Franchisor (or any Affiliate) and Developer, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement terminates;

8.2.1.13 submits to Franchisor a materially false statement confirming Developer's compliance with this Agreement during the Term;

8.2.1.14 in accordance with Section 16.8 of this Agreement, should Developer or any of its officers, members, managers, directors, equity holders or controlling owners, during the Term, be designated as a Specially Designated National or Blocked Person; or

8.2.1.15 engages in any activity exclusively reserved to Franchisor.

8.2.2 Except as otherwise provided in Section 8.2.1, Franchisor has the right (but not the obligation) to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Developer may avoid termination by curing such default or breach within the specified period:

8.2.2.1 within five (5) days of receiving notice of Developer's failure to pay any amounts due to Franchisor or any Franchisor Affiliate;

8.2.2.2 if required by Franchisor, within five (5) days of any such request, fails to have any Person required under Section 7.3 execute a nondisclosure and non-competition agreement, in a form the same as or similar in substance to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, subject to Franchisor's rights to, in its discretion, limit the geographic scope or length of the restrictive covenants, or have Developer obtain from any other personnel described in Section 7.3 an executed confidentiality; non-interference and proprietary rights or similar agreement(s) protecting Franchisor's Confidential Information, Trade Secrets and goodwill, in a form prepared by and acceptable to Franchisor; or fails to provide Franchisor with copies of all such agreements signed pursuant to Section 7.3 if requested by Franchisor; or

8.2.2.3 within thirty (30) days of receiving notice of any other default by Developer or upon Developer's failure to comply with any term or condition of this Agreement if not cured by Developer within that time.

### **8.3 Reinstatement and Extension.**

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the Term for the purpose of complying with applicable law by submitting a written notice to Developer without waiving any of Franchisor's rights under this Agreement.

### **8.4 Additional Rights and Remedies.**

If any default by Developer remains uncured beyond the expiration of all applicable notice and cure periods, or in the event of a default hereunder without any cure period, Franchisor may, at its option, elect any one or more of the following remedies:

8.4.1 Franchisor may modify, reduce and/or accelerate the Development Schedule;

8.4.2 Franchisor may terminate, modify and/or reduce the Development Territory; or

8.4.3 Franchisor may elect any other right or remedy available to Franchisor under this Agreement, at law or in equity.

## **9. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

### **9.1 Loss of Development Rights; Actions to be Taken by Developer Upon Termination.**

Upon termination or expiration of this Agreement, this Agreement and all rights granted under this Agreement to Developer shall automatically terminate and:

9.1.1 Developer shall have no additional rights to establish or operate any Glosslab Store for which a Franchise Agreement has not been executed by Franchisor and Developer or a Developer Operating Entity, and Developer shall immediately cease any further attempts to select or develop sites on which to construct the Glosslab Stores;

9.1.2 Developer shall immediately cease to use the Trade Secrets and other Confidential Information, the System and the Marks including all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items that display or are associated with the Marks or similar to the Marks;

9.1.3 Developer shall take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "GLOSSLAB<sup>®</sup>" or any other Marks, and Developer shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

9.1.4 Developer shall pay all sums owing to Franchisor and any Affiliate within five (5) days after the effective date of termination or expiration of this Agreement, or any later date that the unpaid amounts due to Franchisor or its Affiliates are determined. In addition, in the event of termination of this Agreement for any default of Developer, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Development Fees, amounts owed for the purchase of products, and any other amounts due to Franchisor or any Affiliates;

9.1.5 Developer shall pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

9.1.6 Developer shall immediately (and in no event later than two (2) days after expiration or termination of this Agreement), return to Franchisor or destroy (as certified by Franchisee), at Franchisor's direction, the Confidential Operations Manual (and any printed versions of any electronic copy of the Confidential Operations Manual), Trade Secrets and all other Confidential Information including passwords, access codes, user names to access the Confidential Operations Manual or other System information electronically, all other manuals, training materials, relevant data bases, guest lists, records, files, instructions, brochures, agreements, disclosure statements and any and all other forms or materials provided by Franchisor to Developer or used by Developer relating to the development, opening and operation of the Franchised Stores (all of which are acknowledged by Developer to be Franchisor's property);;

9.1.7 Developer shall comply with all other applicable provisions of this Agreement which expressly or by their nature survive the expiration or termination of this Agreement which provisions shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or they by their nature expire.

## **9.2 No Cross Default.**

No default under this Agreement shall constitute a default under any Franchise Agreement between the parties, except to the extent that any default under this Agreement constitutes a default under any Franchise Agreement in accordance with the terms of the Franchise Agreement. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by the Developer or the Developer Operating Entity thereunder and shall control in determining whether any default exists under such Franchise Agreement.

## **9.3 Survival of Certain Provisions of this Agreement Following Termination or Expiration of this Agreement.**

All obligations of Franchisor and Developer that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

## **10. TRANSFERABILITY OF INTERESTS IN THIS AGREEMENT**

### **10.1 Transfer by Franchisor.**

This Agreement and all rights and duties under this Agreement are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor under this Agreement and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement subject to applicable state law. Specifically and without limitation to the foregoing, Developer expressly agrees and acknowledges that Franchisor may sell its assets, Marks or the System outright to a third party; may make a public offering of Franchisor as securities; may engage in a private placement of some of all of its securities; may merge with or acquire other corporations or entities, or be acquired by another corporation or entity; may undertake a refinancing, recapitalization, leveraged buyout or other economic restructuring; and with regard to any or all active sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of any Marks (or any variation thereof) and/or the loss of association with or identification of Glosslab Franchising, LLC as Franchisor.

Nothing contained in this Agreement will require Franchisor or its Affiliates to continue to offer franchises, whether in the event that Franchisor exercises its rights to assign or otherwise transfer its rights in this Agreement or otherwise.

### **10.2 Transfer by Developer.**

The rights and duties along with the Development Rights granted in this Agreement are personal to Developer (or any of its owners), and Franchisor has entered into this Agreement in reliance on the representations given by Developer to secure the Development Rights, Developer's and its owners, as applicable, personal and/or collective skills and Developer's financial ability. Accordingly, neither Developer nor any holder of a legal or beneficial interest in Developer may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Development Rights granted by this Agreement, or any part or all of the ownership interest in Developer, or fractionalize any rights of Developer, without the prior written approval of Franchisor, which prior written approval shall not be unreasonably withheld. For the avoidance of doubt, it

is expressly understood that any transfers in any holding company or other business or legal entity, including any approved trust that holds an interest in Developer shall be deemed a transfer for purposes of this Agreement. Any purported transfer not approved by Franchisor or otherwise expressly allowed under the terms of this Agreement, shall be null and void and shall constitute a material breach of this Agreement. The restrictions on transferability described in this Section 10.2 and Section 10.3 shall also apply to any purported involuntary transfers by operation of law, death or incapacity, divorce or separation proceedings or transfers through a shell. If Developer is in compliance with this Agreement and the transfer is consistent with the terms of this Agreement, Franchisor's consent to any transfer shall be conditioned upon satisfying the following requirements, which Developer expressly acknowledges are reasonable conditions imposed by Franchisor in evaluating a proposed transfer:

10.2.1 Developer has complied with the requirements set forth in Section 11, if applicable;

10.2.2 all obligations owed to Franchisor hereunder are fully paid and satisfied;

10.2.3 Developer (and any transferring owners, if Developer is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities) including claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the transfer of Developer's interest in this Agreement or to the transfer of Developer's ownership of all or any part of the Development Rights; provided, however, that if a general release is prohibited, Developer or its owners' shall give the maximum release allowed by law;

10.2.4 the transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards for developers and franchisees, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to develop and conduct Franchised Stores;

10.2.5 the transferee, if Franchisor requires, executed either the then-current area development agreement for new developers as offered to new developers, which may be substantially different from this Agreement and its Exhibits, including different Development Fees and other material provisions, or, in the alternative, has executed, along with Developer, an assignment and assumption agreement in a form acceptable to Franchisor in which the transferee has agreed to assume all obligations, debts and liabilities under this Agreement. If a new area development agreement is executed, Franchisor has the right to limit its term to the remaining Term;

10.2.6 the transferee and its principals have executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities), with respect to any representations regarding the Development Rights or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Developer; provided, however, that if a general release is prohibited, the transferee and its principals shall give the maximum release allowed by law;

10.2.7 Developer has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Developer and the prospective transferee relating to the intended sale or transfer of the Development Rights;

10.2.8 Developer, or the transferee, has paid to Franchisor a transfer fee in the amount of fifty percent (50%) of the then-current initial franchise fee that would otherwise be payable by the transferee if purchasing a new franchise at such time for each Franchised Store remaining to be developed under the Area Development Agreement, net of any pre-paid initial franchise fees for such Franchised

Stores included in the development fee, less any Transfer Processing Fee previously paid to Franchisor in connection with the applicable transfer;

10.2.9 if the transferee is an entity, such entity will be duly organized, in good standing in its state of formation, and validly existing for the purpose of owning, developing and operating Franchised Stores and duly authorized to conduct such business;

10.2.10 if the transferee is an entity, it has caused its organizational governing documents (e.g., bylaws, operating agreement, trust agreement or the like) and each of its stock certificates or other ownership interest certificates to conspicuously indicate in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement, and if the transferee has not done so previously, at Franchisor's request, the transferee and/or Developer will deliver copies to Franchisor of all resolutions of Developer's and transferee's board of directors or similar governing body authorizing entry into all documents required to consummate the sale, purchase, assignment and assumption along with copies of all of the foregoing organizational documents, and any amendment to any such documents;

10.2.11 if the transferee is an entity, all holders of a legal or beneficial interest in the transferee of five percent (5%) or greater shall have executed a personal guaranty in a form the same as or similar to the standard form Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, and each such person's spouse shall have executed a joinder to such Unlimited Guaranty and Assumption of Obligations attached to such guaranty;

10.2.12 Developer or the transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

10.2.13 if the transferee is an entity, all of the holders of a legal and beneficial interest in the transferee have executed, along with the transferee, and delivered to Franchisor a nondisclosure and non-competition agreement in a form the same as or similar in substance to the standard form Nondisclosure and Non-Competition Agreement attached as Exhibit 2;

10.2.14 the transferee has executed a Franchise Certificate in a form the same as or similar to the standard form Franchise Certificate attached as Exhibit 4; and

10.2.15 if the transferee is an entity, it shall identify a Developer Designated Representative as required for new developers under this Agreement.

Franchisor's consent to a transfer of any interest in this Agreement shall not constitute a waiver of any claims Franchisor may have against Developer or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

### **10.3 Restrictions on Transfer by Developer to a Controlled Entity.**

10.3.1 If Developer wishes to transfer this Agreement or any interest in this Agreement to a corporation, limited liability company or other legal entity that is entirely owned by Developer or its current owners ("**Controlled Entity**"), which Controlled Entity was formed for the financial planning, tax or other convenience of Developer, or if Developer is an entity and its owners desire to transfer any existing equity to other current owners of Developer, Franchisor's consent to any such transfer shall be conditioned upon the satisfaction of the following requirements, as applicable, in this Section 10.3, as opposed to any requirement in Section 10.2 to the contrary, subject to applicable state law:

10.3.1.1 the Controlled Entity is newly organized and in good standing in its state of formation, and its charter provides that its activities are confined exclusively to the development and operation of Franchised Stores;

10.3.1.2 Developer or at least a majority of the current holders of a legal or beneficial interest in Developer own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

10.3.1.3 Developer (and any transferring owners, if Developer is an entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (whether acting in an agency capacity or in their individual capacities) including claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the transfer of Developer's interest in this Agreement or to the transfer of Developer's or its owners' ownership of all or any part of the Development Rights; provided, however, that if a general release is prohibited, Developer (and any transferring owners, if Developer is an entity) shall give the maximum release allowed by law;

10.3.1.4 all obligations of Developer to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Developer nor any such Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 10.2.8, except that Franchisor may require a reasonable administrative fee to be paid by Developer to cover legal, professional and other administrative expenses to be incurred by Franchisor in connection with such transfer (not expected to exceed \$2,500.00), but in assessing any such amount, Franchisor shall credit Developer with an amount equal to any Transfer Processing Fee previously paid to Franchisor in connection with the applicable requested transfer;

10.3.1.5 the Controlled Entity, along with Developer, has executed an assignment and assumption agreement in a form acceptable to Franchisor in which the Controlled Entity has agreed to assume all obligations, debts and liabilities under this Agreement, or, if Franchisor requires, the Controlled Entity has executed the then-current area development agreement for new developers as offered to new developers; provided, that if a new area development agreement is executed, Franchisor has the right to limit its term to the remaining Term;

10.3.1.6 Developer has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Developer and the Controlled Entity relating to the intended transfer of the Development Rights;

10.3.1.7 Developer and/or the Controlled Entity has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

10.3.1.8 all holders of a legal or beneficial interest in the Controlled Entity of five percent (5%) or greater shall have executed a personal guaranty in a form the same as or similar to the standard form Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, and each such person's spouse shall have executed a joinder to such Unlimited Guaranty and Assumption of Obligations attached to such guaranty;

10.3.1.9 all of the holders of a legal and beneficial interest in Controlled Entity have executed, along with the Controlled Entity, and delivered to Franchisor a nondisclosure and non-competition agreement in a form the same as or similar in substance to the standard form Nondisclosure and Non-Competition Agreement attached as Exhibit 2;

10.3.1.10 the Controlled Entity has executed a Franchise Certificate a form

the same as or similar to the standard form Franchise Certificate attached as Exhibit 4;

10.3.1.11 the Controlled Entity shall identify a Developer Designated Representative as required for new developers under this Agreement;

10.3.1.12 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

10.3.1.13 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors or similar governing body authorizing entry into all documents required to consummate the sale, purchase, assignment and assumption, have been promptly furnished to Franchisor, and any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

10.3.2 Franchisor's consent to a transfer of any interest in this Agreement shall not constitute a waiver of any claims Franchisor may have against Developer or the Controlled Entity, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

#### **10.4 Transfer Requests.**

Franchisor shall be under no obligation to consider a request for Franchisor's consent to a transfer until Developer shall have submitted in writing to Franchisor a request for Franchisor's consent to such transfer, together with each of the applicable documents and materials required under Section 10.2 or Section 10.3, as applicable, along with financial statements of the proposed transferee, a history of the proposed transferee's business experience and such other information as required by Franchisor to verify that the criteria for assignment as set forth in Section 10.2 or Section 10.3, as the case may be, are met, and Developer shall have paid to Franchisor One Thousand Dollars (\$1,000.00) (the "**Transfer Processing Fee**") to reimburse Franchisor for its time and expense in considering such request. Franchisor will respond within thirty (30) days of Franchisor's receipt of any transfer request from Developer that includes the Transfer Processing Fee and any additional information requested by Franchisor in connection with such transfer. Within such thirty (30) days of Franchisor's receipt of all applicable documents, materials and other items required under Section 10.2 or Section 10.3, as the case may be, and this Section 10.4, Franchisor will notify Developer of its election to do one of the following: (i) consent to the proposed transfer subject to such conditions as Franchisor may impose in providing such consent; (ii) refuse such consent or (iii) as applicable, exercise its right of first refusal provided in Section 11. The Transfer Processing Fee is non-refundable, regardless of whether Franchisor consents to the proposed transfer. Franchisor may waive any such provisions under Section 10.2, Section 10.3 or this Section 10.4 in connection with a transfer request in its sole discretion.

#### **10.5 Franchisor's Disclosure to Transferee.**

Franchisor may, without liability of any kind or nature whatsoever to Developer, make available for inspection by any intended transferee of Developer all or any part of Franchisor's records relating to this Agreement or to the history of the relationship of Franchisor and Developer. Developer hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to this Agreement and the development of the Franchised Stores hereunder by an intended transferee identified by Developer.



**10.6 Advertising the Sale of the Developer.**

Developer shall not, without prior written consent of Franchisor, place in, on or upon the location of any Franchised Store, or in any communication media, any form of advertising relating to the sale of the rights granted under this Agreement.

**10.7 Transfer by Death or Incapacity.**

Upon the death or Incapacity of Developer (if Developer is an individual) or any holder of a majority of the legal or beneficial interest in Developer (if Developer is an entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding ninety (90) days following such event (which such 90-day period may be renewed from time to time by Franchisor as necessary in increments of ninety (90) days for an aggregate period of time of up to two hundred seventy (270) days), transfer such individual's interest in this Agreement, the Development Rights, or in Developer to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Developer was located or resided, with such choice of law provision being applicable only for this Section 10.7.

**10.8 No Release of Transferor.**

No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in Developer or this Agreement will relieve the transferor of the obligations of such transferor contained in this Agreement or in any Unlimited Guaranty and Assumption of Obligations executed by such person, as the case may be, unless expressly authorized by Franchisor in writing. Each Unlimited Guaranty and Assumption of Obligations executed in connection with this Agreement shall remain in full force and effect before and after any such sale, assignment, transfer, conveyance, encumbrance or gift of any interest in Developer or this Agreement.

**10.9 Proposed Assignment as a Result of Developer's Bankruptcy.**

10.9.1 Developer again acknowledges that the rights and duties along with the Development Rights granted in this Agreement are personal to Developer (or any of its owners), and Franchisor has entered into this Agreement in reliance on the representations given by Developer to secure the Development Rights, Developer's and its owners, as applicable, personal and/or collective skills and Developer's financial ability. Developer further acknowledges and agrees that because of the personal nature of the rights and duties associated with the Development Rights, this Agreement is not freely assignable by its nature and therefore it would not be appropriate to assign the rights and obligations to any assignee other than in accordance with this Section 10.9 (and each other applicable provision of this Section 10). In the event that Developer shall become a debtor under Chapter 7 of the United States Bankruptcy Code, 11 USC Section 101, et seq., (the "**Bankruptcy Code**"), and the trustee or Developer shall elect to assume this Agreement for the purpose of assigning the same or otherwise, such election and assignment may only be made if all of the terms and conditions of this Agreement are satisfied. No election by the trustee or Developer to assume this Agreement, whether under Chapter 7, 11 or 13 of the Bankruptcy Code, shall be effective unless each of the following conditions, and as applicable, any other conditions required in this Section 10, which Franchisor and Developer each acknowledge is commercially reasonable in the context of such proceeding, has been satisfied, and Franchisor has so acknowledged in writing:

10.9.1.1 the trustee or Developer has cured, or has provided Franchisor adequate assurance (as provided below) that: (i) within ten (10) days from the date of such assumption, the trustee will cure all monetary defaults under this Agreement; and (ii) within thirty (30) days from the date of

such assumption, the trustee will cure all non-monetary defaults under this Agreement;

10.9.1.2 the trustee or Developer has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Franchisor that the trustee or Developer will have sufficient funds to fulfill the obligations of Developer under this Agreement; and

10.9.1.3 that assumption or assignment of this Agreement will not breach any term or condition of, or constitute a default under, any term or condition of any contract, agreement, arrangement, or other commitment to which the trustee or Developer is a party or by which the trustee or Developer is bound (**including any agreement not to compete**), or constitute an event which, with notice, lapse of time or both, would result in such a breach or event of default nor to the trustee's or Developer's knowledge, result in the violation by the trustee or Developer of any applicable statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

10.9.2 If a trustee or Developer, pursuant to this Agreement, proposes to assign this Agreement or any right in the Development Rights pursuant to the provisions of the Bankruptcy Code, to any person or entity who shall have made a bona fide offer to accept an assignment of this Agreement on terms acceptable to the trustee or Developer, then, notice of the proposed assignment setting forth (i) the name and address of such person; and (ii) all of the terms and conditions of such offer shall be given to the Franchisor by the Developer no later than twenty (20) days after receipt of such offer by the trustee or Developer, but in any event no later than ten (10) days prior to the date that the trustee or Developer shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption.

10.9.3 If the trustee or Developer, pursuant to this Agreement, proposes to assign this Agreement or any right in the Development Rights pursuant to the provisions of the Bankruptcy Code, to any person or entity who shall have made a bona fide offer to accept an assignment of this Agreement on terms acceptable to the trustee or Developer, Franchisor shall thereupon have the prior right and option, to be exercised by notice to the trustee or Developer given at any time prior to the effective date of such proposed assignment, to accept an assignment of this Agreement upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person.

Any person or entity to which the trustee's or Developer's interest in this Agreement is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Agreement on or after the date of such assignment. As part of providing adequate assurance to Franchisor, any such assignee shall, upon demand, execute and deliver to Franchisor an instrument confirming such assumption.

10.9.4 The following factors may be considered by Franchisor as necessary in order to determine whether or not the proposed assignee has furnished Franchisor with adequate assurances of its ability to perform the obligations of this Agreement:

10.9.4.1 the assignee has satisfied Franchisor that it meets Franchisor's management, business and financial standards for developers and franchisees, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to develop and conduct the Franchised Stores; and

10.9.4.2 that assumption or assignment of this Agreement is subject to all the provisions hereof, including provisions such as location, use, and the restrictive covenants set forth in Section 7.2, and will not breach any term or condition of, or constitute a default under, any term or condition of any contract, agreement, arrangement, or other commitment to which the assignee or any holder of a legal

or beneficial interest in assignee is a party or by which assignee or such holder of a legal or beneficial interest in assignee is bound (**including any agreement not to compete**), or constitute an event which, with notice, lapse of time or both, would result in such a breach or event of default nor to assignee's knowledge, result in the violation by assignee or any such holder of a legal or beneficial interest in assignee of any applicable statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

In the event Franchisor rejects the proposed assignee, to the extent permitted by applicable law, the rights and obligations of the parties hereto shall continue to be governed by the terms of this Agreement, and Developer shall have all of its rights as a developer hereunder under applicable law.

## **11. RIGHT OF FIRST REFUSAL**

### **11.1 Submission of Offer.**

If Developer or any of its owners proposes to sell or transfer, except as allowed in Section 10.3 above, any ownership interest in the Development Rights or Developer (including assets it owns outside the normal course of its business), Developer shall give Franchisor the first right to accept or refuse the offer to purchase. The offer must be a bona fide invitation to purchase and must be signed and submitted in writing to Franchisor. The offer shall have all pertinent documents attached, including any contract or due diligence materials. The offer applies to the assets and interests contemplated in this Section and does not include assets or interests unrelated to the conduct of Developer's business under this Agreement and its exercise of the Development Rights.

### **11.2 Sale or Transfer to Family Members.**

Section 11.1 of this Agreement shall be inapplicable in its entirety if the sale or transfer under Section 11.1 is to a family member or with respect to ownership interests in Developer, to any other current owner of Developer; provided, that the requirements under Section 10.2 and Section 10.3, as applicable, of this Agreement remain in effect and nothing in this Section 11.2 is a waiver to their application.

### **11.3 Franchisor's Right to Purchase.**

Franchisor shall have thirty (30) days (following the receipt of the offer to purchase) to accept all material terms of Developer's offer to purchase. If Franchisor elects to accept the offer, it shall deliver written confirmation to Developer. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any competing buyer. After providing notice to Developer of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase on the same terms set out in the invitation to purchase. Franchisor shall be entitled to receive from Developer all customary representations and warranties given by Developer as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

### **11.4 Non-Exercise of Right of First Refusal.**

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Developer or any of its owners, subject to Franchisor's prior written approval as required by Section 10.2 or Section 10.3, as the case may be. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, or if there is a material change to the terms, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

## **12. BENEFICIAL OWNERS OF DEVELOPER**

Developer represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in the Franchise Certificate are the only holders of a legal or beneficial interest in Developer. Developer further represents to Franchisor that the individuals identified in the Franchise Certificate as officers, directors and/or managers of Developer, as the case may be, are the duly elected and qualified officers, directors and/or managers of Developer, as the case may be.

## **13. RELATIONSHIP OF FRANCHISOR AND DEVELOPER AND INDEMNIFICATION**

### **13.1 Description of Relationship of Franchisor and Developer.**

13.1.1 This Agreement is purely a contractual relationship between Franchisor and Developer and does not appoint or make Developer an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. This Agreement does not establish a fiduciary or employment relationship between Franchisor and Developer.

13.1.2 Developer may not represent or imply to third parties that Developer is an agent or employee of Franchisor, and Developer is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the Term, and any extension or renewal of this Agreement, Developer shall hold itself out to the public only as an independent contractor hereunder, and under any Franchise Agreement, as a franchisee and an owner of the independently owned and operated Franchised Store operating the Franchised Store pursuant to a franchise from Franchisor. Developer shall take such affirmative action as may be necessary to do so including exhibiting a notice of that fact in a conspicuous place on the Approved Locations and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify.

13.1.3 Under no circumstances shall Franchisor be liable for any act, omission, contract, debt nor any other obligation of Developer. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the development, owning or operation of any Franchised Store. Any third-party contractors and vendors retained by Developer to convert or construct the premises are independent contractors of Developer alone.

### **13.2 Franchisor May Act in its Own Interest.**

Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Developer to obtain Franchisor's written consent or permits Developer to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Developer or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### **13.3 Indemnification by Developer.**

Developer shall hold harmless, defend and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, area representatives, and their respective successors and assigns (collectively "**Franchisor Indemnitees**") from and against all losses, damages, fines, costs, expenses or liability (including reasonable legal and professional fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, that arises from or is based upon Developer's, or any person acting by, through or under Developer (a)

development, opening, ownership or operation of any Franchised Store; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Developer and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the development, opening and operation of any Franchised Store, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. The obligations of this Section 13.3 shall expressly survive the expiration or termination of this Agreement.

#### **13.4 Franchisor's Right to Retain Counsel.**

Developer shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. Developer shall cooperate with Franchisor in its handling of any such action, suit, demand, claim, investigation or proceeding. If Franchisor's exercise of its rights under this Section causes any of Developer's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Developer might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Developer. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Developer.

### **14. GENERAL CONDITIONS AND PROVISIONS**

#### **14.1 No Waiver.**

No failure of Franchisor to exercise any power reserved to it under this Agreement, or to insist upon strict compliance by Developer with any obligation or condition under this Agreement, and no custom, course of dealing nor practice of Franchisor or Developer in variance with the terms under this Agreement, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any default by Developer shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

#### **14.2 Franchisor Entitled to Equitable Relief.**

As any breach by Developer of any of the restrictions contained in Sections 6, 7 and 9 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled, as a matter of right, to seek an injunction or decree of specific performance from any court of competent jurisdiction restraining any further violation by Developer of this Agreement without any requirement to show any actual damage, irreparable harm or establish a balance of convenience or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisor may have at law or in equity. Franchisor's right to seek equitable relief

will not affect Franchisor's or Developer's waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 14.7. Franchisor's rights herein shall include pursuing equitable relief through arbitration or in a state or federal court.

#### **14.3 Addresses and Procedures for Sending Communications.**

All notices, requests, consents and other communications required or permitted under this Agreement shall be provided in writing and shall be (as elected by the person giving such notice) hand delivered by messenger or courier service, provided by e-mail (provided in each case that such writing is also provided using a non-electronic form of delivery), or mailed (airmail if international) by registered or certified mail (postage prepaid), return receipt requested or otherwise by a nationally recognized overnight express courier (e.g., FedEx) addressed to:

If to Franchisor:	Glosslab Franchising, LLC 1821 Purdy Ave Miami Beach, FL 33139 Email: franchise@glosslab.com
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If to Developer: *See Franchise Certificate for Designated Representative of Developer*

or to such other address or e-mail address as any party may designate to the other by notice complying with the terms of this Section (provided that updates to a party's notice physical address or e-mail address may be provided strictly by e-mail (without any need for non-electronic delivery) to the e-mail address set forth above, as may be updated from time to time pursuant to the terms of this Section 14.3). Each such notice will be deemed delivered (A) on the date delivered if by personal delivery, (B) on the date provided by e-mail with confirmed answer back, (C) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed; or (D) upon the date scheduled for delivery after such notice is sent by a nationally recognized overnight express courier. Franchisor and Developer each waives personal or any other service other than as provided for in this section.

Notwithstanding anything to the contrary contained within this Section 14.3, any notices Franchisor is required or authorized to deliver to Developer in order to advise Developer of alleged violations of Developer's covenants or other agreements contained in this Agreement (but for the avoidance of doubt, a form of non-electronic delivery shall accompany any termination notices provided under this Agreement) shall be deemed to have been duly given or served upon Developer by Franchisor if provided by e-mail (without any need for non-electronic delivery) to the e-mail address provided in this Section 14.3; provided a copy of such e-mail is also provided to the e-mail address for the Developer Designated Representative then on file, if different, with Franchisor (such initial e-mail address to be provided in the Franchise Certificate provided by Developer with this Agreement, which may be updated from time to time pursuant to the terms of this Section 14.3).

#### **14.4 Unlimited Guaranty and Assumption of Obligations.**

All holders of a legal or beneficial interest in Developer of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, through which such holders agree to assume and discharge all of Developer's obligations under this Agreement and to be personally liable under this Agreement for all of the same. Each such holder of a legal or beneficial interest in Developer shall be required to obtain a joinder to such Unlimited Guaranty and Assumption of Obligations by their spouse, if any, to bind such spouse's interest in jointly held property, if any, held by the equity holder. If any applicable holder of a legal or beneficial interest in Developer delivers an Unlimited Guaranty and Assumption of Obligations to Franchisor without the

signature of his or her spouse, then Developer hereby represents to Franchisor that such holder has no spouse.

#### **14.5 Approvals.**

Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor for such approval, and except as otherwise provided in this Agreement, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties, conditions or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

#### **14.6 Entire Agreement.**

This Agreement, its exhibits and the documents referred to in this Agreement shall be construed together and constitute the entire, full and complete agreement between Franchisor and Developer concerning the subject matter of this Agreement and shall supersede all prior agreements with respect thereto. In the event this Agreement is executed by Franchisor and Developer as part of a transfer of an existing area development agreement or as a successor Area Development Agreement to Developer's initial Glosslab Area Development Agreement, any other transfer or renewal documents or other agreements, as the case may be, executed by Franchisor or Developer that set forth terms applicable to such transfer or renewal shall survive and shall be construed together with, and incorporated into by reference, this Agreement, as applicable. No other representation, oral or otherwise (other than those within Franchisor's GLOSSLAB Disclosure Document), has induced Developer to execute this Agreement, and there are no representations (other than those within Franchisor's GLOSSLAB Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied in this Agreement, that are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. Nothing in this Agreement is intended to disclaim the representations Franchisor made in Franchisor's GLOSSLAB Disclosure Document that was furnished to Developer, if Franchisor was required by law to provide to Developer Franchisor's GLOSSLAB Disclosure Document. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

#### **14.7 Severability and Modification.**

Each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision in this Agreement is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind Franchisor and Developer; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

#### **14.8 Headings are for Convenience Only.**

All captions in this Agreement are intended solely for the convenience of Franchisor and Developer, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

#### **14.9 Force Majeure.**

Whenever a period of time is provided in this Agreement for either party to perform any act, except

for Developer's payment of monies to Franchisor or any Franchisor Affiliate, neither party shall be liable nor responsible for any delays if it is prevented or delayed in such performance as a result of conditions beyond the reasonable control of and without the fault or negligence of such party (*force majeure*), such as strikes, lockouts, casualties, acts of God, epidemics, war, terrorism, or governmental regulation or control, and the time period for the performance of such act shall be extended for the amount of time of the delay. A party wishing to take advantage of the relief provided in this Section must as soon as practicable advise the other party in writing of the existence of the *force majeure* condition and the estimated time of its duration. This clause shall not result in an extension of the Term.

#### **14.10 Timing is of the Essence.**

Except as set forth in Section 14.9, failure to perform any act within the time required or permitted by this Agreement shall be a breach of this Agreement.

#### **14.11 Withholding Payments.**

14.11.1 Developer shall not, for any reason, withhold payment of any Development Fees or other amounts due to Franchisor or to any of its Affiliates. Developer shall not withhold or offset any amounts, damages or other monies allegedly due to Developer against any amounts due to Franchisor or any of its Affiliates. The right to set off is hereby expressly waived by Developer. No endorsement or statement on any payment for less than the full amount due to Franchisor or any of its Affiliates will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor and any of its Affiliates has the right to accept and cash any such payment without prejudice to Franchisor's or any of its Affiliates' right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law.

14.11.2 Franchisor and its Affiliates have the right to apply any payments made by Developer against any of Developer's past due indebtedness as Franchisor or its Affiliates deem appropriate. Franchisor and its Affiliates may set off, against amounts owed to Developer, amounts due under this Agreement by Developer to Franchisor or its applicable Affiliates.

#### **14.12 Further Assurances.**

Franchisor and Developer will each execute and deliver, or cause the execution and delivery of, such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

#### **14.13 Third-Party Beneficiaries.**

Except with respect to Franchisor's applicable Affiliates who shall have rights to enforce this Agreement directly, as well as any applicable Franchisor Indemnitee who also shall have the right to enforce Developer's indemnification obligations herein directly, anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any other person or legal entity other than Franchisor or Developer, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

#### **14.14 Multi-State Addenda.**

Attached as Exhibit 5 to this Agreement (the "**Multi-State Addenda**") and incorporated herein 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. Each provision of the Multi-State Addenda shall 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 Multi-State Addenda. To the extent the Multi-State Addenda shall be deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments thereto [other than the applicable Multi-State Addenda]), the terms of the Multi-State Addenda shall control.

**14.15 This Agreement May be Signed in One or More Counterparts.**

This Agreement may be executed in one (1) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one (1) and the same instrument. Delivery of an executed signature page by facsimile, e-mail in portable document format (.pdf) or by any other electronic means intended to preserve the original pictorial appearance of a document will have the same effect as delivery of an executed original of this Agreement.

**14.16 Blacklining.**

The parties agree that this Agreement may be executed with revision markings (so-called “blacklining”) appearing in the execution copy (i.e., deleted text is overstricken and newly-inserted text is underscored or in boldface); such “blacklining” shall not be accorded any significance or taken into account in any way; this Agreement shall be construed for all purposes as if all overstricken text were deleted and never included in this Agreement and all bold or underscored text were not bold or underlined.

**15. DISPUTE RESOLUTION**

**15.1 Choice of Law.**

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Florida (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, DEVELOPER AGREES THAT DEVELOPER MAY BRING CLAIMS AGAINST FRANCHISOR AND ITS AFFILIATES ONLY ON AN INDIVIDUAL BASIS AND NOT AS PART OF ANY PURPORTED CLASS OR REPRESENTATIVE ACTION OR PROCEEDING. UNLESS FRANCHISOR AGREES OTHERWISE, AN ARBITRATOR MAY NOT CONSOLIDATE OR JOIN MORE THAN ONE DEVELOPER’S OR FRANCHISEE’S CLAIMS, AND MAY NOT OTHERWISE PRESIDE OVER ANY FORM OF A CONSOLIDATED, REPRESENTATIVE, OR CLASS PROCEEDING. AN ARBITRATOR MAY AWARD RELIEF (INCLUDING MONETARY, INJUNCTIVE, AND DECLARATORY RELIEF), AS APPLICABLE, ONLY IN FAVOR OF THE DEVELOPER PARTY SEEKING RELIEF AND ONLY TO THE EXTENT NECESSARY TO PROVIDE RELIEF NECESSITATED BY THAT DEVELOPER PARTY’S INDIVIDUAL CLAIM(S). ANY RELIEF AWARDED WILL NOT AFFECT OTHER DEVELOPERS OR FRANCHISEES.

## **15.2 Consent to Jurisdiction.**

Any action brought by either Franchisor or Developer, except those claims required by this Agreement or by law, to be submitted to arbitration, shall be brought in the appropriate state or federal court located in or serving Miami-Dade County Florida, or at Franchisor's principal place of business, if different. Franchisor and Developer each waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Franchisor and Developer each hereby submit to service of process by registered mail, return receipt requested or by any other manner provided by law. Claims for injunctive relief or other equitable relief may be brought by Franchisor where Developer is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of either Franchisor or Developer to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

## **15.3 Cumulative Rights and Remedies.**

No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained in this Agreement shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

## **15.4 Limitations of Claims.**

To the extent permitted by law, any claim concerning any Franchised Store or this Agreement or any related agreement will be barred unless an action for a claim is commenced within two (2) years from the date on which Developer knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

## **15.5 Limitation of Damages.**

DEVELOPER WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST FRANCHISOR OR ANY FRANCHISOR AFFILIATE AND AGREES THAT IF THERE IS A DISPUTE WITH FRANCHISOR OR ANY FRANCHISOR AFFILIATE, DEVELOPER WILL BE LIMITED TO THE RECOVERY OF ACTUAL DIRECT DAMAGES SUSTAINED BY IT INCLUDING REASONABLE LEGAL AND PROFESSIONAL FEES, SUBJECT TO THE LIMITATIONS HEREIN. EXCEPT FOR THE PARTIES' INDEMNIFICATION OBLIGATIONS AND THE CONFIDENTIALITY AND NON-COMPETITION OBLIGATIONS PURSUANT TO THIS AGREEMENT OR WITH RESPECT TO WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, OR AS OTHERWISE SET FORTH IN THIS AGREEMENT (e.g., SECTION 9.1.4), IN NO EVENT SHALL EITHER PARTY OR THEIR APPLICABLE AFFILIATES BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR CONTINGENT DAMAGES WHATSOEVER, INCLUDING DAMAGES FOR LOSS OF REVENUE, PROFITS, LOSS OF BUSINESS OPPORTUNITY OR BUSINESS INTERRUPTION, FOR INJURIES TO PERSONS (INCLUDING DEATH) OR PROPERTY, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH A LOSS, OR WHETHER THE CLAIM IS FOR BREACH OF CONTRACT, TORT, BREACH OF WARRANTY, NEGLIGENCE OR OTHERWISE. THE ESSENTIAL PURPOSE OF THIS SECTION IS TO LIMIT THE POTENTIAL LIABILITY OF EACH PARTY ARISING OUT OF THE TERMS AND CONDITIONS OF THIS AGREEMENT. IN ANY CLAIM OR ACTION BROUGHT BY DEVELOPER AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, DEVELOPER'S TOTAL RECOVERABLE DAMAGES AND FRANCHISOR'S TOTAL LIABILITY SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF DEVELOPER'S

DEVELOPMENT FEE.

**15.6 Waiver of Jury Trial.**

DEVELOPER AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

**15.7 Negotiation and Mediation**

15.7.1 Agreement to Use Procedure

The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try to resolve any dispute without litigation or arbitration. Except for controversies or claims relating to the ownership of any of Franchisor's Marks or the unauthorized use or disclosure of Franchisor's Trade Secrets or other Confidential Information, covenants against competition, other claims for injunctive relief, the parties agree that if any dispute arises between them, before beginning any legal action or arbitration to interpret or enforce this Agreement, they will first follow the procedures described in this section. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any legal action or arbitration to interpret or enforce this Agreement.

15.7.2 Initiation of Procedures

The party that initiates these procedures ("**Initiating Party**") must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party's claim for relief, including the damages sought, and identifying one or more persons with authority to settle the dispute for him, her, or it. The party receiving the notice ("**Responding Party**") has seven (7) days within which to designate by written notice to the Initiating Party one or more persons with authority to settle the dispute on the Responding Party's behalf (the "**Authorized Persons**").

15.7.3 Direct Negotiations

The Authorized Persons may investigate the dispute as they consider appropriate, but agree to meet in person at a location designated by Glosslab within seven (7) days from the date of the designation of Authorized Persons to discuss resolution of the dispute. The Authorized Persons may meet at any times and places and as often as they agree. If the dispute has not been resolved within ten (10) days after their initial meeting, either party may begin mediation procedures by giving written notice to the other party that it is doing so.

15.7.4 Selection of Mediator

The Authorized Persons will have seven (7) days from the date on which one party gives notice that he, she, or it is beginning mediation within which to submit to one another written lists of acceptable mediators who are not associated with either of the parties. Within seven (7) days from the date of receipt of any list, the Authorized Persons must rank all the mediators in numerical order of preference and exchange the rankings. If one or more names are on both lists, the highest ranking one of these will be designated the mediator. Within seven (7) days after receipt of the list, the parties must again rank the proposed mediators in numerical order of preference and must simultaneously exchange their lists. The mediator having the highest combined ranking shall be appointed as mediator. If the highest ranking mediator is not available to serve, the parties must go on to contact the mediator who was next highest in

ranking until they are able to select a mediator.

#### 15.7.5 Time and Place for Mediation

Mediation shall take place in Miami-Dade County, Florida or in such other county as Franchisor's headquarters may hereafter be located. In consultation with the parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation. Unless circumstances make it impossible, the time may not be later than thirty (30) days after selection of the mediator.

#### 15.7.6 Exchange of Information

If either party to this Agreement believes he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all parties must attempt in good faith to agree on procedures for an exchange of information, with the help of the mediator if required.

#### 15.7.7 Summary of Views

At least seven (7) days before the first scheduled mediation session, each party must deliver to the mediator and to the other party a concise written summary of its views on the matter in dispute and on any other matters that the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator, to him or her.

#### 15.7.8 Representatives

In the mediation, each party must be represented by an Authorized Person and may be represented by counsel. In addition, each party may, with permission of the mediator, bring with him, her, or it any additional persons who are needed to respond to questions, contribute information, and participate in the negotiations.

#### 15.7.9 Conduct of Mediation

The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful after reviewing the position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible.

#### 15.7.10 Termination of Procedure

The parties agree to participate in the mediation procedure to its conclusion, as set forth in this section. The mediation may be concluded (1) by the signing of a settlement agreement by the parties, (2) by the mediator's declaration that the mediation is terminated, or (3) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration in accordance with Section 15.8 within this period only if the

arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

#### 15.7.11 Fees of Mediator; Disqualification

The fees and expenses of the mediator must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved.

#### 15.7.12 Confidentiality

The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

### **15.8 Arbitration.**

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained in this Agreement. Except for controversies or claims relating to the ownership of any of Franchisor's Marks or the unauthorized use or disclosure of Franchisor's Trade Secrets or other Confidential Information, covenants against competition and other claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between Franchisor and Developer, or with regard to interpretation, formation or breach of this or any other agreement between Franchisor and Developer, shall be settled by binding arbitration conducted in Miami-Dade County, Florida, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings shall be held by a single arbitrator agreed upon by Franchisor and Developer or otherwise appointed by the Circuit Court for the State of Florida and located in Miami-Dade County, Florida. The decision of the arbitrator shall be final and binding upon Franchisor and Developer. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Developer acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

### **15.9 Remedies in the Event of Breach of This Agreement.**

Developer and Franchisor agree if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party will be entitled to recover all of its legal and professional fees, investigative fees, administrative fees billed by such party's attorneys and other professionals, court costs and all expenses, including all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings, incurred by the successful or prevailing party in that action or proceeding

## **16. ACKNOWLEDGMENTS**

### **16.1 Receipt of this Agreement and the Franchise Disclosure Document.**

Developer represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Developer represents and acknowledges that it has received, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

### **16.2 Consultation by Developer.**

Developer represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Developer represents that it has either consulted with such advisors or has deliberately declined to do so.

### **16.3 True and Accurate Information.**

Developer represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all material respects, and Developer acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

### **16.4 Risk.**

Developer represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a Glosslab Store involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Developer. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

### **16.5 No Guarantee of Success.**

DEVELOPER ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES, WARRANTIES CONDITIONS, OR ESTIMATES OF ANY KIND REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISEES GENERALLY OR OF ANY FRANCHISED STORE WERE MADE BY OR ON BEHALF OF FRANCHISOR, EXCEPT AS SET FORTH IN THE DISCLOSURE DOCUMENT, WHICH HAVE LED DEVELOPER TO ENTER INTO THIS AGREEMENT. DEVELOPER UNDERSTANDS THAT WHETHER DEVELOPER SUCCEEDS IN THE DEVELOPMENT OF A FRANCHISE IS DEPENDENT UPON DEVELOPER'S AND ITS OWNERS' AND PERSONNEL'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF DEVELOPER'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND FRANCHISOR'S CONTROL OR INFLUENCE. DEVELOPER FURTHER UNDERSTANDS THAT SOME DEVELOPERS AND FRANCHISEES ARE MORE, OR LESS SUCCESSFUL THAN OTHER DEVELOPERS AND FRANCHISEES, AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT DEVELOPER WILL DO AS WELL AS ANY OTHER DEVELOPER OR

FRANCHISEE.

**16.6 Developer's Representations and Warranties.**

Developer represents and warrants to Franchisor that:

16.6.1 Developer is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, and Developer possesses the organizational power to validly own its properties and conduct its business;

16.6.2 Developer has the power to execute, deliver, and carry out the terms and conditions of this Agreement, and this Agreement has been duly authorized, executed and delivered by Developer and constitutes the valid, legal and binding agreement and obligation of Developer in accordance with the terms of this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally from time to time in effect; and

16.6.3 Developer's execution of this Agreement and its performance of its obligations under this Agreement will not result in (i) the breach of any term or condition of, or constitute a default under, any term or condition of any contract, agreement, arrangement, or other commitment to which Developer or any holder of a legal or beneficial interest in Developer is a party or by which Developer or such holder of a legal or beneficial interest in Developer is bound (**including any agreement not to compete**), or constitute an event which, with notice, lapse of time or both, would result in such a breach or event of default nor (ii) to Developer's knowledge, result in the violation by Developer or any such holder of a legal or beneficial interest in Developer of any applicable statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

**16.7 Notice of Potential Franchisor and Affiliate Profit.**

Developer acknowledges that Franchisor and Franchisor's Affiliates will make available to Developer goods, products and/or services for use in the Franchise on terms which Franchisor and its Affiliates will make a profit. Developer acknowledges that Franchisor and Franchisor's Affiliates are entitled to said profits and/or consideration.

**16.8 Anti-Terrorism and Money Laundering Representation.**

Developer certifies that: (i) neither it nor its officers, members, managers, directors, equity holders or controlling owners is acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order, the United States Department of Justice, or the United States Treasury Department as a terrorist, "Specially Designated National or Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control; (ii) neither it nor its officers, members, managers, directors, equity holders or controlling owners is engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation; and (iii) neither it nor its officers, members, managers, directors, equity holders or controlling owners is in violation of Presidential Executive Order 13224, the USA Patriot Act, the Bank Secrecy Act, the Money Laundering Control Act or any regulations promulgated pursuant thereto. Should Developer or any of its officers, members, managers, directors, equity holders or controlling owners, during the Term, be designated Specially Designated National or Blocked Person, Franchisor may, at its sole option, terminate this Agreement.

**16.9 Franchisor Must Sign Area Development Agreement to be Effective.**

The provision of this Agreement and its related agreements and documents to Developer for examination, negotiation and if applicable, execution, does not constitute an offer for a Franchise, shall not bind Franchisor in any way nor does it provide any franchise rights associated with acquiring a Franchise, it being understood that this Agreement shall become effective and binding only upon execution and delivery of this Agreement by Developer and by Franchisor. No act or omission of any other Person shall alter, change or modify any of the provisions of this Section 16.9.

**16.10 Developer Minimum Deliverables Upon Signing this Area Development Agreement.**

Developer shall deliver to Franchisor, or cause to be delivered to Franchisor, each of the following:

16.10.1 this Agreement, signed by an authorized representative of Developer;

16.10.2 the Development Fee, as described in Section 3.1;

16.10.3 a Nondisclosure and Non-Competition Agreement, in substantially the same form attached to this Agreement as Exhibit 2, for each equity holder of Developer at the time of the Effective Date, signed by an authorized representative of Developer on the one hand, and such equity holder on the other;

16.10.4 an Unlimited Guaranty and Assumption of Obligations, in substantially the same form attached to this Agreement as Exhibit 3, signed by each holder of a legal or beneficial interest in Developer of five percent (5%) or greater, along with the joinder from each such holder's spouse, if any, to bind such spouse's interest in jointly held property, if any, held by the equity holder;

16.10.5 Franchisor's then-current form questionnaire, in substantially the same form attached to Franchisor's Franchise Disclosure Document; and

16.10.6 a Franchise Certificate, in substantially the same form attached to this Agreement as Exhibit 4 (a "**Franchise Certificate**"), signed by an authorized representative of Developer, certifying, as applicable, Developer's organizational documents, good standing, ownership and management information, as of the Effective Date.

The foregoing shall not in any way limit Franchisor's rights to request any additional documents that may be required pursuant to this Agreement, from time to time.

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound hereby have duly executed this Agreement.

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

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

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



DEVELOPER:

\_\_\_\_\_

(type/print name)

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

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

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

[or, if an individual]

Signed: \_\_\_\_\_

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

NOTE: FOR THE STATE OF OHIO, FRANCHISOR WILL INCLUDE NOTICE OF CANCELLATION LANGUAGE AS PROVIDED IN OHIO STATE ADDENDUM TO DISCLOSURE DOCUMENT.

**SCHEDULE 1 TO THE AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT TERRITORY:**



## EXHIBIT 1 TO THE AREA DEVELOPMENT AGREEMENT

### GENERAL RELEASE

This General Release is made and given on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by, \_\_\_\_\_ (“RELEASOR”) an individual/corporation/limited liability company/partnership with a principal address of \_\_\_\_\_ in consideration of:

\_\_\_\_\_ the execution by GLOSSLAB FRANCHISING, LLC, a Delaware limited liability company (“RELEASEE”), of a successor Area Development Agreement or other renewal documents renewing the franchise (the “Franchise”) granted to RELEASOR by RELEASEE pursuant to that certain Area Development Agreement (the “Area Development Agreement”) between RELEASOR and RELEASEE; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the Area Development Agreement; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the Area Development Agreement,

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby, to the fullest extent permitted by law, releases and discharges RELEASEE, RELEASEE’S parent and affiliated entities, and its and their officers, directors, shareholders, members, managers, employees, representatives and agents (whether acting in an agency capacity or in their individual capacities), and RELEASEE’S heirs, successors, beneficiaries and assigns, as applicable, each of whom is intended as a beneficiary of this Release, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR’S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE, whether known or unknown, arising out of or related to the Franchise or the Area Development Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

RELEASOR covenants not to sue or to assert, prosecute or maintain, directly or indirectly, in any form, any claim or cause of action against any RELEASEE with respect to any matter, cause, omission, act, or thing whatsoever; occurring in whole or in part on or at any time prior to the date of this Release, and which is subject to such release provided for in this Release. RELEASOR represents and warrants that RELEASOR has not filed nor made any claims, charges, complaints, or actions of any type, whether legal, equitable, or administrative, against any RELEASEE.

[For California - **RELEASOR expressly waives and relinquishes any and all released claims and likewise waives to the fullest extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code, which provides: “GENERAL RELEASE; EXTENT. A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”**]

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Area Development Agreement.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR: \_\_\_\_\_  
(type/print name)

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

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

Title: \_\_\_\_\_  
(or, if an individual)

Signed: \_\_\_\_\_

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

## EXHIBIT 2 TO THE AREA DEVELOPMENT AGREEMENT

### NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This Nondisclosure and Non-Competition Agreement (this “**Agreement**”) is entered into and effective as of the \_\_ day of \_\_, 20\_\_, by and between \_\_\_\_\_ (“**Developer**”) (d/b/a GLOSSLAB), and \_\_\_\_\_ (“**Individual**”).

#### RECITALS:

A. Developer is a party to that certain Area Development Agreement dated \_\_\_\_\_, (as amended, supplemented, renewed, restated, or otherwise replaced from time to time, “**Area Development Agreement**”) by and between Developer and Glosslab Franchising, LLC (“**Franchisor**”).

B. Developer desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are defined and more particularly described below.

C. Developer is required by the Area Development Agreement to have Individual execute this Agreement prior to providing Individual access to said confidential materials.

D. Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Franchisor, Developer or any other developer or franchisee of Franchisor in any Competitive Business (as defined below).

**NOW, THEREFORE**, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, Developer and Individual hereby mutually agree as follows:

#### 1. Trade Secrets and Confidential Information.

(a) Individual understands that Franchisor and Developer each possess and will possess Trade Secrets and other Confidential Information that are important to the development and operation of a Glosslab Store.

(b) For the purposes of this Agreement,

“**Competitive Business**” means any business that, directly or indirectly, in the United States of America or any foreign country (i) offers manicures, pedicures, and nail polishing services or related services or products, (ii) manufactures, sells, licenses or otherwise distributes by way of retail or wholesale products which accompany or are related to hand and foot beauty services, including lotions, polishes, or creams, or (iii) that otherwise competes with Franchisor, its Affiliates or the Glosslab System (including through franchising) in general, as such businesses have been conducted, are proposed to be conducted or are being conducted, in each case, during the Term. “**Competitive Business**” excludes (a) any other business operated by Individual under a Franchise Agreement or a Area Development Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Individual owns less than a five percent (5%) legal or beneficial interest; provided, that Individual does not, directly or indirectly, individually or collectively with any other Person, possess the power to direct or cause the direction of the management and policies of such publicly-held entity.

“**Confidential Information**” means technical and non-technical information used in or related to the System that is not commonly known by or available to the public, including, without limitation, the Trade Secrets and information contained in Franchisor’s Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered or made available by Franchisor or Developer shall be deemed Confidential Information. For the avoidance of doubt,

guest (customer) information shall be deemed Confidential Information;

“**Marks**” means the trademark “GLOSSLAB®,” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with the Glosslab franchise System;

“**Person**” means a human being, a legal or business entity devised or constructed by for the purpose of carrying out business activities under the name of such devised or constructed entity, which shall not be limited to sole proprietorships, corporations, partnerships, limited liability companies, or other entities; and in the case of entities, a Person shall include, any other entity with a majority or controlling interest in another entity, as well as the individual officers, directors, and other Persons controlling the activities of such entity;

“**System**” means the uniform standards, methods, procedures and specifications, revisions or modifications Franchisor advances for the operation of Glosslab Stores; and

“**Trade Secret**” is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Glosslab Stores or otherwise in the System, that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other Persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(c) Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual or Developer or Developer’s affiliates, employees, agents, officers, directors, shareholders, managers, members or other representatives; (ii) Developer or Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

(d) Any information expressly designated by Franchisor or Developer as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations under this Agreement in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisor’s and/or Developer’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual, Franchisor and Developer with respect to the Trade Secrets and other Confidential Information.

## 2. Confidentiality/Non-Disclosure.

(a) Individual shall not communicate or divulge to (or use for the benefit of) any other Person, with the sole exception of Developer or other employees, agents or representatives of Developer who are on a strict need-to-know basis with respect to such Confidential Information in connection with the development and operation of Developer’s Glosslab Stores, and who are bound by duties of confidentiality no less stringent than those set forth in this Agreement, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Developer or Franchisor to ensure that the Confidential Information and the Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisor and/or Developer have established and may establish from time to time regarding the Confidential Information and the Trade Secrets.

(b) Individual may not in any manner or at any time, either directly or indirectly use any part of the Confidential Information or the Trade Secrets except in connection with the development and operation of Developer's Glosslab Stores, and in no case in any manner detrimental to Developer, Franchisor or their respective affiliates.

(c) Individual's obligations under Section 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Developer, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Developer and Franchisor are each entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisor and/or Developer for protection of its rights under this Agreement and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in the Glosslab franchise System.

(d) Upon termination of Individual's relationship with Developer, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, or at any other time when requested by Franchisor, Developer and/or their respective affiliates, Individual shall immediately deliver to Developer (or Franchisor and/or its affiliates, as appropriate and as directed), all Confidential Information and other property in Individual's possession, or under Individual's care and control, belonging to Developer and/or Franchisor and/or their respective affiliates. The provisions of this Section 2(d) shall survive any such termination of Individual's relationship with Developer.

(e) Notwithstanding any term or condition in this Agreement to the contrary, Individual may disclose Confidential Information under certain limited circumstances as follows: (i) as may be required by law or court process; provided, that Individual provides Developer and Franchisor reasonable prior notice to allow Developer and/or Franchisor sufficient time to obtain a protective order to prevent disclosure of such Confidential Information, or take other appropriate action; (ii) in confidence to a federal, state, or local government official, either directly or indirectly, or to Individual's legal counsel solely for the limited purpose of reporting or investigating a suspected violation of law; (iii) in confidence as part of a complaint or other legal document filed in a lawsuit or other proceeding; provided, that such filing is made under protective seal; and (iv) if Individual files a lawsuit for retaliation by Developer or Franchisor for reporting a suspected violation of law, Individual may disclose, in confidence, relevant Trade Secret information to Individual's legal counsel representing Individual in such lawsuit, and use such Trade Secret information in the court proceedings; provided, that (x) Individual either directly or through its legal counsel, files any document containing any such Trade Secret under protective seal; and (y) Individual does not disclose the Trade Secret information, except pursuant to court order or with Developer's or Franchisor's prior written consent, which such consent may be withheld in Developer's and Franchisor's sole discretion. This Agreement is not intended in any way to restrict or impede Individual from exercising protected rights to the extent such rights cannot be waived by this Agreement. Developer and Franchisor each reserve the right to pursue all remedies available under federal, state, or local law for any disclosure of Confidential Information (including Trade Secret information) by Individual which does not comply with this Section 2.

### 3. Non-Competition.

(a) Individual acknowledges that Developer and Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Glosslab franchisees and developers if Individual and members of Individual's immediate family and household were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of the Area Development Agreement, neither Individual nor any member of Individual's immediate family and household, may, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any Person:

(i) divert or attempt to divert any business or customer of a Glosslab Store to any Competitive Business, by direct or indirect inducement or otherwise;



(ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;

(iii) carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere in the United States; or

(iv) solicit or otherwise attempt to induce or influence any employee, customer or other business associate of Franchisor or any other Glosslab Store, or any franchisee or developer of the System, to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisor, any such franchisee or developer or any other Glosslab Store; provided, however, that, the foregoing shall not restrict Individual from hiring any employee or other business associate of Franchisor or any other Glosslab franchisee or developer to work for Developer in connection with the System that responds to general public solicitations made in the ordinary course of business.

In addition to the in-term non-competition restrictive covenants set forth above in this Section 3(a), for a period of two (2) years after the expiration or termination of the Area Development Agreement, regardless of the cause of expiration or termination, neither Individual nor any member of Individual's immediate family and household), may, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any Person:

(i) divert or attempt to divert any business or customer of a Glosslab Store to any Competitive Business, by direct or indirect inducement or otherwise;

(ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;

(iii) carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within fifty (50) miles of any other Glosslab Store operating under the System and the Marks at the time of such expiration or termination; or

(iv) solicit or otherwise attempt to induce or influence any employee, customer or other business associate of Franchisor or any other Glosslab Store, or any franchisee or area representative of the System, to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisor, any such franchisee or developer or any other Glosslab Store.

Any assignment or other transfer of the Franchise Agreement, or of Individual's complete interest in, or affiliation with, Developer (in each and every capacity, including as owner, employee, consultant or otherwise), shall be deemed, for purposes of Individual's obligations under this Section only, as the expiration or termination of the Area Development Agreement.

(b) If Individual operates any other business, Individual shall not use or display any of the Marks, or any confusingly similar trademark, in any manner whatsoever in connection with such other business and/or the promotion thereof. Individual shall not utilize in such other business any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section 3(b) is not intended as an approval of Individual's right to operate other businesses and in no way is it intended to contradict those Sections of this Agreement or the Franchise Agreement that prohibit such practice.

#### 4. Reasonableness of Restrictions.

Individual acknowledges that each of the terms set forth in this Agreement, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Developer, Franchisor, and the Trade Secrets and other Confidential Information, the System and the Marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise

unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. Developer may, upon the direction from Franchisor at any time, reduce the scope, restricted activities and/or duration of any of the restrictive covenants effective immediately upon notice to Individual. It is the desire and intent of both Developer and Individual that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Non-Disparagement.

Individual agrees and covenants that Individual will not, at any time, either directly or indirectly, and shall cause Individual's affiliates and members of its family not to, make, publish or communicate to any person or entity or in any public forum (including through social media) any defamatory or disparaging remarks, comments or statements concerning Franchisor, its Affiliates, any franchisees, developers or area representatives and/or any of their respective employees, agents and representatives, or the System or its Marks, other than as part of the judicial, arbitration or other dispute resolution process in connection with any litigation, mediation, arbitration or administrative or other judicial proceeding arising under any claim brought in connection with this Agreement or the Area Development Agreement, or other than when compelled to testify under oath by subpoena, regulation or court order.

6. Relief for Breaches of Confidentiality, Non-Solicitation, Non-Disparagement and Non-Competition.

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Developer and Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Developer and Franchisor shall be entitled, as a matter of right, to seek an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage, irreparable harm or establish a balance of convenience or to post any bond or other security. Such right to seek an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Developer and Franchisor may have at law or in equity.

7. Miscellaneous.

(a) If any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover all of its legal and professional fees, investigative fees, administrative fees billed by such party's attorneys and other professionals, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

(b) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Developer, its subsidiaries, successors and assigns.

(c) The failure of either party to insist in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

(d) The headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

(e) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts of this Agreement shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part of this Agreement.

(f) The existence of any claim or cause of action Individual might have against Developer or Franchisor will not constitute a defense to the enforcement by Developer or Franchisor of this Agreement.

(g) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Developer or Franchisor pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

(h) Individual and Developer each acknowledge that Individual's compliance with the terms of this Agreement is also critical to Franchisor. Accordingly, Individual and Developer each agree and acknowledge that even though Franchisor is not a party to this Agreement and does not have any obligations under this Agreement, Franchisor shall be a third-party beneficiary of Individual's agreements and covenants under this Agreement and Franchisor shall be entitled to all rights and remedies conferred upon Developer and Franchisor under this Agreement. Accordingly, Individual and Developer each agree that Franchisor may enforce such rights and promises in its own right (without being required to obtain consent from Developer or add Developer as a party to any proceedings for such enforcement).

(i) This Agreement may be executed in one (1) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one (1) and the same instrument. Delivery of an executed signature page by facsimile, e-mail in portable document format (.pdf) or by any other electronic means intended to preserve the original pictorial appearance of a document will have the same effect as delivery of an executed original of this Agreement.

(j) This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of Florida, without regard to principles of conflicts of laws. Developer and Individual each hereby irrevocably consent and submit to the non-exclusive jurisdiction of the Courts of Miami-Dade County, Florida, and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement, in each case whether arising in contract, tort, equity or otherwise, and agrees that any dispute arising out of this Agreement shall be heard only in the courts described above.

(k) Individual may not assign or delegate his or her duties or obligations under this Agreement.

(l) This Agreement constitutes the entire agreement between Individual on the one hand, and Developer and/or Franchisor on the other, with respect to the subject matter of this Agreement. This Agreement supersedes any prior agreements, negotiations and discussions between Individual, Developer and/or Franchisor with respect to the subject matter of this Agreement. This Agreement cannot be altered or amended except by an agreement in writing signed by Individual, Developer and Franchisor.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO INDIVIDUAL TO INDUCE THE SIGNING OF THIS AGREEMENT.**

*[Signatures Appear on Following Page]*

IN WITNESS WHEREOF, Developer has caused this Agreement to be executed by its duly authorized representative, and Individual has executed this Agreement, all being done as of the day and year first above written.

DEVELOPER:

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

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

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

INDIVIDUAL:

Signature: \_\_\_\_\_

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

## EXHIBIT 3 TO THE AREA DEVELOPMENT AGREEMENT

### UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

This Unlimited Guaranty and Assumption Of Obligations (this “**Guaranty**”) is given this \_\_\_ day of \_\_\_\_\_, 20\_, by \_\_\_\_\_ (each, a “**Personal Guarantor**”).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement dated as the same date of this Guaranty (as amended, supplemented, renewed, restated, or otherwise replaced from time to time, the “**Agreement**”) by Glosslab Franchising, LLC (“**Franchisor**”), each of the undersigned Personal Guarantors hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ (“**Developer**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (collectively, “**Guaranteed Obligations**”). Each of the undersigned Personal Guarantors shall be personally bound by, and personally liable for, Developer’s breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Section 7 of the Agreement. Each of the undersigned Personal Guarantors waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any Guaranteed Obligations; (c) protest and notice of default to any party with respect to the indebtedness or non- performance of any Guaranteed Obligations; (d) any right it may have to require that an action be brought against Developer or any other Person as a condition of liability; (e) the benefit of any circumstances, defense or statute of limitations affecting its liability which might otherwise discharge a guarantor or hinder prompt enforcement of this Guaranty, (f) any requirement that Franchisor proceed against or exhaust any collateral or security which Franchisor may now hold or obtain, and (g) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned Personal Guarantors, jointly and severally, represent as follows: (a) each of the undersigned Personal Guarantors has the capacity to enter into, perform and deliver this Guaranty; (b) this Guaranty constitutes the legal, valid, binding and enforceable obligations of each of the undersigned Personal Guarantors; and (c) each of the undersigned Personal Guarantors has independent means of obtaining reports and financial information about Developer, and Franchisor has no obligation, either prior to the execution of this Guaranty or any time thereafter, to notify any of the undersigned Personal Guarantors concerning Developer’s financial condition or of any event or occurrence affecting Developer’s financial condition or business operation.

Each of the undersigned Personal Guarantors further consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several with all other applicable guarantors of Developer’s obligations under the Agreement and shall include any property held jointly with any other applicable guarantors, including any interest held as a result of such property being community property or jointly held property, as joint tenants, tenants by the entirety, or otherwise; (b) it shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other Person; (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may, from time to time, grant to Developer or to any other Person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the Term; and (e) this Guaranty shall remain in full force and effect before and after any sale, assignment, transfer, conveyance, encumbrance or gift of any interest in Developer or the Agreement.

None of the undersigned Personal Guarantors may delegate any of his, her or its rights, obligations or liabilities under this Guaranty. The provisions of this Guaranty may not be amended, supplemented, waived or changed orally, but only by a writing signed by the party as to whom enforcement of any such amendment, supplement, waiver or modification is sought and Franchisor, and making specific reference

to this Guaranty.

This Guaranty shall be binding upon each undersigned Personal Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision of this Guaranty, each Personal Guarantor expressly agrees that, as applicable, such Personal Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made in this Guaranty and that such Personal Guarantor's estate and heirs shall continue to be liable under this Guaranty with respect to any Guaranteed Obligations created or arising after such Personal Guarantor's death. Franchisor may at any time, without notice to any of the undersigned Personal Guarantors, transfer or assign to any Person any of the Guaranteed Obligations, or any interest therein, and each and every immediate and successive assignee or transferee of the Guaranteed Obligations, or any interest therein, shall, to the extent of its interest, be entitled to the benefits of this Guaranty to the same extent as if such assignee or transferee were Franchisor.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between each Personal Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Florida (without giving effect to principles of conflicts of law).

Each of the undersigned Personal Guarantors hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of Florida and the United States District Court located in or serving Miami-Dade County, Florida and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guaranty, the Agreement or in any way connected with or related or incidental to the dealings of each of the undersigned Personal Guarantors and Franchisor in respect of this Guaranty, the Agreement or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between the undersigned Personal Guarantors or Developer and Franchisor or the conduct of any such Persons in connection with this Guaranty, the Agreement or otherwise shall be heard only in the courts described above (except that Franchisor may bring any action or proceeding against the undersigned Personal Guarantors or his, her or its property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Developer or the undersigned Personal Guarantors to Franchisor or to otherwise enforce its rights against any of the undersigned Personal Guarantors or his, her or its property).

This Guaranty may be executed in one (1) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one (1) and the same instrument. Delivery of an executed signature page by facsimile, e-mail in portable document format (.pdf) or by any other electronic means intended to preserve the original pictorial appearance of a document will have the same effect as delivery of an executed original of this Guaranty.

This Guaranty represents the entire understanding and agreement between the undersigned Personal Guarantors and Franchisor with respect to the subject matter of this Guaranty, and supersedes all other negotiations, understandings and representations (if any) made by and between such parties. Capitalized terms used in this Guaranty and not otherwise defined shall have the meaning set forth in the Agreement.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

**PERSONAL GUARANTOR**

**PERSONAL GUARANTOR**

\_\_\_\_\_

\_\_\_\_\_

Personally and Individually (Printed Name)

Personally and Individually (Printed Name)

\_\_\_\_\_

\_\_\_\_\_

Personally and Individually (Signature)

Personally and Individually (Signature)

HOME ADDRESS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

HOME ADDRESS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%  
(at the time of execution)

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%  
(at the time of execution)

**Joinder of Spouse.** Each of the undersigned, being a spouse of a Personal Guarantor, if applicable, executes this Joinder to acknowledge its fairness and that it is in such spouse's best interests, and to bind such spouse's interest, if any, in property held by the Personal Guarantor, including any interest held as a result of such property being community property or jointly held property, as joint tenants, tenants by the entirety, or otherwise. Accordingly, each of the undersigned, being a spouse of a Personal Guarantor, agrees to be bound by the provisions of this Unlimited Guaranty and Assumption of Obligations, as amended or restated from time to time, in order to bind such spouse's interest, if any, in property held by the Personal Guarantor, including any interest held as a result of such property being community property or jointly held property, as joint tenants, tenants by the entirety, or otherwise, as if such undersigned spouse was a personal guarantor as well pursuant to this Unlimited Guaranty and Assumption of Obligations. The undersigned is aware that the legal, financial and related matters contained in this Unlimited Guaranty and Assumption of Obligations and the Agreement to which it relates are complex and that he/she is free to seek independent professional guidance or counsel with respect to this Joinder. If any Personal Guarantor delivers this Unlimited Guaranty and Assumption of Obligations to Franchisor without the signature of his or her spouse below, then he or she hereby represents to Franchisor that he or she has no spouse.

**SPOUSE**

\_\_\_\_\_  
Personally and Individually  
Print Name: \_\_\_\_\_  
Print Name of Your Spouse: \_\_\_\_\_

**SPOUSE**

\_\_\_\_\_  
Personally and Individually  
Print Name: \_\_\_\_\_  
Print Name of Your Spouse: \_\_\_\_\_

HOME ADDRESS:

\_\_\_\_\_  
\_\_\_\_\_

HOME ADDRESS:

\_\_\_\_\_  
\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

**EXHIBIT 4 TO THE AREA DEVELOPMENT AGREEMENT**

**FRANCHISE CERTIFICATE**

**[see attached form of]**



**Note: If the developer entity is held through multiple levels of ownership, such as through one or more holding companies, the certificate will be modified to obtain information about such other applicable ownership entities.**

**[DEVELOPER ENTITY]**

Franchise Certificate

\_\_\_\_\_, 20\_\_

This Franchise Certificate (the “**Certificate**”) is delivered in connection with that certain GLOSSLAB Area Development Agreement (the “**Area Development Agreement**”), by and between Glosslab Franchising, LLC (“**Franchisor**”) and \_\_ (“**Developer**”). Capitalized terms not defined in this Certificate shall have the meaning given to those terms in the Area Development Agreement. By signing below, each of the undersigned do hereby certify to Franchisor that:

1. Attached hereto as Exhibit A is a true and correct copy of the [Articles of Organization/Articles of Incorporation/Other Applicable Corporate Charter] of the Developer (the “**Charter**”) and such Charter is in full force and effect as of the date hereof and has not been amended other than as appearing on Exhibit A.

2. Attached hereto as Exhibit B is a true and correct copy of the [Operating Agreement/Partnership Agreement/Shareholders Agreement/Bylaws/Other Applicable Governing Documents] of the Developer (the “**Developer Governing Agreement(s)**”), and such Developer Governing Agreement(s) is/are in full force and effect as of the date hereof and has not been amended other than as appearing on Exhibit B.

3. Attached hereto as Exhibit C is a true and correct copy of a [certificate of good standing/existence] of Developer as issued by the office of the Secretary of State or other applicable governmental entity of the state in which Developer was formed, confirming Developer’s good standing/existence as of the date of the Franchise Agreement.

4. The following-named person is Developer’s Developer Designated Representative:

**Developer Designated Representative:**

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

Home Address: \_\_\_\_\_

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Percentage of Ownership in Developer: \_\_\_\_%

5. The following-named persons are collectively all of the equity holders of Developer, as well as the authorized managers, directors, officers and other representatives of Developer, holding the position or positions set forth opposite his or her name:

**Holders of Legal or Beneficial Interest and Officers, Directors, and/or Managers:**

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Home Address: \_\_\_\_\_

\_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_  
Percentage of Ownership: \_\_\_\_\_%

\_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_  
Percentage of Ownership \_\_\_\_\_%

IN WITNESS WHEREOF, each of the undersigned, by signing below, certifies the accuracy of the information set forth in this Certificate as of the date of the Area Development Agreement.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

Exhibit A to Franchise Certificate

Charter

Exhibit B to Franchise Certificate

Developer Governing Agreement(s)

Exhibit C to Franchise Certificate

Good Standing

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**EXHIBIT 5 TO THE AREA DEVELOPMENT AGREEMENT**

**MULTI-STATE ADDENDA**

**NO WAIVER OF DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.

## **FOR THE STATE OF CALIFORNIA**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Area Development Agreement for Glosslab Franchising, LLC (the “Development Agreement”) is amended as follows:

The California Franchise Relations Act provides rights to Developer concerning termination or non-renewal of the Development Agreement that may supersede provisions in the Development Agreement, specifically Sections 4.2 and 8.2.

Section 8.2.1.8, which terminates the Development Agreement upon the bankruptcy of the Developer, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Section 7.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.

The Development Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

The Development Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.

Section 15.8 requires binding arbitration. The arbitration will occur at the forum indicated in Section 15.8 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult 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 the Development Agreement restricting venue to a forum outside of the State of California.



## **FOR THE STATE OF HAWAII**

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E et seq., the Area Development Agreement for Glosslab Franchising, LLC (the “Development Agreement”) is amended as follows:

The Hawaii Franchise Investment Law provides rights to Developer concerning non-renewal, termination and transfer of the Development Agreement. If the Agreement, and more specifically Sections 4.2, 8.2 and 10, contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law shall control.

Sections 4.2.4, 10.2.3, 10.2.6 and 10.3.1.3 require Developer to sign a general release as a condition of renewal or transfer of the franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

Section 8.2.1.8, which terminates the Development Agreement upon the bankruptcy of the Developer, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

## **FOR THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Area Development Agreement for Glosslab Franchising, LLC (the “Development Agreement”) is amended as follows:

Sections 4.2.4, 10.2.3, 10.2.6 and 10.3.1.3 are amended to add:

No general release shall be required as a condition of renewal or transfer that is intended to require Developer to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.

Sections 8, 9 and 15 are amended to add:

The conditions under which the Development Agreement can be terminated and Developer’s rights upon termination or non-renewal, as well as the application by which Developer must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

Sections 15.1 and 15.2 are amended to add:

The Development Agreement shall be governed by Illinois Law. Jurisdiction and venue for court litigations shall be in Illinois. Any provision in the Development Agreement that designates jurisdiction or venue in a forum outside the State is void; provided, that a Development Agreement may provide for arbitration in a forum outside of Illinois.

Section 15.4 is amended to add:

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Developer becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Developer of a written notice disclosing the violation, whichever shall first expire.

Section 15.6 is deleted in its entirety.

Any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**FOR THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Area Development Agreement for Glosslab Franchising, LLC (the “Development Agreement”) is amended as follows:

Sections 4.2.4, 10.2.3, 10.2.6 and 10.3.1.3 require Developer to sign a general release as a condition of renewal or transfer of the franchise and Sections 5.2, 5.5, 5.7, 8.3 require Developer to sign a general release as a condition of receiving a refund of a portion of the Franchise Fee following termination of the franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.

Section 8.2.1.8, which terminates the Development Agreement upon the bankruptcy of the Developer, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Section 15.1 requires that the franchise be governed by the laws of the State of Florida; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.

Sections 15.2 and 15.8 require litigation or arbitration to be conducted in the State of Florida; the requirement shall not limit any rights Developer may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.

Any Section of the Development Agreement or any questionnaire requiring Developer to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise are not intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 15.4 is amended to the extent that any claims arising under the Maryland Franchise Registration and Disclosure Law may be brought within three (3) years after the grant of the franchise.

Any portion of the Development Agreement which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**FOR MARYLAND DEVELOPERS ONLY (PLEASE SEE SECTION 14.14 OF THE DEVELOPMENT AGREEMENT):**

**ACKNOWLEDGED AND AGREED:**

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

DEVELOPER:

\_\_\_\_\_  
(type/print name)

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

[or, if an individual]

Signed: \_\_\_\_\_  
Name Printed: \_\_\_\_\_

**FOR THE STATE OF MINNESOTA**

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Area Development Agreement (the "Development Agreement") agree as follows:

Sections 4, 8 and 10 are amended to add that with respect to franchises governed by Minnesota Law, Franchisor shall comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires, (except in certain specified cases) (1) that Developer be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Sections 4.2.4, 10.2.3, 10.2.6 and 10.3.1.3 do not provide for a prospective general release of any claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Section 6 is amended to add that as required by Minnesota Franchise Act, Franchisor shall reimburse Developer for any costs incurred by Developer in the defense of Developer's right to use the Marks, so long as Developer was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. Franchisor will reasonably protect Developer's rights to use the Marks.

Section 14.2 is amended to provide that Franchisor is entitled only to seek an injunction or other equitable relief. Section 14.2 is further amended to add that a court will determine if a bond is required.

Section 15.4 of the Development Agreement shall be amended to provide that no action may be commenced pursuant to the Development Agreement more than three (3) years after the cause of action accrues in accordance with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Developer to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or Development Agreement can abrogate or reduce (1) any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C or (2) Developer's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**FOR MINNESOTA DEVELOPERS ONLY (PLEASE SEE SECTION 14.14 OF THE DEVELOPMENT AGREEMENT):**

**ACKNOWLEDGED AND AGREED:**

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

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

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

DEVELOPER:

\_\_\_\_\_  
(type/print name)

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

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

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

[or, if an individual]

Signed: \_\_\_\_\_

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

## **FOR THE STATE OF NEW YORK**

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Area Development Agreement for Glosslab Franchising, LLC (the "Development Agreement") is amended as follows:

Sections 4.2.4, 10.2.3, 10.2.6 and 10.3.1.3 require Developer to sign a general release as a condition of renewal, transfer; such release shall exclude claims arising under the General Business Laws.

Under Section 10.1, Franchisor shall not transfer and assign its rights and obligations under the Development Agreement unless the transferee is able to perform the Franchisor's obligations under the Development Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.

Section 15.1 requires that the franchise be governed by the laws of the state of Florida, such a requirement will not be considered a waiver of any right conferred upon the Developer by Article 33 of the General Business Laws.

## **FOR THE STATE OF NORTH DAKOTA**

The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 et seq. Such provisions in the Agreement are hereby amended as follows:

Under Sections 4.2.4, 10.2.3, 10.2.6 and 10.3.1.3, the execution of a general release upon renewal or transfer shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.

Section 7 is amended to add that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

Sections 9.1.4 and 9.1.5 are amended to state:

If Franchisor or Developer is required to enforce this Agreement through judicial proceedings, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees in connection with such proceeding.

Section 7.2 is amended to add that covenants not to compete upon termination or expiration of the Development Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

Section 15.1 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.

Section 15.2 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota.

Section 15.4 is amended to state that the statute of limitations under North Dakota Law shall apply.

Section 15.8 is amended to state that arbitration involving a franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator shall determine the location; and is amended to state that the statute of limitations under North Dakota Law shall apply.

## **FOR THE STATE OF RHODE ISLAND**

In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Area Development Agreement for Glosslab Franchising, LLC (the “Development Agreement”) is amended as follows:

Sections 4.2.4, 10.2.3, 10.2.6 and 10.3.1.3 require Developer to sign a general release as a condition of renewal or transfer; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.

Sections 15.1, 15.2 and 15.8 are amended to state that restricting jurisdiction or venue to a forum outside the state of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

## **FOR THE COMMONWEALTH OF VIRGINIA**

Section 8.2.1.8 of the Area Development Agreement (the “Development Agreement”) which terminates the Development Agreement upon the bankruptcy of the Developer may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Development Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Development Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## **FOR THE STATE OF WASHINGTON**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 – 19.100.940, the Area Development Agreement for Glosslab Franchising, LLC (the “Development Agreement”) is amended as follows:

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 Development 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 Development 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 Development 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 Development 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 Development Agreement or elsewhere are void and unenforceable in Washington.

**FOR WASHINGTON DEVELOPERS ONLY (PLEASE SEE SECTION 14.14 OF THE DEVELOPMENT AGREEMENT):**

**ACKNOWLEDGED AND AGREED:**

FRANCHISOR:

GLOSSLAB FRANCHISING, LLC

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

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

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

DEVELOPER:

\_\_\_\_\_  
(type/print name)

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

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

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

[or, if an individual]

Signed: \_\_\_\_\_

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

**FOR THE STATE OF WISCONSIN**

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Area Development Agreement.



**EXHIBIT E TO THE DISCLOSURE DOCUMENT**

**GLOSSLAB FRANCHISING, LLC**

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**EXHIBIT F TO THE DISCLOSURE DOCUMENT**

**GLOSSLAB FRANCHISING, LLC**

**AUDITED FINANCIAL STATEMENTS**



**GLOSSLAB FRANCHISING, LLC**

**FINANCIAL STATEMENT**

**MAY 23, 2023**

GLOSSLAB FRANCHISING, LLC

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## INDEPENDENT AUDITORS' REPORT

To the Member of  
Glosslab Franchising, LLC

### **Opinion**

We have audited the balance sheet of Glosslab Franchising, LLC (a Delaware Limited Liability Company), as of May 23, 2023, and the related notes (the financial statement).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of Glosslab Franchising, LLC as of May 23, 2023, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statement**

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

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

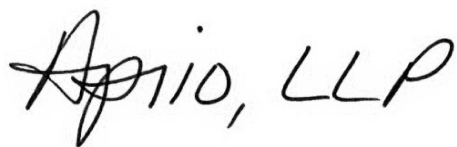
### **Auditors' Responsibilities for the Audit of the Financial Statement**

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

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

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

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

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, flowing style with a large initial 'A'.

New York, New York

July 24, 2023

GLOSSLAB FRANCHISING, LLC  
BALANCE SHEET  
MAY 23, 2023

ASSETS

Current assets

Cash

\$ 500,000

Total assets

\$ 500,000

MEMBER'S EQUITY

Member's equity

\$ 500,000

Member's equity

\$ 500,000

See auditors' report and accompanying notes

GLOSSLAB FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
MAY 23, 2023

**Note A**  
**Summary of Significant Accounting Policies**

Nature of Operations:

Glosslab Franchising, LLC, (the "Company"), a limited liability company, was formed on February 10, 2023, in the state of Delaware. The Company is a wholly owned subsidiary of Glosslab Ventures, LLC. The Company's principle purpose is to offer and sell franchises throughout the United States, operating as Glosslab Stores, which specialize in high-end manicure, pedicure and other nail care services, as well as sells proprietary nail care products. On May 23, 2023, the member contributed \$500,000 to the Company.

Use of Estimates:

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Cash and Cash Equivalents:

For the purpose of the statement, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Company maintains cash balances at one commercial bank, this balance can at times exceed the FDIC insured deposit limit of \$250,000 per financial institution. At May 23, 2023, the Company's cash balances held at this financial institution exceeded the FDIC limit by \$250,000. The Company has not experienced any losses through the date in which the financial statements were available to be issued.

Income Taxes:

The Company, with the consent of its member, has elected under the Internal Revenue Code and similar state statutes to be a Limited Liability Company. In lieu of federal corporate income taxes, the member of an Limited Liability Company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for income taxes has been included in the financial statements. Upon initial filing, the Company's tax return will be subject to examinations by tax authorities once filed. In addition, management has assessed tax positions of the Company and determined that there is a less than 51 percent likelihood that a tax position will not be sustained in an examination by the applicable taxing authority resulting in a tax liability to the Company.

Fair Value of Financial Instruments:

The Company's financial instruments, including cash, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments.

GLOSSLAB FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
MAY 23, 2023

**Note B**  
**Subsequent Events**

The Company evaluated subsequent events through July 24, 2023, when the financial statement was available to be issued. Management is not aware of any significant events that occurred subsequent to the balance sheet date, but prior to the filing of this report, that would have a material impact on the financial statement.

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**

**GLOSSLAB FRANCHISING, LLC**

**LIST OF CURRENT/TERMINATED FRANCHISEES**

**CURRENT FRANCHISEES (as of August 11, 2023)**

**Open and Operating Stores:**

Franchisee	Street Address	City	State	Zip Code	Contact Name	Store Phone/Email Address
Glosslab Coconut Grove LLC*	CocoWalk Shopping Center, Unit #208	Coconut Grove	Florida	33133	Joshua Coba and Erika Garcia	305-490-0050 erika@cobafranchiseconsulting.com
Glosslab Sunset LLC*	1821 Purdy Avenue, Miami Beach	Miami Beach	Florida	33139	Joshua Coba and Erika Garcia	305-490-0050 erika@cobafranchiseconsulting.com
Glosslab S Miami LLC*	7364 Red Road	South Miami	Florida	33143	Joshua Coba and Erika Garcia	305-490-0050 erika@cobafranchiseconsulting.com

\*Area Developer

**Franchise Agreements signed and Franchised Stores Not Yet Open and Operating:**

Franchisee	Street Address	City	State	Zip Code	Contact Name	Store Phone/Email Address
Glosslab Miami Shores LLC*	214-216 NE 98th Street	Miami Shores	Florida	33138	Joshua Coba and Erika Garcia	305-490-0050 erika@cobafranchiseconsulting.com
Glosslab Brickell, LLC*	801 Brickell Avenue, Suite L30	Miami	Florida	33131	Joshua Coba and Erika Garcia	305-490-0050 erika@cobafranchiseconsulting.com

\*Area Developer

**TERMINATED FRANCHISEES (as of August 11, 2023)**

As of the Issuance Date of this Franchise Disclosure Document, there were no previously terminated Glosslab franchised Stores.



**EXHIBIT H TO THE DISCLOSURE DOCUMENT**  
**INFORMATION ON OUR AREA REPRESENTATIVES**

As of the Issuance Date of this Franchise Disclosure Document, there are no Area Representatives.

**EXHIBIT I TO DISCLOSURE DOCUMENT**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

As you know, Glosslab Franchising, LLC and you are preparing to enter into a Franchise Agreement (the “Franchise Agreement”) for the operation of a Glosslab franchise (the “Franchised Store”). In the Franchisee Disclosure Questionnaire, Glosslab Franchising, LLC will be referred to as “we,” “us,” or “Franchisor.” The purpose of this questionnaire (this “Questionnaire”) is to ascertain certain information from you related to your purchase of the Franchised Store.

In the event that you are intending to purchase an existing Franchised Store from an existing franchisee, you may have received information from the transferring franchisee, who is not an employee, representative, or agent of Franchisor. The questions below do not apply to any communications that you may have had with a transferring franchisee.

**NOTE: DO NOT COMPLETE, ANSWER, OR RESPOND TO THE QUESTIONS OR INQUIRIES CONTAINED IN SECTION B OF THIS QUESTIONNAIRE IF THE OFFER OR SALE OF THIS GLOSSLAB FRANCHISE IS SUBJECT TO THE STATE REGISTRATION OR DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN. THE QUESTIONS AND INQUIRIES IN SECTION B OF THIS QUESTIONNAIRE DO NOT APPLY TO THE OFFER OR SALE OF YOUR GLOSSLAB FRANCHISE.**

**NOTE: DO NOT COMPLETE, ANSWER, OR RESPOND TO THE QUESTIONS OR INQUIRIES CONTAINED IN SECTION B OF THIS QUESTIONNAIRE IF THE GLOSSLAB FRANCHISE WILL BE OPERATED IN, OR IF YOU ARE A RESIDENT OF, THE STATES OF CALIFORNIA OR MARYLAND.**

**SECTION A**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

**Please review each of the following questions and statements carefully and provide honest and complete responses to each.**

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Store from an existing franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Did you sign a receipt for the Disclosure Document indicating the date on which you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Prior to today, have you entered into any binding agreement with Franchisor concerning the purchase of the Franchised Store?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Prior to today, have you paid any money to Franchisor in connection with the purchase of the Franchised Store, other than a deposit on the Franchise Fee previously paid in connection with the execution of Area Development Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Have you spoken with any other franchisees within the Glosslab franchise system prior to making the decision to purchase this Franchised Store?

Yes \_\_\_\_\_ No \_\_\_\_\_

If “yes,” who? \_\_\_\_\_

**SECTION B**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

**Please review each of the following questions and statements carefully and provide honest and complete responses to each.**

1. Have you personally studied and carefully reviewed our Disclosure Document and Franchise Agreement (and all their respective exhibits, attachments, and addenda)?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," please explain? (Attach additional pages, if necessary.)

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2. If we made any unilateral changes to the Franchise Agreement, did you receive a copy of the complete revised agreement at least seven (7) calendar days prior to the date on which the Franchise Agreement is being executed?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," please explain? (Attach additional pages, if necessary.)

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3. Do you understand all of the information contained in both the Disclosure Document and the Franchise Agreement (including all of their respective exhibits, attachments, and addenda)?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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4. Have you discussed the benefits and risks of operating a Glosslab franchise with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

**Please understand that we strongly encourage each franchisee to speak with an attorney or other trusted advisor before signing the Franchise Agreement.**

5. Do you feel that you understand the benefits and risks associated with the operation of a Glosslab franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

**If "No," again, we strongly recommend that you speak with an attorney or other trusted advisor before signing the Franchise Agreement to ensure that you do understand the benefits and risks associated with the operation of a Glosslab franchise.**

6. Do you understand that the success or failure of your business will depend in large part upon your skills, experience, and abilities, competition from other businesses, your location, interest rates, inflation, labor and supply costs, your personnel, lease terms, and other economic and business factors over which we and our affiliates have no control or influence? Further, do you understand that the economic and business factors that exist at the time that the Franchised Store opens for business may change over time?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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7. Has any employee or other person speaking on our behalf made any statement, claim, or promise of any kind regarding the sales, revenues, earnings, income, profits, or operating expenses of a Glosslab franchise, and/or any statement, claim, or promise of any kind regarding the potential sales, revenues, earnings, income, profits, or operating expenses that you may incur in connection with the operation of a Glosslab franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please explain in detail any statements, claims, or promises that were made. (Attach additional pages, if necessary.)

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8. Has any employee or other person speaking on our behalf made any statement, claim, or promise concerning a Glosslab franchise that is contrary to, or different from, the information contained within the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please explain in detail any statements, claims, or promises that were made. (Attach additional pages, if necessary.)

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9. Has any employee or other person speaking on our behalf made any statement, claim, or promise regarding the rights to a particular location or area (other than if your location is "determined" at the time that you are signing the Franchise Agreement, the Approved Location described in Section 2.2 of the Franchise Agreement, or in all other cases, the Designated Area described in Section 2.3 of the Franchise Agreement), or other rights that are not set forth within the Franchise Agreement, including any expansion option, right of first refusal for other franchise locations, right of first offer for proposed transactions, any broader protected territory rights, or exclusive or other preferential territory rights?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please explain in detail the statements, claims, or promises that were made. (Attach additional pages, if necessary.)

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10. Has any employee or other person speaking on our behalf made any statement, claim, or promise concerning the likelihood of success that you should (or might) expect to achieve in connection with the operation of a Glosslab franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please explain in detail the statements, claims, or promises that were made. (Attach additional pages, if necessary.)

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

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," please explain in detail the statements, claims, agreements, or promises that were made. (Attach additional pages, if necessary.)

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12. Do you understand that the Franchise Agreement gives you the right to operate a single Glosslab franchise at the Approved Location (as defined in the Franchise Agreement) and includes a limited protected territory, subject to our rights set forth in the Franchise Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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13. Do you understand that the Franchise Agreement contains the entire agreement between you and us regarding the operation of the Glosslab franchise, meaning that any prior oral or written statements that are not specifically set forth within the Franchise Agreement shall not be binding?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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- 
14. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) set forth in Section 7 of the Franchise Agreement (as well as your Non-Disclosure and Non-Competition Agreement), and that an injunction is an appropriate remedy to protect the interests of the Glosslab® system in the event that you violate those covenant(s)?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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15. Do you understand that you will pay the then-current price in effect at the time for certain inventory and supply products that you purchase from us and our affiliates, including the wax used in your Glosslab franchise, and that we and our affiliates may derive revenue from the sale of such products to you by charging more than our wholesale purchase price from the manufacturers?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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16. Do you understand that in all dealings with you, our officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity, and that all such dealings related to the offer and sale of the Glosslab franchise are solely between you and us?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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17. Do you understand that any transfer of your ownership interests in the franchisee entity, whether direct or indirect, requires compliance with the terms of Section 18 and Section 19, as applicable, of the Franchise Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "No," what parts do you not understand? (Attach additional pages, if necessary.)

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18. Apart from the individual identified on my Receipt to the Disclosure Document, were there any other individuals involved in offer or sale of this Glosslab franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "Yes," who? (Attach additional pages, if necessary.)

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Please understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have considered each question carefully and responded truthfully to each of the above questions. Please provide additional pages if necessary.

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(Name of Franchisee/Applicant)

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(Date)

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(Signature)

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(Name and Title of Person Signing)

**EXHIBIT J TO THE DISCLOSURE DOCUMENT**

**GLOSSLAB**

**AGREEMENT REGARDING FRANCHISEE LEASE**

This Agreement Regarding Franchisee Lease (this "Agreement") is entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, by and between \_\_\_\_\_ ("Tenant") and \_\_\_\_\_ ("Landlord").

**Recitals**

A. Glosslab Franchising, LLC ("Franchisor") and its predecessor and affiliates developed a system which relates to the establishment and operation of a retail business that provides high-end, hygiene-first, nail salon related hand and foot services, such as manicures, pedicures, and other related products and services (a "Glosslab Store"), which is identified by the service mark "GLOSSLAB®" and other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, copyrights, drawings, and commercial symbols that Franchisor may designate to be used in connection with Glosslab Stores (collectively, the "Marks").

B. Tenant plans to operate a Glosslab Store as a franchisee of Franchisor (the "Franchised Store").

C. Tenant and Landlord have entered into a lease agreement (the "Lease") to document the lease of those certain premises located in the [SHOPPING CENTER] in [CITY, STATE] (the "Premises") to Tenant for the operation of the Franchised Store. Capitalized terms used in this Agreement and not otherwise defined shall have the meaning set forth in the Lease.

D. Pursuant to a franchise agreement between Tenant and Franchisor (the "Franchise Agreement"), Tenant must include certain terms in the Lease acceptable to Franchisor.

E. The purpose of this Agreement is to memorialize the agreement of Landlord and Tenant to the following in consideration of Franchisor agreeing to approve the leasing arrangement for the Franchised Store to the extent required by the Franchise Agreement. Franchisor's approval of the leasing arrangement only indicates that the proposed Lease meets Franchisor's minimum criteria.

**NOW, THEREFORE**, for good and valuable consideration the receipt of which is by this Agreement acknowledged, Tenant and Landlord agree as follows (the "Additional Provisions"):

1. The terms of this Agreement shall control notwithstanding any provision in the Lease to the contrary, and shall only apply while the Premises (or any replacement premises provided by the Lease) are being operated as part of the "Glosslab" franchise system, either by Tenant, or by any permitted assignee or successor; provided, however that any provision of this Agreement which by its nature is intended to survive the expiration or termination of this Lease or such operation shall survive such expiration or earlier termination. Notwithstanding anything to the contrary in the Lease, the following provisions shall apply in connection with the Premises and the Lease:

- a. Tenant shall have the right to use the Premises for the operation of a prototypical "Glosslab Store" offering (i) primarily, manicure, pedicure, and other general foot and hand services and the retail sale of private labeled retail products, and (ii) incidentally thereto, the offering of other services, products and other items that are consistently sold and offered from other Glosslab Stores, as the same may evolve from time to time. Tenant shall operate under the trade name GLOSSLAB; provided, that Tenant may change such trade name without Landlord's consent in the event that Franchisor changes the trade name for franchisee operations for the "Glosslab" franchise system. References in the Lease or this Agreement to "Glosslab" shall be deemed to include any such alternate trade name.
- b. Upon termination or expiration of the franchise rights granted by Franchisor to Tenant, Franchisor has the right, at Franchisor's election, to receive an assignment of Tenant's leasehold interest. Tenant shall be solely responsible for all obligations, debts, liabilities and payments under the Lease arising and/or accruing under the Lease prior to the effective date of the assignment.
- c. Landlord shall provide Franchisor, at the same time that Landlord provides Tenant, with a copy of all lease amendments, extensions and assignments, and a copy of all notices of default or termination that Landlord



sends to Tenant relating to the Lease or the Premises. All notices to be provided to Franchisor under this Agreement shall be provided in the manner provided for in the Lease and addressed as follows, or such other address provided by Franchisor to Landlord in writing in compliance with the notice provisions set forth in the Lease:

Glosslab Franchising, LLC  
Attn: Franchise Development  
1821 Purdy Ave.,  
Miami Beach, FL 33139  
franchise@glosslab.com

- d. Prior to Landlord's exercise of any rights and remedies under the Lease to terminate the Lease or otherwise recapture the Premises, (i) Landlord shall have provided Franchisor with a written notice identifying the applicable default or breach by Tenant under the Lease (which such notice may have been provided pursuant to Section 1(c) of this Agreement), and (ii) to the extent Tenant did not timely cure any such default or breach under the Lease within the applicable notice and cure periods therefor, then Franchisor shall have the right (but not the obligation) to either (A) cure the default or breach on behalf of Tenant (such that Tenant shall remain in possession of the Premises), or (B) cure the default or breach by Tenant and (or in the event of a bankruptcy of Tenant or assignment for the benefit of creditors, to the extent permitted by law) take an assignment of the Lease from Tenant in accordance with the terms hereof and the terms of the Lease (such that Franchisor itself shall continue in possession of the Premises, as "Tenant" under the Lease, and shall be liable for rent and all other charges due under the Lease) or (C) cure the default or breach by Tenant (or in the event of a bankruptcy of Tenant or assignment for the benefit of creditors, to the extent permitted by law) and take possession of the Premises for up to one hundred and twenty (120) days in order to identify a new franchisee (other than Franchisor) to take an assignment of the Lease and possession of the Premises (it being understood that if Franchisor elects to take possession of the Premises pursuant to this subsection (C), Franchisor shall abide by the terms and provisions of the Lease during its period of possession, which shall include the continuing obligation to pay rent during this period). Franchisor's right to cure any such default or breach shall be limited to the cure period provided to Tenant in the Lease plus the longer of: (i) fifteen (15) business days after the expiration of any such applicable notice and cure period granted to Tenant for such default or breach, or (ii) fifteen (15) business days from Franchisor's receipt of such applicable notice of default or breach from Landlord.
- e. Landlord agrees that any assignment of the Lease and Tenant's leasehold interests in the Lease by Tenant to Franchisor or to a bona fide franchisee of Franchisor shall not require Landlord consent and shall not require any payment of any assignment fee or similar charge or result in any increase in rent or other fees as a result of such assignment and/or assumption. In the event Franchisor assumes Tenant's leasehold interest in the Lease pursuant to the terms of this Agreement and subsequently assigns the Lease and its leasehold interest to a franchisee approved by Landlord, such approval not to be unreasonably withheld, conditioned or delayed, Franchisor shall not be responsible for any obligations, debts, liabilities or payments arising and/or accruing under the Lease after the effective date of such assignment.
- f. Upon prior notice to Landlord, Franchisor may enter the Premises to make any modifications or alterations necessary, in Franchisor's sole discretion, to protect its franchise system and related Marks, without being guilty of trespass, or any other tort or crime.
- g. Upon expiration and non-renewal or termination of the Lease or the Franchise Agreement (and without creating a hold-over or similar tenancy of sufferance on the part of Tenant), Franchisor shall have the right, upon notice to Landlord, to enter the Premises to take an inventory of the proprietary property remaining in the Premises, back up electronic data and otherwise de-identify the Premises as a Glosslab Store, including the right to remove any interior and exterior signs, fixtures, improvements, equipment, décor or other property containing Franchisor's Marks or which are proprietary to the "Glosslab" franchise system. Franchisor shall exercise such rights so as to cause Landlord and any of Landlord's tenants the least possible inconvenience or interference to its/their business, and, as between the Landlord and Franchisor, any damage to the Premises caused by such entry into the Premises and/or such removal, shall be repaired at the sole cost and expense of Franchisor. Landlord agrees that Franchisor's rights to any such signs, fixtures

or other property shall be superior to any rights Landlord may have to such property (by lien or otherwise) set forth in the Lease or otherwise.

- h. Landlord shall not lease property to any competitive business similar to a Glosslab Store (including business commonly known as salon suites) in the building, mall or center, as applicable, in which the Premises reside. Landlord shall also not lease, rent, occupy or permit to be occupied or used, any spaces in the shopping center adjacent to, or sufficiently close enough to the Premises, to tenants whose use shall create any type of noise, odor or vibration which would penetrate into the Premises sufficient to disrupt the quiet enjoyment for the Glosslab Store clientele.
- i. Tenant is permitted to display on the Premises, the Marks or other trademarks, displays and signage in accordance with the specifications required by Franchisor and used in connection with the "Glosslab" franchise system, subject only to the provisions of applicable law. Without limiting the generality of the foregoing, Tenant shall have the right to install the s customary storefront sign (one sign on each façade of the Premises), provided Tenant complies with the lawful requirements of governmental authorities. Landlord acknowledges that the capital letters of the sign must be a height of at least 24 inches. Additionally, if there is a monument or pylon sign on which one or more occupants of the Shopping Center have identification panel(s), then Tenant shall be entitled to install its double-sided full- length identification panel on such sign at no additional cost to Tenant. Tenant shall also be permitted to the fullest extent permitted by applicable law, to furnish and install, at Tenant's sole cost and expense, temporary window clings on the interior portion of storefront windows and posters within the lobby area of the Premises, both of which are visible outside of the Premises, provided (a) the images on such clings and posters are consistent with those installed in other "Glosslab Store" locations, and (b) such window clings are professionally prepared.
- j. Tenant has the right to make leasehold improvements unique to a Glosslab Store based on architectural drawings and has the flexibility for remodeling or changing merchandising programs during the term of the Lease, all subject to Landlord's reasonable improvement, remodeling and merchandising restrictions.
- k. For the avoidance of doubt, no radius restriction set forth in the Lease shall apply to Franchisor or any other franchisee of the "Glosslab" franchise system unrelated to Tenant. Any references to any affiliate of Tenant shall not, in and of itself, include any other franchisee of the "Glosslab" franchise system.
- l. Upon Franchisor's reasonable request, Landlord shall provide Franchisor all sales and other information Landlord may have obtained or received relating to the operation of the Premises, and Tenant expressly consents to Landlord's provision of such information.
- m. Landlord and Tenant shall not amend or otherwise modify the Lease or this Agreement in any manner that would affect any of the provisions of this Agreement without Franchisor's prior, written consent.

2. Franchisor makes no representations or warranties regarding the Additional Provisions or in connection with this Agreement. Franchisor's approval of Tenant's Lease only indicates that the proposed Lease meets Franchisor's minimum criteria, and the parties agree that Franchisor's approval or disapproval of the Lease will not impose any liability or obligation on Franchisor. Tenant must have a competent real estate attorney review the Lease, at Tenant's expense.

3. Tenant and Landlord acknowledge and agree that Franchisor shall be a third-party beneficiary of this Agreement and the Lease so that Franchisor may enforce the rights granted to Franchisor directly against Tenant or Landlord, with or without the consent or joinder of Tenant or Landlord. Notwithstanding anything contained in this Agreement, unless Franchisor takes an assignment of the Lease in writing or otherwise exercises its rights set forth in this Agreement or in the Lease in accordance with the terms and provisions herein, Franchisor shall have no liability under the Lease or this Agreement. Franchisor shall not by reason of this Agreement be deemed to be a party to the Lease and in no event shall Franchisor be deemed a guarantor of Tenant's obligations, or a joint venturer with Tenant, under the Lease. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of Franchisor's Glosslab Store franchise rights. Franchisor may exercise any rights to take assignment of the Lease pursuant to this Agreement directly, or through its parent or affiliated entities that are under common control with Franchisor, and any such entity shall have the same rights as Franchisor under this Agreement.

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound hereby have duly executed this Agreement.

TENANT:

[FRANCHISEE ENTITY] \_\_\_\_\_

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

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

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

LANDLORD: \_\_\_\_\_ :

[LANDLORD ENTITY] \_\_\_\_\_

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

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

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

**[NOTE, CAN MIRROR SIGNATURE BLOCK FROM THE LEASE]**

**EXHIBIT K THE DISCLOSURE DOCUMENT**

**GLOSSLAB**

**FRANCHISING, LLC**

**MULTI-STATE**

**ADDENDA**

**ADDENDUM TO THE  
GLOSSLAB  
FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

The following are additional disclosures for the Franchise Disclosure Document of Glosslab Franchising, LLC as required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**NO WAIVER OF DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.

## **FOR THE STATE OF CALIFORNIA**

1. 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.

2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. In accordance therewith, franchisor shall not, upon termination or nonrenewal of a franchise, be entitled to offset amounts owed to franchisee by amounts owed to franchisor unless the franchisee agrees to the amount owed or the franchisor has received a final adjudication of any amounts owed. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Neither the franchisor, any person or franchise broker in ITEM 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.

3. ITEM 17 of the Disclosure Document is amended to add the following:

California Business and Professions Code sections 20000 through 20043 establish the rights of 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.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

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.

The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur in Miami-Dade County, Florida 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.

The franchise agreement requires application of the laws of Florida. This provision may not be enforceable under California law.

The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

The following URL address is for the franchisor's Web site:

[www.glosslab.com](http://www.glosslab.com)

FRANCHISOR'S WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.corp.ca.gov](http://www.corp.ca.gov).

## **FOR THE STATE OF HAWAII**

1. The following list reflects the status of our franchise registrations in the states which have franchise registration and/or disclosure laws:

This proposed registration is on file with or will shortly be on file with the States of California, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Carolina, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin.

There are no states that have refused, by order or otherwise, to register these franchises.

There are no states that have revoked or suspended the right to offer these franchises.

2. The Franchise Agreement has been amended as follows:

The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement, and more specifically Sections 4.2 and 16.2 and 18, contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

Sections 4.2.9, 18.2.3, 18.2.6 and 18.3.1.3 of the Franchise Agreement require franchisee to sign a general release as a condition of renewal or transfer of the franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

Section 16.2.1.12 of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

3. The Receipt Pages are amended to add the following:

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

**Registered agent in the state authorized to receive service of process:**

**Commissioner of Securities**

**Department of Commerce & Consumer Affairs Business  
Registration Division**

**335 Merchant Street, Room 203**

**Honolulu, Hawaii 96813**

**(808) 586-2722**

**FOR THE STATE OF ILLINOIS**

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act, 815 ILCS 705 governs.

No action for liability under the Illinois Franchise Disclosure Act may be maintained unless the action is brought before the expiration of the earliest of: (a) 3 years after the act or transaction constituting the violation upon which the action or liability is based; or (b) the expiration of 1 year after the franchisee becomes aware of any facts or circumstances reasonably indicating that the franchisee may have a claim for relief; or (c) 90 days after delivery to the franchisee of a written notice disclosing the violation.

Illinois law governs the Franchise Agreement (without regard to conflict of laws), and jurisdiction and venue for court litigation shall be in Illinois.

Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.

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

ITEM 17 of the Disclosure Document is amended to add the following:

The conditions under which a franchise can be terminated and your rights upon non-renewal, as well as the application by which you must bring any claims, may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987, Ill. Rev. Stat. Ch. 815 Par. 705/1 – 705/44.

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.



## **FOR THE STATE OF MARYLAND**

1. ITEM 17 of the Disclosure Document is amended to add the following:

Under the Maryland Franchise Registrations and Disclosure Law, Md. Code Ann. Bus. Reg. §14-201 et seq., no general release shall be required as a condition of renewal, termination and/or transfer which is intended to exclude claims under the Maryland Franchise Registration and Disclosure Law.

Any litigation between Franchisee and Franchisor may be instituted in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

The Franchise Agreement provides for termination upon bankruptcy or insolvency. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

2. Exhibit I to the Disclosure Document is amended as follows:

Any portion of the Disclosure Questionnaire which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any of these representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

## **FOR THE STATE OF MICHIGAN**

Please see Notice Required by the State of Michigan located immediately after the State Cover Page in this Disclosure Document.

## **FOR THE STATE OF MINNESOTA**

1. ITEM 13 of the Disclosure Document is amended as follows:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse the Franchisee for any costs incurred by the Franchisee in the defense of the Franchisee's right to use the Marks, so long as the Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim and Franchisor will reasonably protect Franchisee's rights to use the Marks.

2. ITEM 17 of the Disclosure Document is amended as follows:

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires, (except in certain specified cases) (1) that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

ITEM 17 shall not provide for a prospective general release of any claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or Franchise Agreement shall abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Under Minn. Rules 2860.4400J, you cannot consent to Franchisor obtaining injunctive relief. However, Franchisor may seek injunctive relief. Also, a court will determine if a bond is required.

No action may be commenced pursuant to the Franchise Agreement more than three (3) years after the cause of action accrues in accordance with Minnesota Statutes, Section 80C.17, Subd. 5.

**FOR THE STATE OF NEW YORK**

1. All references made herein to a “Disclosure Document” shall be replaced with the term “Offering Prospectus” as used under New York Law, as applicable.

2. The FDD Cover Page is amended as follows:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**

**REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, 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 FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

3. The following is added at the end of ITEM 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. The following is added to the end of ITEM 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy

Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

5. ITEM 17 of the Disclosure Document is amended to add the following:

No general release shall be required as a condition of renewal, termination and/or transfer which is intended to exclude claims arising under the New York General Business Law, Article 3, Sections 687.4 and 687.5.

6. The following is added to the end of the “Summary” sections of ITEM 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

7. The following language replaces the “Summary” section of ITEM 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

8. The following is added to the end of the “Summary” section of ITEM 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

9. The following is added to the end of the “Summary” sections of ITEM 17(v), titled “**Choice of forum**”, and ITEM 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

**FOR THE STATE OF NORTH DAKOTA**

1. ITEM 5 of the Disclosure Document is amended by the addition of the following language to the original language:

Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel this Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

2. ITEM 17 of the Disclosure Document is amended to add the following:

No general release shall be required as a condition of renewal, termination and/or transfer which is intended to exclude claims arising under North Dakota Law.

In the case of any enforcement action, the prevailing party is entitled to recover all costs and expenses including attorneys' fees.

The Franchise Agreement shall be amended to state that the statute of limitations under North Dakota Law will apply.

ITEMS 17(i) and 17(q) are amended to state that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

ITEM 17(v) is amended to state a provision requiring litigation or arbitration to be conducted in a forum other than North Dakota is void with respect to claims under North Dakota Law.

ITEM 17(w) is amended to state in the event of a conflict of laws, North Dakota Law will control.

## **FOR THE STATE OF RHODE ISLAND**

ITEM 17 of the Disclosure Document is amended to add the following:

The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-14 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

## **FOR THE STATE OF VIRGINIA**

Additional Disclosure: The following statements are added to ITEM 17.h of the Disclosure Document:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## **FOR THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**FOR THE STATE OF WISCONSIN**

ITEM 17 of the Disclosure Document is amended to add the following:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement.

**EXHIBIT L TO THE FRANCHISE DISCLOSURE DOCUMENT**

**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.



**Item 23 – 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 Glosslab Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. [New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement or other agreement or the payment of any consideration that relates to the franchise relationship.]

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

The franchisor is Glosslab Franchising, LLC, located at 1821 Purdy Ave., Miami Beach, FL 33139. Its telephone number is (833) 456-7733.

Date of Issuance: May 16, 2023, as amended August 11, 2023

The franchise seller for this offering is: [Check all that apply.]

Name: Rachel Glass  
Address: 49 West 23<sup>rd</sup> St., New York, NY 10010  
Telephone: (833) 456-7733

Name: Gary Gaines  
Address: 49 West 23<sup>rd</sup> St., New York, NY 10010  
Telephone: (833) 456-7733

Name: Joshua Coba  
Address: 5391 Fisher Island Dr.,  
Fisher Island, FL 33109  
Telephone: (954) 559-2303

Name: Michael Marrone  
Address: 1821 Purdy Ave,  
Miami Beach, FL 33139  
Telephone: (833) 456-7733

Area Representative (Name; Address; Telephone): \_\_\_\_\_

Glosslab Franchising, LLC authorizes the respective state agencies identified on **Exhibit A** to receive service of process for it in the particular state.

I have received a disclosure document dated May 16, 2023, as amended August 11, 2023 that included the following Exhibits:

- |  |  |
|--|--|
| A. List of State Administrators                | G. List of Current/Terminated Franchisees  |
| B. List of State Agents for Service of Process | H. Information on our Area Representatives |
| C. Franchise Agreement                         | I. Franchisee Disclosure Questionnaire     |
| D. Area Development Agreement                  | J. Agreement Regarding Franchisee Lease    |
| E. Table of Contents of Operations Manual      | K. Multi-State Addenda                     |
| F. Financial Statements                        | L. State Effective Dates                   |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

KEEP THIS COPY FOR YOUR RECORDS.

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

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- B. List of State Agents for Service of Process
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- D. Area Development Agreement
- E. Table of Contents of Operations Manual
- F. Financial Statements
- G. List of Current/Terminated Franchisees
- H Information on our Area Representatives
- I. Franchisee Disclosure Questionnaire
- J. Agreement Regarding Franchisee Lease
- K. Multi-State Addenda
- L. State Effective Dates

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Please sign this copy of the receipt, date your signature, and return it to Glosslab Franchising, LLC, located at 1821 Purdy Ave., Miami Beach, FL 33139.