

**LICE CLINICS OF AMERICA® FRANCHISE**  
**DISCLOSURE DOCUMENT**

## FRANCHISE DISCLOSURE DOCUMENT



**Larada Sciences, Inc.**  
**A Delaware corporation**  
**4873 South State Street**  
**Murray, Utah 84107**  
**(801) 533-5423**

[www.liceclinicsofamerica.com](http://www.liceclinicsofamerica.com)  
[www.airalle.com](http://www.airalle.com)

We (“Larada Sciences, Inc. or LSI”) offer individual franchises for the operation of Lice Clinics of America® businesses, which include a main “Clinic” and offer lice screening and diagnosis, lice-treatment services using the patented AirAllé® heated-air device, and other lice-treatment services and related products.

The total investment necessary to begin operation of a single Clinic is from \$90,750 to \$138,900. This includes \$55,900 to \$60,150 that 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 Adam Ward at 4873 South State Street, Murray, UT 84017, telephone (801) 533-5423.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

Issuance Date: April 19, 2024, as amended June 12, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
<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 A 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 Lice Clinics of America 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 Lice Clinics of America franchisee?</b>	Item 20 or Exhibit C 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 D.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Utah. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Utah than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty and advertising payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Sales Performance Required.** You must maintain minimum performance levels. Your inability to maintain these levels may result in minimum use payments and/or minimum product payments, or loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. **Turnover Rate.** During the last three years, a large number of franchised outlets (19 in 2023, 22 in 2022 and 47 in 2021) were terminated, not renewed, reacquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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

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**A. NOTICE REQUIRED BY STATE OF MICHIGAN**

**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.**

1. 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.

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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

limited to:

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

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

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

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision

(c).

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

**Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Law Building, Lansing, Michigan 48913, telephone (517) 3737117.**

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### EXHIBITS

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EXHIBIT C - Lists of Franchisees and Outlets and Former Franchisees

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## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

For purposes of and to simplify the language in this disclosure document, “we” and “LSI” mean Larada Sciences, Inc., the franchisor, and “you” means the person who buys a Business (as defined below), the franchisee. If a corporation, partnership, limited liability company or partnership, or other legal entity buys a Business, “you” also may mean your owners.

#### The Franchisor

We registered as a Delaware corporation on December 20, 2013, having previously incorporated in the State of Utah. Our principal place of business is at 4873 South State Street, Murray, Utah 84107, and our telephone number is (801) 533-5423. We conduct business under our own name and the name “Lice Clinics of America®,” and do not conduct business under any other name. Our agents for service of process are disclosed in Exhibit D. We have no parents, predecessors or affiliates that are required to be disclosed in this Item.

#### Our Business Experience

Our company was formed in 2006 to commercialize a new medical device (a heated-air “Device” now known as AirAllé that is used in lice-removal clinics) that was invented by researchers at the University of Utah.

In 2010 we began manufacturing and marketing the Device after successfully completing a clinical trial, being issued a patent (as further described in Item 14) and getting U.S. Food and Drug Administration (“FDA”) clearance. From 2010 to 2013, we rented devices to business owners who operated lice-treatment businesses under their own brands. We began franchising lice-treatment businesses on December 31, 2013, when we changed from a rental model to a licensing model, where we licensed our intellectual property, including the devices, to independent business owners within an exclusive geographic territory for a fee. We created the Lice Clinics of America® brand in 2014.

During the period when we operated a licensing model, we had clinic owners sign an old-form franchise agreement that was titled a “License Agreement.” Some of the early License Agreements allowed owners to operate clinics under a different name than Lice Clinics of America. For purposes of this disclosure document, we will refer to all who signed our old-form franchise agreement as franchisees.

At the end of 2023, we had 105 operating outlets in the U.S. We consider an outlet to be any franchised territory that has at least one treatment location in operation in the territory; but some of the territories had multiple locations (i.e. a Clinic plus one or more Satellites) open. The total number of Clinics and Satellites open as of December 31, 2023 was 125. All outlets operate under the Lice Clinics of America name. LSI has owned and operated one Lice Clinics of America® clinic in the Salt Lake City area since August 2016.

In 2017, we changed from a licensing model to a franchise model in order to provide greater marketing support and more consistency in the Lice Clinics of America® brand.

Other than offering franchises for lice-treatment businesses, LSI has never offered franchises for any other type of business.

### Franchise Offered

We offer to qualified applicants the right to operate a Lice Clinics of America® business (“Business”) using the “Marks” (as defined in Item 13), including the Mark “Lice Clinics of America,” and using the Device, within a specific geographic area (“Territory”) under the terms of our “Franchise Agreement” (a copy of which is attached as Exhibit B).

Lice Clinics of America® Businesses offer lice screening and diagnosis, lice-treatment services using our Device, and other lice-treatment services and related products. A Business must include a physical clinic location and storefront (“Clinic”) within the Territory that is marketed as a Lice Clinics of America® clinic where Device treatments are provided. You may also open and operate secondary places of business within that Territory (“Satellites”). You will not need to sign an addendum or separate form of agreement to establish any Satellites in your Territory.

Even though the Device you will use to provide lice treatment services to your customers is considered a medical device by the FDA, your Clinic and any Satellites you operate will not be medical clinics. Neither your Clinic or Satellites, nor your use of the Device, need to be overseen by any type of medical professional. Rather, the FDA just requires that the Device only be used by certified operators. As further described in Item 11, we will provide Device training and certification to you and your owners and employees.

### Market and Competition

The market for treating head lice falls into three categories: professional services, over-the-counter (OTC) and prescription. While OTC and prescription goods are well-developed categories in this market, professional services—which is the category for your Business—is still an emerging category.

You will offer from your Business, lice screening and diagnosis, and lice-treatment services and products and related products. Typical customers include individuals seeking lice screening and diagnosis, and lice-treatment services and products for themselves and their family members. Although there is no natural seasonality to lice infestations, there is seasonality to the number of lice treatments because of increased awareness during some parts of the year. The fall months of every year experience the most treatments performed and products sold because there are more media reports on lice, and parents and schools are more vigilant about checking heads when school gets back in session. The lowest month for treatments is usually February. Your competition will include other lice-screening, diagnosis and treatment businesses that may be part of national or regional chains or networks. Consumers can also purchase prescription drugs and OTC products (including products branded as Lice Clinics of America®) from pharmacies, retail stores and online for treating head lice at home.

### Laws and Regulations

In addition to laws and regulations that apply to businesses generally, federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Business, including those which: (a) regulate matters affecting the safety and welfare of your customers; (b) regulate employee practices and safety; (c) establish standards and requirements for fire safety and general emergency preparedness; and (d) regulate privacy and data protection.

You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance. As of the issuance date of this disclosure document, lice clinics are not regulated

by federal or state health-department agencies. As such, you will not need to procure any state or federal licenses to run your Clinic or any Satellites. The topical products you will use for treatments in your clinic may or may not be regulated by the FDA, state or local agencies. However, the use of the Device is regulated by the FDA.

There may be times when you request certain administrative support services from us, such as our medical director writing letters of medical necessity for individuals you treat. In order for us to furnish such services and for you to be able to disclose certain protected health information, you will need to sign a Business Associate Agreement (attached as Exhibit H) with us so that we comply with federal laws regarding the use and disclosure of individually identifiable health information. If you sign a Business Associate Agreement with us your Clinic and any Satellite would need to follow HIPAA guidelines as though it were a “covered entity.”

## **ITEM 2 BUSINESS EXPERIENCE**

### Chief Executive Officer and Director: Claire Roberts

Ms. Roberts has been Chief Executive Officer of LSI since June 2013.

### Chairman: Yuri Pikover

Mr. Pikover has been on our Board of Directors since August 2011. He has been the Chairman of the Board since January 2015. For the past 21 years he has been the Managing Director of 37 Ventures LLC, located in Thousand Oaks, California.

### Director: Brent Sloan

Mr. Sloan has been on our Board of Directors since May 2012. For the past 31 years he has been the founder of Kid to Kid Franchise System, Inc., located in North Salt Lake City, Utah.

### President: Scott Wilson

Mr. Wilson has been our President since January 2016.

### Vice President of Legal and Compliance: Adam Ward

Mr. Ward has been our Vice President of Legal and Compliance since April 2018. From August 2013 to March 2018, he was our Chief Operating Officer.

## **ITEM 3 LITIGATION**

### **Governmental Actions**

We entered into a “Consent Order” with the California Commissioner of Financial Protection and Innovation effective August 3, 2017. The Consent Order resolved the investigation by the Department of

Financial Protection and Innovation (“DFPI”) of our alleged violations of the California Franchise Investment Law. Under the Consent Order, we agreed to pay the DFPI an administrative penalty of \$50,000, stop sales activity in California until our franchise has been registered with the DFPI, provide an approved Notice of Violation and offer of rescission to all existing franchisees who signed our old-form franchise agreement for a location in California or who signed our old-form franchise agreement for a location outside of California but who are a California resident (collectively, the “California Franchisees”), pay restitution to any California Franchisee that accepts our offer of rescission (consisting of the return of the initial franchise payment and Device deposits paid by the California Franchisee, and the repurchase of any LSI-branded products), and require certain employees to attend franchise law training. Since signing the Consent Order, we have paid the administrative penalty, initially registered our franchise offering with the DFPI, registered our Notice of Violation with the DFPI for the California Franchisees located in California, sent the approved Notice of Violation and offered rescission to all existing California Franchisees who signed our old-form franchise agreement for locations in California, as well as to one Franchisee who is a California resident but who signed three old-form franchise agreements with us for locations outside of California. We sent out 37 Notices of Violation to these 20 California Franchisees. Two of those California Franchisees elected rescission during the applicable rescission period, and three other California Franchisees sold their territories (two of which had clinics that they closed) back to us after the rescission period ended.

Prior to submitting an initial franchise application for our franchise offering in the State of Virginia, we initiated discussions with the Virginia Division of Securities and Retail Franchising (“Virginia Division”) as to whether the “License Agreements” we entered into with licensees for locations within the state constituted franchises under the Virginia Retail Franchising Act. Following an investigation by the Virginia Division, the Virginia Division alleged that we entered franchise agreements with 8 Virginia franchisees for operation in Virginia without being registered and failed to provide these Virginia franchisees with an FDD cleared for use by the Virginia Division. Without admitting or denying the allegations, we entered into a Settlement Order with the Virginia Division dated June 20, 2018 (Commonwealth of Virginia, ex rel., State Corporations Commission v. Larada Sciences, Inc. and Claire Roberts, Case No. Sec-2017-00047). Under the Settlement Order, we agreed to register our franchise offering with the state, pay to the state a \$13,000 penalty and \$2,500 in investigatory costs, offer to each Virginia licensee/franchisee rescission and a refund of their initial fees, and agreed to be permanently enjoined from any future violations of the Virginia Retail Franchising Act. We subsequently paid to the Virginia Division the penalty and investigatory costs, registered our franchise offering with the state and made rescission and refund offers to each Virginia licensee/franchisee. None of those Virginia licensees/franchisees accepted our rescission and refund offers.

Prior to submitting an initial franchise application for our franchise offering in the State of Washington, we initiated discussions with the State of Washington Department of Financial Institutions - Securities Division (“Washington Division”) as to whether the “License Agreements” we entered into with licensees for Lice Clinics of America (“LCA”) businesses within the state constituted franchises under the Washington Franchise Investment Protection Act (“Washington Act”). Following an investigation by the Washington Division, the Washington Division alleged that our offer and sale of at least 8 LCA businesses to Washington licensees constituted the offer and sale of franchises under the Washington Act and, as a result, we failed to register with the Washington Division before offering and selling these franchises and failed to provide the purchasers of these franchises with all of the basis and assumptions underlying financial projections made and either represented or omitted to disclose material facts, all in violation of the Washington Act. Without admitting or denying the allegations, we entered into a “Consent Order” with the Washington Division dated May 23, 2018 (Order No. S-17-2283-18-CO01), which resolved the investigation by the Washington Division of our alleged violations of the Washington Act. Under the Consent Order, we agreed to cease and desist from violating the Washington Act and pay the Washington Division \$9,725 in investigative costs. We paid the investigative costs to the Washington Division and

subsequently received a franchise registration permit from the Washington Division, effective March 13, 2020. We did not offer rescission to the Washington licensees because it was not required by the Consent Order.

### **Litigation Against Franchisees in the Last Fiscal Year**

On February 10, 2023, we filed a suit to collect royalty payments in *Larada Sciences, Inc. v. Martha Brown*, No. 239902441 (Third Judicial District Court of Utah).

On October 27, 2022, we filed a suit to collect royalty payments in *Larada Sciences, Inc. v. Jacklyn O'Connell and Disentangle, LLC*, No. 220906539 (Third Judicial District Court of Utah).

On February 10, 2023, we filed a suit to collect royalty payments in *Larada Sciences, Inc. v. Sharon Rizzuto*, No. 01-23-0000-7399 (American Arbitration Association).

Other than these actions, no litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

On March 19, 2021, we, along with 37 Ventures, LLC, the guarantor to our senior secured debt, filed a joint petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code in the Central District of California, Case 9:21-bk-10269-DS. On September 8, 2022, the bankruptcy court confirmed our plan of reorganization, which restructured the rights of creditors by providing for certain payments and discharged their claims.

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

## **ITEM 5 INITIAL FEES**

### Franchise Fee

If you sign a Franchise Agreement with us, you must pay us a one-time “Franchise Fee” of \$49,500 for a single territory. We offer qualified franchisees the ability to purchase two or three territories initially at a discounted rate. If you qualify for our multi-territory discount, you must pay us \$69,500 for two territories, or \$79,500 for three territories. The Franchise Fee is due to us when you sign the Franchise Agreement and is not refundable. If you buy additional territories from us after your initial purchase, you will pay us a discounted Franchise Fee of \$40,000 for each subsequent territory.

In fiscal year 2023, The Franchise Fees we charged ranged from \$10,000 to \$24,000. All 2023 territory sales were to existing franchisees who were multi-unit owners and were eligible for additional discounted pricing.

### Financing Your Franchise Fee

We may, at our sole and absolute discretion, provide installment payment plans to qualified franchisees for the Franchise Fee. The terms of the installment payment plan will depend on the number of territories purchased, the timeframe to open the clinics of the designated territories purchased, and the creditworthiness of the franchisee. All Franchise Fees made under an installment plan are non-refundable.

### Device Deposits

You also must pay us a refundable deposit for each Device we license you to use under the Franchise Agreement. The refundable deposit for the current Device (the “1.0 Model”) is \$1,500. We estimate that the total amount of deposits you will pay to us before you open your Clinic will range from \$3,000 (two 1.0 Model Devices) to \$6,000 (four 1.0 Model Devices). All deposits paid to us will be refunded to you upon your return of the Devices to us, less the cost of any prepaid shipping labels we generate for the return and any outstanding amounts owed by you to us and/or repairs (including service and parts) required on the Devices. However, if any Device is lost or stolen, we will keep the deposit paid for that Device, as well as charge you a penalty of \$3,000 for each lost or stolen Device, and you will have to pay us a new deposit for any additional Device we provide to you.

### Costs Relating to Devices and Certain Products

You must pay for shipping and handling costs for all Devices, Professional Services Products, and Clinic Retail Products (as defined in Section 1 of your Franchise Agreement) shipped to you by us or our Approved Suppliers. In addition to paying shipping and handling, you must also pay our Approved Suppliers for the actual products themselves. We estimate that the total amount of shipping and handling costs and product costs you will pay to us or our Approved Suppliers before you open your Clinic will range from \$250 to \$650, depending on how many Devices we license to you, where the Clinic is located and how many Clinic Retail Products and Professional Services Products you purchase from our Approved Suppliers. Shipping and handling fees are not refundable.

### Initial Training and Device Certification

You must pay us \$2,000 for two days of initial owner training. The training fee will pay for initial training for up to four people, so long as they are all trained at the same time. You must also pay us \$300 for each person we train and certify the use of the Device. You should anticipate spending between \$600-\$1,200 for certification, since you and 1-3 of your employees will need to be certified on using the Device before you open your Clinic. You must also pay Profit Soup, an Authorized Supplier, \$300 for initial P&L (QuickBooks) training.

### Background Checks

You must pay us \$250 for each person who we run a background check on. Since all owners will need to have a background check. You should anticipate spending between \$250-\$500 for those prior to signing your Franchise Agreement.

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**ITEM 6  
OTHER FEES**

<b>Type of Fee</b>	<b>Amount (See Note 1)</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	8% of Gross Sales	Within the first 5 business days of the month for the prior month's Gross Sales	See Note 2
Marketing Fund Fee	4% of Gross Sales	Within the first 5 business days of the month for the prior month's Gross Sales	See Note 3
Technology Fee	\$380 for each Clinic; \$230 for each Satellite	Within the first 5 business days of the month	See Note 4
Late Fee	Accrued interest of 1.5% per month	As incurred	Payable if for any reason we are unable to charge your Credit Card or draft your ACH for an amount you owe us. It is calculated by multiplying the total outstanding balance that month by .015.
Minimum Royalties	\$9,000 a year for the Territory, starting the first 12 months after your Clinic is opened	As incurred	See Note 5
Device Replacement	\$1,500 for a new deposit on the Device, plus shipping and handling	As incurred	See Note 6
Indemnification	Will vary under the circumstances	As incurred	Except for claims arising solely because of the design or manufacturing of our Devices, you must indemnify us, and our owners, officers, directors, insurers, successors and affiliates for any claims or liabilities in connection with the operation of your Clinic, including failure to comply with the terms of the Franchise Agreement
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	We may recover costs and attorneys' fees if you lose in a dispute with us or that we incur in collecting any amounts owed to us

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	\$10,000	Before completion of transfer	
Renewal Fee	\$5,000	Prior to the expiration of the Franchise Agreement	
Additional Training	\$2,000 per additional training session; \$300 for P&L refresher training	As incurred	See Note 7
Certification Fee	\$300 per person that we train and certify on the use of the Devices	As incurred	See Note 8
Audit Expenses	Will vary under the circumstances	As incurred	See Note 9
Modernization and/or replacement	Will vary under the circumstances, but not to exceed \$15,000	Prior to renewing the Franchise Agreement	See Note 10
Minimum Advertising	\$1,000 per month	As incurred	See Note 11
Franchise Convention	\$1,000-\$2,000 a year	As incurred	See Note 12
Digital Marketing Management Fee	\$250-\$750 per month	As incurred	See Note 13
Accounting Services Fee	\$550-\$650 per month	As incurred	See Note 14

Notes:

- (1) Except where otherwise noted, all fees are payable to us and are non-refundable and uniformly imposed and collected for new franchisees, although some existing franchisees with older agreements may pay lower fees.
- (2) We will access your POS System at the beginning of each month to generate a Gross Sales report on which to calculate your Royalty Fee. The Royalty Fee is determined by multiplying your Gross Sales by .08. Gross Sales is defined as the total revenues and receipts from all Treatments performed and products, services, plans and merchandise sold in or from your Clinic, including any mobile operations or sales, cover charges or fees, as well as all license and use fees; however, Gross Sales excludes sales taxes and tips paid to technicians by customers. These Royalty Fees are different from the Minimum Royalties (as defined in Section 1(a) of Schedule D of the Franchise Agreement) that relate to annual royalty minimums you must pay us.
- (3) We will calculate your Marketing Fund Fee from the Gross Sales report we receive from your POS System each month. The Royalty Fee is determined by multiplying your Gross Sales by .04. We will put the amount we charge you for the Marketing Fund Fee into our Dedicated Marketing Fund, which will be used for marketing initiatives.
- (4) The Technology Fee covers the following services and software: management of your website,



online booking, E-Commerce, call tracking, Nutshell (a CRM tool), SOCi (a social-media platform), and Meevo (the POS System you must use). We reserve the right to enact reasonable and competitive price increases to the Technology Fee with 90 days' prior written notice to you.

- (5) If the amount of Royalty Fees paid is less than the Minimum Royalties, you can cure that default by paying the difference between the Minimum Royalties and the actual Royalty Fees paid in that year.
- (6) Should any Device we license to you be lost or stolen, you must notify us within 7 days of such event. You will lose the security deposit you had paid for that Device. You will then be required to pay a new security deposit for any replacement Device.
- (7) We will charge you a \$2,000 tuition fee for you and up to three others to attend our initial training program, which is required prior to you opening your Clinic. If you or your employees need additional training, we will similarly charge you \$2,000 for each training session. You will also need to pay a third-party vendor for P&L training. The initial training costs \$300. You will then need to take a refresher P&L training course once a year. The cost of that refresher training will be \$300 or less. See Items 7 and 11 for more information on training.
- (8) Before you or any of your employees use a Device, you will need to be trained and certified on the use of the Device. The \$300 certification fee is the amount you will pay us for each person who becomes certified.
- (9) We have the right to audit your books and records relative to your Clinic and any Satellites. If the audit discloses an understatement of your Gross Sales of 3% or more, we have the right to be reimbursed for the costs of the audit. (See Franchise Agreement, Section 11(Q).)
- (10) One of the conditions to you renewing your Franchise Agreement is that you modernize and/or install replacements in your Clinic to comply with our uniformity requirements. Any such modernization/replacement costs will not exceed \$15,000.
- (11) Upon opening your Clinic, you will be required to spend a minimum of \$1,000 each month for advertising in your Territory.
- (12) We periodically host conventions for our franchisees to attend (which may be held as frequently as once a year). It is expected that you will spend \$1,000-2,000 each year on travel, meals and other costs associated with attending those conventions.
- (13) You are required to use our in-house marketing team to manage your digital marketing campaigns. It is expected that you will pay us a monthly fee of between \$250-\$750 to do that. The fee range depends on how many, and what types, of campaigns (e.g. Facebook, PPC, SEO, Yelp) we manage for you.
- (14) For the first 12 months that your Clinic is open, you are required to use an Approved Supplier for outsourced accounting services. The estimated cost for that is \$550-\$650 a month, depending on how much volume you do in your business.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT—SINGLE CLINIC**

<b>Type of Expenditure (See Note 1)</b>	<b>Amount (See Note 2)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Franchise Fee See Note 3	\$49,500	Lump Sum	When you sign the Franchise Agreement	Us
Clinic Lease – Security Deposit and 3 Months’ Rent See Note 4	\$4,800 to \$10,000	As Agreed Upon	As Incurred	Third Party
Equipment and Furniture See Note 5	\$8,000 to \$14,000	As Agreed Upon	As Incurred	Third Party
Leasehold Improvements See Note 6	\$0 to \$16,000	As Agreed Upon	As Incurred	Third Party
Signs and Promotional Displays See Note 7	\$500 to \$7,000	As Agreed Upon	Before Opening	Various Third Parties
Device Deposits (Refundable) See Note 8	\$3,000 to \$6,000	Lump Sum	When you sign the Franchise Agreement	Us
Advertising and Promotion See Note 9	\$5,400 to \$6,600	As Agreed Upon	Before and after Opening	Various Third Parties
Initial Training See Note 10	\$2,300	Lump Sum	Before Opening	Us and Outside Suppliers
Device Certification See Note 11	\$600 to \$1,200	Lump Sum	Before Opening	Us
Travel Expenses for Training See Note 12	\$1,600 to \$3,800	As Agreed Upon	As Incurred	Various Third Parties
Other Prepaid Expenses and Deposits See Note 13	\$1,400 to \$1,700	As Agreed Upon	Before Opening	Various Third Parties
Miscellaneous Pre-Opening Expenses See Note 14	\$1,000 to \$1,200	As Agreed Upon	Before Opening	Various Third Parties
Additional Funds – 3 Months See Note 15	\$6,000 to \$8,000	As Agreed Upon	As Incurred	Outside Suppliers
Supplies, Initial Inventory and Retail Products	\$4,500 to \$8,500	As Agreed Upon	Before Opening	Outside Suppliers

See Note 16				
Background Check See Note 17	\$250 to \$500	Lump Sum	Before Signing the Franchise Agreement	Us
Accounting Services (3 months) See Note 18	\$1,650 to \$1,950	As Agreed Upon	As Incurred	Various Third Parties
Shipping See Note 19	\$250 to \$650	Lump Sum	Before Opening	Us
TOTAL	\$90,750 to \$138,900			

Notes:

- (1) This Table reflects your estimated initial investment for a single Clinic to be opened and operated within your Territory under the Franchise Agreement and does not include any costs associated with the development of any Satellites within the Territory.
- (2) Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable. Except for the Franchise Fee that we in our sole discretion may finance as more fully described in Item 5, we do not finance any of these expenditures. See Item 10 for additional details about financing.
- (3) The first territory is \$49,500. A second and any subsequent territories are \$40,000 each, unless you purchase two or three territories at the same time as your initial purchase, in which case you would pay \$69,500 for two territories and \$79,500 for three territories. The Franchise Fee paid to us is more fully described in Item 5.
- (4) Clinics will generally be located in medical buildings, medical parks, strip malls, or free-standing locations. Rent will vary widely from location to location depending on many factors, including local market conditions, but we estimate it will range from \$1,200 to \$2,500 per month.
- (5) Your costs for equipment will vary depending upon the size and design of your Clinic. Equipment items include the following: phone (at least one mobile), front desk, 2-4 salon chairs, computer/printer/software, 1-2 iPads, display shelves, art, furniture, TV (optional), washer and dryer (optional).
- (6) Your costs for leasehold improvements will vary depending upon the size and design of your Clinic, its geographic location, costs assumed by your landlord, and other economic factors. A key factor is any electrical upgrades required for the power usage of the Devices. Leasehold improvements in this item include paint, flooring, lighting, electrical and any construction. It is possible that you may not have any leasehold improvements if you move into a ready-as-is location.
- (7) Depending on the building and landlord, you may have a large display sign on the exterior of your clinic/building. Some landlords will not allow you to use the Lice Clinics of America® name on the exterior.
- (8) The Device Deposit paid to us is more fully described in Item 5. The low end of the range assumes

two 1.0 Model Devices. The high end of the range assumes four 1.0 Model Devices.

- (9) Advertising and promotion could include such items as flyers/brochures, Facebook ads, Google AdWords, Yelp, and the management fee you will pay us to manage any of those campaigns.
- (10) As a Clinic owner, you (and whoever is managing your Clinic, if different than you) must complete Device certification and attend owner training prior to opening your Clinic. The tuition for that owner training (which covers up to four people) is \$2,000. You must also complete P&L (Quickbooks) training with Profit Soup or another Approved Supplier. The cost of that training is \$300.
- (11) You should expect that you and 1-3 of your employees will need to be certified before you open your Clinic.
- (12) You must pay all costs associated with attending owner training, including airfare, hotel, meals, and wages and compensation for any individual attending training. Training is two full days in Salt Lake City, Utah, unless we decide, in our sole discretion, that the training will be done at another location or virtually.
- (13) Prepaid insurance and utility deposits may vary, depending on the size and location of your Clinic. Your insurance company may require you to pay a full year of premiums in advance. Your gas and electric companies may require you to prepay the first month's utilities.
- (14) Miscellaneous expenses include local permit and license fees, legal and accounting fees.
- (15) This amount estimates the expenses you will incur during the first three months of Clinic operations, including initial wages, occupancy costs and utilities, Clinic Retail Products, and shipping and handling for Clinic Retail Products and Devices. This estimate does not include your compensation during this three-month period. The estimated range considers size of the Clinic, whether you will work in the Clinic or hire staff, and how many initial Clinic Retail Products you choose to stock and assumes that there is no external financing. Your costs also will depend on factors such as local economic conditions, the prevailing wage rate, and how much you follow our systems and procedures. These amounts are based on information gathered from our franchisees that have collectively opened hundreds of clinics and satellites throughout the United States, as well as our experience opening our own corporate clinic and our more than 17 years of experience in the lice-treatment industry.
- (16) You will also need to purchase supplies such as combs, towels, capes, cleaning supplies, etc. as well as retail products to sell. You should anticipate paying between \$800 and \$1,600 for supplies and between \$2,200 and \$3,900 for retail inventory.
- (17) We will conduct a background check on you prior to selling you the Territory. We will charge you \$250 per person that we screen. This estimate assumes we will conduct a check on you and, if applicable, your business partner.
- (18) For the first 12 months that your Clinic is open you will need to pay for accounting services from an Authorized Supplier. We anticipate that you will need to pay \$550-\$650 per month for those services.
- (19) You will need to pay us or our Approved Suppliers to ship Devices and Clinic Retail Products to

you. Depending on where your Clinic is located, those shipping costs will range from between \$250 and \$650.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform quality of lice treatments across LSI's franchised Clinics, you must offer lice treatments using the Device from your Business and no other heated-air treatments, and must maintain and comply with our quality standards relating to the use and maintenance of all Devices. You also must offer for sale from your Clinic and Business certain lice-treatment products. Products, services, inventory, equipment, fixture, furnishings, signs, advertising materials, trademarked items and novelties, and other items or services to be used in the operation of your Clinic (the "Approved Supplies") must be purchased from manufacturers, distributors and/or suppliers (the "Approved Suppliers") that we have approved prior.

We will furnish to you, from time to time, lists of Approved Supplies or Approved Suppliers, as we may amend from time to time. You may request that we add supplies or suppliers to our approved lists. We have the right, but are under no obligation, to approve those supplies or suppliers, as well as to approve an alternative supplier for the items described in this Item 8. The process for evaluating alternative suppliers consists of our management team a) determining a business need for having an alternative supplier, b) identifying potential suppliers that have the production capacity to supply our network's needs as well as the proper regulatory credentials (if appropriate), c) sending the supplier a request for proposal, d) evaluating their proposal, and e) visiting their manufacturing facility (if appropriate). You or other franchisees may propose we evaluate alternative suppliers. As of the issuance date of this disclosure document, we do not charge a fee to evaluate alternative suppliers, but we reserve the right to do so in the future. Our criteria for approving suppliers will be made available to you upon written request. We do not issue specifications and standards to you and other franchisees for the items described in this paragraph but may periodically issue such specifications and standards to any potential or actual alternative suppliers for these items. We will notify you within 30 days if we approve or revoke approval of an alternative supplier for any of the items described in this Item 8.

#### Designated Products and Services

You are required to offer the full-service "Signature AirAllé Treatment," a three-step procedure that includes heat treatment with the Device, combing and the application of a topical product. You may offer a heated-air treatment without combing (called the "Express AirAllé Treatment"). You are required to perform treatments using our current protocols, as stated in our Operations Manual and which we may update from time to time. You agree to offer comb-out services for contraindicated clients who are prohibited from receiving a Device treatment.

We are currently the sole source of Devices and Device Accessories you are required to use in your Clinic. You are not required to purchase any Device Accessories before you open your Clinic. You are not required to purchase a minimum number of Device Accessories, but you are required to purchase enough Device Accessories to repair or maintain the Devices being used in your Business. Our Approved Suppliers are the sole source of the Professional Services Products you are required to use in your Clinic, the Clinic Retail Products you are required to sell in your Clinic, the Consumer Devices and the Consumer Tips. We will license to you up to four Devices per Clinic for the Device Deposits described in Item 5. However, we retain the sole ownership of all Devices licensed to you.

### Location of your Clinic; Real Estate Lease

You are not required to purchase, lease or sublease the Clinic premises or the premises of any Satellite from us or our affiliate. You are, however, required to use an approved broker if we have one in your area; obtain our approval on any Clinic location prior to signing the lease; provide us with a copy of your lease; and use your best efforts to have the landlord to sign an addendum to the lease, which is attached to the Franchise Agreement as Schedule C. You are also required to send us an executed copy of the lease within five days of its execution.

### Fixtures, Equipment, Furniture and Signs

You must purchase fixtures, equipment, furniture and signs from our list of Approved Supplies or Approved Suppliers.

### Computer Hardware and Software

There are no restrictions on the sources from which you will purchase a computer system, hardware, or software. However, you are required to use the Meevo 2 point-of-sale system (the "POS System") and complying with those terms in the subscription agreement in Exhibit J. You are also required to use QuickBooks Online for your accounting software. As further described in Item 11, you must purchase, maintain, repair and update computer hardware and software for your Clinic and Business that allows you to access the Internet to order products, log in to our franchisee portal, advertise online and monitor, update your website and Facebook page, etc.

### Insurance

You must purchase and maintain, at your sole cost and from a responsible carrier with an AM Best rating of A+ or greater, insurance that insures you, us, and our affiliates. All required insurance policies shall name Larada Sciences, Inc. and any person or entity with an insurable interest that we designate as an additional named insured and include a waiver of subrogation in favor of Larada Sciences, Inc. and any additional named insureds. The insurance policies must be written in accordance with the standards and specifications (including minimum coverage amounts) set forth in writing by us from time to time, and, at a minimum, must include the following: (i) primary and non-contributing comprehensive general liability insurance covering your Business and the use of each Device on an occurrence basis with a nationally recognized insurance company with the following minimum limits of liability: \$1,000,000 for each occurrence, and \$2,000,000 in the aggregate (including products/completed operations, personal injury, and advertising injury) that includes \$100,000 tenant fire legal liability, \$5,000 medical payments liability, and \$1,000,000 hired and non-owned auto liability; (ii) workers' compensation insurance with coverage of \$1,000,000; (iii) employer practices liability insurance with coverage of \$1,000,000; and (iv) professional liability insurance with the following minimum limits of liability: \$500,000 per claim and \$1,000,000 annual aggregate. You shall also furnish us with certificates of insurance annually and will provide us with at least 30 days' prior written notice in the event of cancellation or material reduction in coverage. Each insurer shall agree, by endorsement or by independent instrument furnished to us, that it will give us 30 days' prior written notice of the effective date of any alteration or cancellation of such policy.

### Advertising and Promotional Approval

You are required to spend at least \$1,000 per month to actively promote your Clinic, including engaging in digital marketing such as SEO, pay-per-click and Facebook advertising. You are also required to have us manage your digital marketing. The \$1,000 may include the costs of the digital campaigns but

would not include management fees you will pay us to manage your digital campaigns. Those management fees would range from \$250 to \$750, depending on the services you need. We do not require you to use all of our advertising materials; however, we will make available to you the ability to order Lice Clinics of America® marketing collateral. This is the only currently approved/pre-approved marketing material for the Lice Clinics of America® brand. We will also provide a landing page on our website that is localized for your Territory, an email address, and a template-based Facebook page. As a Lice Clinics of America® branded clinic, you are required to use those as the only email address, website, and Facebook page for your lice-treatment business.

Any promotional products or marketing collateral (printed or digital) using our marks that are not pre-approved must be approved by us prior to use.

#### Revenue From Franchisee Purchases

We will derive revenue as a result of your purchases of the products and services described in Item 8.

During our last fiscal year ending December 31, 2023, we received revenue in the amount of \$349,085.17 from our franchisees for purchases of Device Accessories, Technology Fees and digital marketing services, which represented 6.5% of our total revenue of \$5,337,210 in 2023. Not all the \$349,085.17 was contractually required of our franchisees (because our requirements for purchases have changed over the years), but many still chose to purchase those items from us even if they were not required to. This amount does not include the Device deposits we collect on the Devices we provide to franchisees because since we do not sell the devices these deposits are not considered revenue under generally accepted accounting principles in the United States. In our last fiscal year ending December 31, 2023, we had more Devices returned to us than we shipped out, so the net number of deposits we posted on our books was -\$19,430. During this same period, no affiliate of ours received any revenue from required purchases and leases of products and services by franchisees.

We do provide material benefits to you based on your purchase of particular products or services, or your use of our designated or approved suppliers. CosmoProf, an Approved Supplier, offers an additional 20% off wholesale pricing for supplies when purchased through the dedicated landing page linked from our online resource portal. There are no purchasing or distribution cooperatives at this time. We may periodically negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees, but not on behalf of individual franchisees.

We and our affiliates have the right to receive fees, payments, rebates, commissions, or other consideration from third-party suppliers which may or may not be related to services we or our affiliates provide to these third parties. We and our affiliates have the right to receive from third-party suppliers a certain percentage of sales of products, services, equipment, goods and supplies to our franchisees. We and our affiliates have the right to increase or decrease this percentage in the future. We and our affiliates will retain and use any fees, payments, rebates, commissions or other consideration as we deem appropriate or as required by a particular supplier.

We estimate that the purchase of retail products, supplies or equipment which meet our specifications and standards will represent 16% to 19% of the cost to establish your Clinic. We estimate that more than 90% of your total purchases to operate your Clinic after opening will be purchased from Approved Suppliers or consist of items that must meet our specifications.

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

**ITEM 9**  
**FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section(s) in Agreements</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Section(s) 1(M), 6 and Schedule C of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Section(s) 11(A-F) of Franchise Agreement; Exhibits J and K of this disclosure document	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Section(s) 2(A-B), and 6 of Franchise Agreement	Items 5, 7, and 11
d. Initial and ongoing training	Section(s) 7(AB) 9(B), 9(D), and 9(F) of Franchise Agreement	Items 7 and 11
e. Opening	Section(s) 2(B) of Franchise Agreement	Items 5 and 11
f. Fees	Section(s) 11(A-F) and 11(L) of Franchise Agreement	Items 5, 6 and 7
g. Compliance with standards, policies and Device user manual	Section(s) 1(Q), 1(Z), 1(JJ), 5, 7(I), and 8(D) of Franchise Agreement; Exhibits H and I of this disclosure document	Items 11 and 16
h. Trademarks and proprietary information	Section(s) 3, 7(J-U) and Schedule B of Franchise Agreement	Items 13 and 14
i. Restriction on products/services offered	Section(s) 1(Z), 2(C), 2(F), 7(C), 8(A-B) and 12(E) of Franchise Agreement	Items 8 and 16
<b>Obligation</b>	<b>Section(s) in Agreements</b>	<b>Disclosure Document Item</b>
j. Warranty and customer service requirements	Section(s) 7(H) and 8(H) of Franchise Agreement	Item 11
k. Territorial development and treatments quotas	Schedule D of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Section(s) 5(B), 7(D), 7(BB), 11(B), 11(E-F) and Schedule D of Franchise Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Section(s) 4(B), 6(E),	Item 11
n. Insurance	Section(s) 12(C-D) of Franchise Agreement	Items 6, 7 and 8



o. Advertising	Section(s) 10, 11(E) of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section(s) 12(B) of Franchise Agreement	Item 17
q. Owner's participation/management / staffing/training	Section(s) 9 of Franchise Agreement	Items 11 and 15
r. Records and reports	Section(s) 5(E), 8(D), 11(M-N), and 11(P) of Franchise Agreement	Item 6
s. Inspections and audits	Section(s) 11(Q) of Franchise Agreement	Item 6
t. Transfer	Section(s) 13 of Franchise Agreement	Items 6 and 17
u. Renewal	Section(s) 4(B) of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Section(s) 16 of Franchise Agreement; Section(s) 1-6 of the Termination and General Release Agreement; Schedule F of the Franchise Agreement	Item 17
w. Non-competition covenants	Section(s) 12(E) of Franchise Agreement	Item 17
x. Dispute resolution	Section(s) 14 of Franchise Agreement	Item 17
y. Treatment guarantees	Section(s) 8(H) of Franchise Agreement	Item 6
z. Personal guarantee	Schedule G of the Franchise Agreement	Item 15

## **ITEM 10 FINANCING**

We may, at our sole and absolute discretion, provide installment payment plans to qualified franchisees for the Franchise Fee. The terms of the installment payment plan will depend on the number of territories purchased, the timeframe to open the clinics of the designated territories purchased, and the creditworthiness of the franchisee. Any installment plan requires a minimum of a 5% down payment, a minimum 10% finance charge, and a term not to exceed 48 months. We do not charge interest for financing. We apply an 18% late fee to any amounts not paid on time. All Franchise Fees made under an installment plan are non-refundable.

## **ITEM 11**

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

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

Pre-Opening Assistance. Before you open your Clinic, we will:

- (1) Grant you the right to use the Marks, own and operate a Business, including a Clinic, and provide you with up to four Devices (Franchise Agreement – Section 2).
- (2) Provide you with Device training and certification (Franchise Agreement – Section 9(B)).
- (3) Provide you with initial owner training (as described below) for up to four people. (Franchise Agreement – Section 9(B)).
- (4) Provide you with electronic access to our Operations Manual which contains specifications, standards, policies, procedures, restrictions and recommendations for your Clinic (Franchise Agreement – Section 7(B)).
- (5) Provide you with access to the online resource portal where training, support, and marketing materials are located (Franchise Agreement – Section 9(D)).
- (6) Provide you with an email address, a template-based Facebook page; and the ability to order Lice Clinics of America® marketing collateral. (Franchise Agreement – Section 7(Y)).
- (7) Provide you with a landing page for your Clinic on our website, including listing the Clinic on the “clinic locator” (Franchise Agreement – Section 7(Y)).
- (8) Provide you with a Business Associate Agreement, which is attached as Exhibit H, that you can sign if you desire to disclose to us certain protected health information of your clients in exchange for certain administrative support services.
- (9) Provide you access to the Meevo 2 POS System, the subscription agreement for which is attached as Exhibit J.

Ongoing Assistance. During the operation of your Clinic, we will:

- (1) Provide you with support from our clinic support team to guide your operations (Franchise Agreement – Section 9(D)).
- (2) Provide you with 90 days of guidance on using best practices once your Clinic opens (Franchise Agreement – Section 7(AB)).
- (3) Provide you with repair and replacement of Devices as necessary so that you will have up to four Devices to use (Franchise Agreement – Section 5(D)).
- (4) Make available for you to purchase Device Accessories from us or our Approved Suppliers (Franchise Agreement – Section 5(B)).
- (5) Make available for you to purchase Clinic Retail Products and Professional Services Products (Franchise Agreement – 11(H)).
- (6) Provide you with additional owner training (which you would pay for), if requested by you or deemed necessary by us (Franchise Agreement – Section 9(B)).

- (7) Provide you with continuing access to the Meevo 2 POS System (Franchise Agreement – Section 7(D)).

### Clinic Opening

It typically takes 2-3 months to open your Clinic after signing the Franchise Agreement and the lease agreement. Factors that may affect that timing include finding an acceptable location, negotiations with landlords, hiring a manager and/or staff, construction and/or improvements to the Clinic location, availability of contractors, permits from city regulators, training, marketing preparations, and procurement of furniture and supplies.

### Site Approval

You must obtain our approval for your Clinic site prior to signing the lease for a location. You will be responsible for finding your own location and negotiating your lease. You will be required to use an approved broker if we have one in your territory. We will not lease any properties to you. You must submit to us pictures of the interior and exterior of the location, pictures of the street outside the location, a floorplan, a draft of the lease agreement, and any other requirements as listed in the Operations Manual. We will consider such things as demographic and psychographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the proximity to other businesses (including other Lice Clinics of America® locations), the nature of the businesses in proximity to the site, and other commercial characteristics, such as the size, appearance, and other physical characteristics of the premises, plus the purchase price or rental obligations and other lease terms.

We will have 5 business days after receipt of the requisite materials to approve or disapprove a proposed site, which we will do by written notice to you. If we disapprove of the site, you will need to find another site and submit it for our review. If you and LSI are unable to agree on a Clinic site such that you fail to commence operations of a Clinic within the time set forth in your Franchise Agreement (typically 6 months), this will be deemed to be an incurable default for which LSI may terminate your Franchise Agreement.

We do not provide assistance with conforming the premises of your Clinic or Satellite to local ordinances and building codes, obtaining any required permits, or constructing, remodeling or decorating the premises, and/or hiring and training employees.

### Outfitting Your Clinic

On our franchisee portal we provide you with a list of equipment, signs, fixtures, opening inventory, and supplies that you may choose (but are not required) to purchase. However, any of those items you choose to purchase must come from our Approved Suppliers. We have included with each item on the list the names of many of those suppliers, along with written descriptions and specifications of those items, where applicable. We do not deliver or install any items for your Clinic.

### Advertising Programs

We engage in national advertising, PR and other marketing that may or may not directly impact on your Clinic and any Satellites. We do that through a fund (the “Dedicated Marketing Fund”) specifically earmarked for that purpose and funded by the Marketing Fund Fee that you and other franchisees pay us each month. You are required to pay the Marketing Fund Fee, which is 4% of your Gross Sales each month, into the Dedicated Marketing Fund. Gross Sales are defined as the total revenues and receipts from all

Treatments performed and products, services, plans and merchandise sold in or from your Clinic, whether under any of the Trademarks or otherwise, including any mobile operations or sales, cover charges or fees, as well as all license and use fees. Gross Sales exclude sales taxes and tips paid to technicians by customers.

Clinics owned by us, or our affiliates are also required to pay the same 4% Marketing Fund Fee. Because we first created the Dedicated Marketing Fund in 2021 and many of our franchisees had franchise agreements that pre-dated 2021, not all of our franchisees are yet contractually required to pay the Marketing Fund Fee. Currently, 60% of our clinics contribute to the Dedicated Marketing Fund. All who contribute to the Dedicated Marketing Fund pay the same 4% Marketing Fund Fee. Although the Dedicated Marketing Fund is not audited by an independent auditing firm, we will provide you, upon written request, an annual, unaudited statement of Marketing Fund Fee collections and Dedicated Marketing Fund monies spent during the year.

Currently, 70% of the advertising we purchase with the Dedicated Marketing Fund goes to local media coverage in the territories of those franchisees who are paying the Marketing Fund Fee, and 30% goes to national media coverage. As we increase the number of clinics that pay the Marketing Fund Fee, we will increase the amount of the Dedicated Marketing Fund spent on national media coverage. We use both in-house and national sources for our advertising. We are not required to spend any amount on advertising in your Territory. We anticipate spending all Marketing Fund Fees that we collect each year. In fiscal year 2023, 98% of the Marketing Fund Fees we collected were spent. The purposes for which they were used, as well as the percentage breakdowns spent in fiscal year 2023 were as follows: seminars/meetings/trade shows (7%), market research (3%), media placement (80%), and administrative expenses (10%).

We have an advertising council (the “Marketing Fund Council”) comprised of a group of franchisees appointed or elected to represent all the U.S. franchisees in making recommendations on how to use monies in the Dedicated Marketing Fund for marketing initiatives. The Marketing Fund Council administers the Dedicated Marketing Fund, following a set of approved bylaws. We do not have the power to require cooperatives to be formed, changed, dissolved, or merged.

We did not use any of the Dedicated Marketing Fund to solicit new franchise sales in fiscal year 2023.

In addition to the Marketing Fund Fee you pay us, you are required to spend an additional \$1,000 each month on marketing, advertising or production in your Territory or in the area in which your Clinic and any Satellites are located. You are not required to participate in any local or regional advertising cooperatives.

We provide a wide range of marketing collateral that you can customize and print. However, you are not required to use any of the collateral we provide to you. We allow you to create and use your own advertising material whenever you want, although you must follow our advertising, brand and Trademark requirements and guidelines when doing so. If you follow our brand guidelines, you do not need to obtain our approval of your own advertising material prior to use. We have the right to periodically revise our brand guidelines, and you must comply with the revised brand guidelines within 30 days’ notice to you.

We allow you to advertise on the Internet, through such platforms as search engines and social media. When advertising on the Internet you must follow our advertising requirements, including using only marketing materials we furnish you or approve prior to you running them. You can’t advertise outside of your Territory and you can’t use our Trademarks on the Internet without our prior written consent.

### Computer System

We do not require you to use any particular computer system, hardware, or software system (other than the POS System and QuickBooks Online) in the operation of your Clinic or Business. However, because you will need to access the Internet to order products, report treatment numbers, log in to our franchisee portal, advertise online and monitor or update your website and Facebook page, you will need to have a computer. The computer should, at a minimum, contain software that allows you to view spreadsheets, Word documents, PDFs, emails, and website pages.

You should be able to purchase sufficient computer hardware and software for your Clinic for \$1,000 or less. This is part of the estimated equipment and furniture expenses in Item 7 (see note 5). You are required to maintain, repair and update your computer hardware and software for your Clinic, so that it continues to serve the functions described in the paragraph above. We estimate that this will cost between \$100-\$200 a year, although it could be more depending on the type of computer hardware and software you choose. Except as described in this paragraph, we do not have the right, under the Franchise Agreement, to require you to maintain, repair and update your computer hardware and software.

You are required to use Meevo 2 as your POS System and cannot use any other. Meevo 2 is a product of Millenium Systems International and is used by many salon franchises and has been customized for our clinics. You are required to sign our subscription agreement attached as Exhibit J. As granted in the subscription agreement, we will have access to the data in your Meevo 2 system, with rights to use the data for our internal business purposes, including generating Gross Sales reports. Your fee to use the POS System is included in the Technology Fee you will pay us each month, which grants you access to SOCi, Nutshell, call tracking, E-Commerce, online booking and management of your website.

You are required to use QuickBooks Online for your accounting system and to use a specific chart of accounts we will give you. You are required to give us access to your QuickBooks Online. You are also required to provide us with monthly, quarterly, and/or annual P&L reports at our request.

Other than to your POS system, QuickBooks Online, SOCi and Nutshell, we will not have independent access to any information and data on your computer unless you specifically choose to share it with us. However, we will gather from your Clinic and any Satellites, marketing-related information such as visits to your website, results from Internet advertising campaigns and phone calls to your Clinic and any Satellites. We will not have access to any protected health care information of your clients without you first signing a Business Associate Agreement (a copy of which is in Exhibit H), which you shall provide to us directly.

#### Websites, Domains, Phone Numbers and Social Media

We will provide you with a landing page on our website, an email address, a template-based Facebook page, and call-tracking phone numbers as part of the Technology Fee you pay us. You will agree to participate, at your expense, in our Lice Clinics of America website and any other online communications that we may require. You must use the landing page on our website as the only website for your lice-treatment business. You must also use the template-based Facebook page as the only Facebook page for your lice-treatment business. You must not use our Trademarks in any other online platforms or communications without our prior written consent. Your domain, website, Facebook page and other online pages will belong to us and must be surrendered to us when your Franchise Agreement expires or terminates. You will also be required to transfer the telephone number of your Clinics to us when your Franchise Agreement expires or terminates.

### Franchise Convention

We periodically hold a franchise convention, which typically takes place in a different city and state each time, although it may be held remotely. These conventions may be held as often as once a year, and will provide you with important updates, marketing support, and provide you with the opportunity to meet our employees and other franchisees. We anticipate that the cost for you to attend the conventions will range from between \$1,000-\$2,000, as stated in Item 6 (Note 12). We may charge you a fee to attend the convention in person. We will charge you \$400 if you fail to attend a convention. We also may require you to attend additional training sessions if you fail to attend three or more franchise conventions during the term of the Franchise Agreement.

### Training

Initial Training is comprised of three trainings, each with separate requirements for owners and specific members of your Clinic team. The first training will certify you on using the Device (“Device Training”). The second training will teach you how to run and market your Clinic (“Owner Training”). At least one owner and the person managing your Clinic (if different than you) must complete both of those training sessions to our satisfaction prior to you opening your Clinic. The third training will deal with your P&L and Quickbooks, which is done by one of our Authorized Suppliers.

The cost for Device Training, whether it takes place before or after opening your Clinic, is \$300 per person who is certified. All Device Training may be Internet-based and will include all instructional presentations, videos, tests, manuals, and printed materials necessary for Device Certification. For those attending Owner Training, Device Training must be completed prior to attending Owner Training. Our instructor who conducts Device Training has worked for us for more than five years, training specifically on our Device.

Owner Training will last two full days. Tuition for initial Owner Training, which includes training for up to four people, is \$2,000. You will also be responsible for travel expenses related to Owner Training (See Item 7 for additional information on costs associated with Owner Training). Owner Training will include classes and on-the-job training and includes instruction relating to Clinic operations, business management, customer service, marketing tools, methods, and systems. We plan to offer Owner Training often enough to meet the needs of new and existing franchisees. All or some of Owner Training may be done remotely. We have the right, however, to determine when and where Owner Training takes place. Owner Training is conducted by our Trainer, who has been with our company for more than eight years.

You must attend Owner Training after signing your Franchise Agreement and prior to opening your Clinic. Although we do not have a mandatory period in which you must be trained, you should plan on attending Owner Training within 30 days of signing your Franchise Agreement.

P&L training will be done by Profit Soup. This will cost \$300 and will take 12 hours to complete.

As of the issuance date of this disclosure document, the initial training consists of the following:

### **TRAINING PROGRAM**

<b>Subject (1) (2)</b>	<b>Hours of Classroom Training</b>	<b>Hours of Hands-On Training</b>	<b>Location</b>
COMPETITIVE PRODUCTS	.5	0	See note 3

HEAD-LICE TREATMENT MARKET IN YOUR AREA	.5	0	See note 3
ALL ABOUT LICE	1	.5	See note 3
HOW TO EVALUATE YOUR MARKET & PRICING	.5	.5	See note 3
DEVICE TRAINING AND CERTIFICATION	1	2	Via Internet
TREATMENT SERVICES AND PROTOCOL	1.5	4.5	See note 3
CLINIC RETAIL PRODUCTS	1	0	See note 3
CLINIC OPERATIONS	3	3	See note 3
BUSINESS PLANNING & MANAGEMENT	2	0	See note 3
MARKETING (DIGITAL, LOCAL, BRAND)	3.5	0	See note 3
TOOLS/SOFTWARE FOR RUNNING THE BUSINESS	1.5	0	See note 3
STAFFING	1	0	See note 3
MANAGING PHONES	3	.5	See note 3
PROFIT AND LOSS STATEMENTS, ACCOUNTING AND QUICKBOOKS	12	0	See note 4
TOTAL	20	11	See note 3

- (1) The instructional materials for the Owner Training include our training manuals, handouts and visual aids, and will include lectures, classroom discussion, hands-on demonstration and/or practice training at a clinic.
- (2) Our Trainer oversees all aspects of training. Any other individuals involved in the training program will have at least one year of experience in the subject that they teach.
- (3) Owner training is provided at a location of our choosing, but may also be done via teleconference.
- (4) A third-party Authorized Supplier will do this training. It is currently done by Profit Soup. This training must be completed before you open your Clinic. We may require you to take a refresher

course on this training in subsequent years if we determine in our sole discretion that you need it.

As further described above in this Item 11, we periodically hold a convention for our franchisees that will provide additional training and education. As of the issuance date of this disclosure document, we do not charge a fee for the convention, but reserve the right to do so in the future. However, you will be responsible for all expenses related to attending the convention.

Additional training may be available and/or required from time to time. This may be available only at specific locations, although we will make efforts to provide regional and online training where applicable. As further described in Item 6, tuition for any additional training will be \$2,000.

### Operations Manual

During the term of the Franchise Agreement, we will allow you to electronically access our Operations Manual through the franchisee resource portal. The current table of contents of the Operations Manual is attached as Exhibit H. Currently, the Operations Manual consists of a total of 923 pages.

### Treatment Guarantees

You will be required to offer your Clients a 30-day guarantee on AirAllé® Treatments, as required by the Operations Manual. Each year we send a survey to our franchisees. One of the questions asks how many guaranteed retreatments they performed that year. For the past 10 years, the retreatment rate has been 1% or less of total treatments. Therefore, you should anticipate that your treatment guarantees may have a financial impact of up to 1% of your service sales each year.

### Establishing Prices

We are under no obligation to assist you in establishing prices for the products and services you will sell. That said, we do list in the Operations Manual a range (low to high) of recommended prices for products and services you might sell.

## **ITEM 12 TERRITORY**

You will operate your Clinic at an approved site located within the Territory (also called an Exclusive Territory or Designated Territory). You will receive an Exclusive Territory comprised of certain zip codes and described on the Data Sheet of Schedule A of the Franchise Agreement. A minimum population of 500,000 individuals will be living within the zip codes of your Territory. Provided you are current in all your financial and all other contractual obligations under the Franchise Agreement, you will be allowed to develop and operate a Clinic and any Satellites within the Exclusive Territory during the term of the Franchise Agreement. You will have the right to use the Device in a Clinic physically located in your Territory and we will not establish any other franchised or company-owned Clinic located inside the Territory, or modify your Territory. But we will have the right within and outside of your Territory to enter into agreements with distributors, resellers and other third parties in connection with the production, sale, distribution, and marketing of any retail products that are defined in Section 1(UU) of your Franchise Agreement.

Before we created the Lice Clinics of America brand and started licensing the rights to use the



Device in specific territories, we sold a total of 135 Devices to individuals, schools, health departments, camps, and medical clinics in the United States. We consider these purchased Devices to be unlicensed. All individuals and entities that bought unlicensed, purchased Devices from us signed purchase agreements where they agreed not to operate the Device unless it was being operated by an individual operator certified by us. Typically, there was at least one certified operator for each purchased Device. They also agreed not to reuse applicator tips. We no longer sell Devices or Device applicator tips to these purchasers. In addition, we no longer certify individual operators who are operating unlicensed, purchased Devices and are outside of our franchise network. We have reacquired 21 of the 135 unlicensed, purchased Devices we sold to purchasers. Aside from these 21 Devices, we do not know how many of the remaining unlicensed, purchased Devices we sold and are still in existence, whether they are still being used for treatments, or where they may be located. As such, there may be one or more of these unlicensed, purchased Devices located in your Territory. Per Paragraph 2(C) of your Franchise Agreement, we will not establish company-owned, affiliate-owned or franchised clinics within your Territory that offer the same products and services as your Clinic.

Beginning with the opening of your Clinic, you must pay us at least \$9,000 in Royalty Fees each year. Failure to meet those “Minimum Royalties” constitutes a breach of the Franchise Agreement, which you can be cured by paying LSI the difference between the Minimum Royalties and the actual Royalty Fees paid in that year.

Except for the rights we expressly license to you to use the Device in your Territory, we (for ourselves and our affiliates) specifically reserve all other rights to offer and sell any consumer or retail products anywhere and through any channel of distribution, without any compensation to you or any other franchisee and regardless of whether they compete with your Clinic or Business, including, (i) to directly operate, or to grant other persons or entities the right to operate, Clinics at locations outside your Territory using the Marks; (ii) sell, or grant other persons or entities the right to sell, any consumer and retail products, including those relating to lice treatments, within and outside your Territory and under the Marks or any other trademarks and service marks, through alternative channels of distribution, (i.e. other than the operation of service Clinics and Satellites, including by electronic means such as the internet and websites, and through retail locations, subject to the requirement described below; and (iii) advertise our products and our network of clinics on the internet and create, operate, change or discontinue the use of websites using the Marks.

We currently sell some “Retail Products,” as defined in Section 1(VV), in your Territory. We sell various Retail Products, including our “Lice Remover Kit,” preventive products, and our consumer-use “OneCure” that contains a heated-air device (the “Consumer Device”), and replacement tips for OneCure (the “Consumer Tips”) online. We do not anticipate increasing the product lines being sold online, nor do we anticipate additional retailers selling our Retail Products in the future; however, we reserve the right to increase such product lines and retail locations. Although the Consumer Device uses heated air for treating head lice, it is a separate and distinct product from the Device. Current or future sales of these Retail Products are not a violation of the exclusivity provision in your Franchise Agreement.

We will not pay you a percentage of sales of any Retail Products we sell.

At all times, each Device we license to you must be kept at the Clinic; except that you may store or use any Device at a fixed location other than the Clinic, so long as you maintain a record of the location and will provide us with such record upon request. You may use any Device in all mobile operations (such as for camp treatments) and in all services provided at your Clinic or any Satellites in adherence to the methods, procedures and quality standards taught in the Owner Training, provided within the Device user manuals, and consistent with our standard offering of screening, diagnosis and treatment options to clients. You may also use Consumer Devices in mobile operations or Clinic Treatments, provided you purchase the Consumer

Devices and Consumer Tips from us. You shall not advertise, market or conduct business outside of your Territory.

You may be granted additional territories by entering into a separate franchise agreement with us for each territory. Upon doing so you will be required to replace any previous (but still active) franchise agreements with the then-current form of franchise agreement so that all of your franchise agreements are always on the same form of agreement, with the same terms. You will not, however, receive any extensions on the time remaining for the term of any of your previous agreements. You may establish Satellites within your Territory, provided you currently have a Clinic open within that Territory. You may relocate your Clinic to another site within your Territory, provided you submit requested information to us at least 60 days prior to closing your Clinic, and obtaining our approval of that site prior to signing the lease for the location. Your new location must be open for business within 120 days of closing your prior location.

You may not sell our Retail Products outside your Clinic or Satellite, or on any online website other than the E-Commerce website we provide for you, without our prior permission. If you choose to sell approved Retail Products on your E-Commerce website, you agree to follow our minimum advertised Price (“MAP”) provision, as stated in our franchisee resource portal.

Except as described above, we do not grant you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory. There are no restrictions on your ability to perform treatments on or sell products to clients who come into your Clinic from outside your Territory. There are also no restrictions on your ability to market your treatment services outside your Territory so long as you do not market them in a territory that has been exclusively licensed to another franchisee.



Neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the products and services authorized for sale at a clinic under any other trademark or service mark.

## **ITEM 13**

### **TRADEMARKS**

The Franchise Agreement licenses you the right to use the “Marks,” which include the trademarks Lice Clinics of America® and AirAllé® and any other trademarks, trade names, logos, service marks or similar commercial symbols or names that we identify therein or that we otherwise authorize for use by our network clinics. You are required to operate your Clinic under the name “Lice Clinics of America.” We have the right, however, to add to, change or delete, from time to time, the Marks licensed to you under the Franchise Agreement. If we exercise this right, you must make any related modifications or substitutions at your expense within 60 days of us notifying you of those changes in writing.

We own the Marks and the related trademark registrations and applications, and also claim common law trademark rights in the Marks. Listed below are our principal Marks, which have all been registered on Principal or Supplemental Registers of the United States Patent and Trademark Office (“USPTO”). All required affidavits and renewals have been filed.

Principal Trademarks	U.S. Registration or Serial No.	Registration or Filing Date	Principal/Supplemental Register
LICE CLINICS OF AMERICA	4,792,221	08/11/15	Supplemental
AIRALLÉ	4,653,717	12/9/14	Principal
URGENT CARE FOR LICE REMOVAL	4,792,222	08/11/15	Supplemental
ONCE AND FOR ALL	5,242,942	07/11/17	Principal
ONECURE	5,875,207	10/01/19	Principal
	5,297,498	09/26/17	Principal
	5,287,315	09/12/17	Principal

The two Lice Clinics of America logos listed above and the AirAllé® mark have been registered on the Principal Register, and the Mark Lice Clinics of America® has been registered on the Supplemental Register.

The Supplemental Register is the secondary trademark register for the USPTO. It allows for registration of certain marks that are not eligible for registration on the Principal Register, but are capable of distinguishing an applicant's goods or services. Marks registered on the Supplemental Register receive protection from conflicting marks and other protections but are excluded from receiving the advantages of certain sections of the Trademark Act of 1946. The excluded sections are listed in 15 U.S.C. §1094.

You must follow our rules when you use the Marks. You cannot use our 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 make any changes to our logos (color, layout, etc.). You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

We have the right at any time to modify or discontinue use of any Mark, or to require you to use one or more additional or substitute trademarks, service marks or trade names. In this event, you must, at your expense, comply with those modifications, discontinuances, or substitutions upon no less than 60 days receipt of our written notice to you. We will not reimburse you for any costs associated with modifying or substituting the use of any Mark, for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by you to promote a modified or substitute trademark or service mark. We will have no liability or obligation as to your modification, discontinuance, or substitution of any Mark.

As of the issuance date of this disclosure document, 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.

You must notify us immediately when you learn about an infringement of, challenge to, or unfair competition with your use of any of the Marks. We will take the action we deem appropriate, or no action,

and will control all litigation. We are not required by the Franchise Agreement to defend you or prosecute any legal action on your behalf against a claim against your use of our Marks, with respect to any infringement, unfair competition or other claim in any way related to your use of our Marks.

There are no infringing uses known to us which could materially affect your use of such trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any other state in which the Clinic is to be located. In addition, there are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending infringement, opposition or cancellation proceeding, or any pending material federal or state court litigation regarding our use or rights in the trademarks.

## **ITEM 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

As further described in Item 1, our company was formed in 2006 to commercialize a new medical device that uses controlled, heated air delivered by a patented tip to the head for eradicating human head lice. We have a design patent on the tip, U.S. Patent No. D626287, which was issued to us on October 26, 2010 and is part of the proprietary information we grant to you as part of your franchise agreement.

We also have a method patent on the Lice Remover Kit that you will sell as a Clinic Retail Product. That patent is U.S. Patent No. 10,334,853 and was issued to us on July 2, 2019. In addition, U.S. Patent No. D817547 was issued to us on May 8, 2018. It describes the design of the combined dispenser and applicator tip used in the Lice Remover Kit.

As of the issuance date of this disclosure document, there are no copyrights, registered or pending, that are material to the franchise, although we do claim copyright ownership and protection for our Franchise Agreement, Operations Manual, training materials, website and internet-related materials, advertising, marketing and sales promotion materials, and various other materials we periodically furnish or make available to you through our website or otherwise.

We are aware of some lice-removal businesses in the United States that use cooling devices, hair dryers, pet dryers or other dryers as part of their treatment process. We are also aware of at least two companies that manufacture heated-air devices specifically for treating head lice and sell them to lice-treatment businesses. Unless those businesses use our Device's tip, we do not anticipate that they would be violating any of our patents; however, the use of such devices may materially impact you if those businesses operate within your Territory.

We own certain proprietary or confidential information relating to the operation of a lice-treatment clinic ("Proprietary Information"). You must keep the Proprietary Information confidential during and after the term of the Franchise Agreement. When your Franchise Agreement expires or terminates, you must return to us all Proprietary Information and our copyrighted materials. You must notify us immediately if you learn of an unauthorized use of the Proprietary Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Proprietary Information.

You agree not to contest or act against our Marks and patents. For two years after your Franchise Agreement expires or terminates, you agree that you and any of your owners, officers, directors, members, managers, partners and immediate family members will not own, manage, operate, maintain, engage in,

consult with or have any interest in a competing business a) at the premises of the former Clinic, b) within 10 miles of the outer boundary of your Designated Territory and c) within five miles of any other business using the Lice Clinics of America system.

## **ITEM 15**

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

During the term of your Franchise Agreement, we require that either you, another owner, or your Clinic manager must devote full time and best efforts to the management and operation of your Clinic. We require that you and any other owner be trained in the operation of your Clinic and trained and certified in the operation of a Device. You will have a better chance of being successful in your Business when you are actively involved in the operation and marketing of your Clinic.

We require that your Clinic have an on-premises manager if you or another owner are not actively managing the Clinic. If you hire a manager before opening your clinic, we require the manager to attend owner training prior to your Clinic opening. Any on-premises manager you hire does not need to own any equity in you, if you are a business entity.

We require personal guarantees from all owners of the franchisee.

You are not required to obtain confidentiality agreements from your officers, directors, shareholders, employees, agents, managers and certified operators. Further, spouses of the individuals described in the preceding sentence are not required to sign confidentiality agreements but may be required to sign non-competition agreements.

The Device must be operated only by a Certified Operator who operates the Device only in strict adherence to the methods, procedures and quality standards taught in the Device Training, identified in the user manuals and Operations Manual, and otherwise delivered to you by LSI from time to time. Breach of this covenant shall be material and may, at the option of LSI, be deemed to be an incurable default under your Franchise Agreement.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must operate your Business in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as set forth in the Operations Manual and in other writings we may give you from time to time. You must use the Clinic and any Satellite only for the operation of your Lice Clinics of America Business and may not operate any other business at or from the Clinic without our express prior written consent.

You may offer and sell only those goods and services that we have approved. Unless otherwise stated in the Operations Manual or other specifications, you are not required to sell every product and service we have approved. We maintain a written list of approved goods and services in our Operations Manual and other writings, which we may change from time to time.

We reserve the right to designate additional required or optional goods and services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements. There are no express limitations on our right to designate additional or operational goods and services; however, such goods and services will be related to our franchise system or model.

There are no restrictions on the customers to whom you can sell your services or products. But there are restrictions on the customers to whom you can provide heated-air treatments. You can't use the AirAllé® Device on any clients who have the following contraindications: a) don't have lice, b) are under the age of 4, c) cannot sense temperature or pain, d) cannot communicate physical discomfort, e) have had radiation treatment of the head within the past six months, f) have open head wounds or sores at the treatment area, g) have cranial or facial implants, or h) have hair extensions that are glued in.

## 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.**

Provision	Section in Agreement	Summary
a. Length of the franchise term	Section 4(A)	Five years.
b. Renewal or extension of the term	Section 4(B)	An additional five years.
c. Requirements for you to renew or extend	Section 4(B)	Indicate intent to renew 6-12 months prior to end of the term; sign then-current form of franchise agreement, which may contain materially different terms and conditions than your original Franchise Agreement; complied with modernization requirements; must not be in breach; renewed the lease through renewal period; comply with then-current training requirements; pay a \$5,000 renewal fee; sign a general release.
d. Termination by you	Section 15(D)	If we do not cure a breach within 30 days of you giving us written notice.

e. Termination by us without cause	Not Applicable	We can terminate the Franchise Agreement only for cause.
f. Termination by us with cause	Section 15(B)	May terminate with no cure period for incurable defaults; if not remedied within its specified cure period or same breach happening three times.
g. "Cause" defined – curable defaults	Section 15(B)(i)	Breach of any term, covenant or condition of the Agreement not identified as an incurable default.
h. "Cause" defined – non-curable defaults	Section 15(B)(ii)	Material representation/omission in franchise application; voluntary abandonment of Authorized Location; loss of lease; closing of Clinic for health/public safety reasons; failure to open Clinic per development schedule; unauthorized use of proprietary information; failure to maintain insurance; insolvency; materially impairing the goodwill of the Trademarks; conviction of felony; intentionally underreporting Gross Sales; violating anti-terrorism laws; unauthorized transfer; multiple similar defaults; failure to comply with business regulations; failure to pay fees for more than 60 days; selling Professional Services Products; failure to cure breach of other agreement with us

i. Your obligations on termination/nonrenewal	Sections 16(A-C); Sections 2 and 3 of the Termination and General Release Agreement	Immediately pay amounts due; return Devices; discontinue use and display of Marks; assign to us your lease; grant us option to purchase your business.
j. Assignment of contract by us	Section 13(G)	We have the right to sell or assign your Agreement, in whole or in part, to another party.
k. "Transfer" by you-defined	Section 13(A)	Any 20% or more change in your ownership; any change in the general partner of a limited or other partnership entity; a pledge or seizure of any ownership interests that affects ownership of 20% or more; any grant of a security interest in your business unless you satisfy our requirements

l. Our approval of transfer by franchisee	Section 13(B)	“We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Section 13 have been satisfied”
m. Conditions for our approval of transfer	Section 13(D)	With payment of \$10,000 transfer fee; payment of all amounts owed; approval by us; modernization completed; all reports submitted; you sign a general release; transferee completing training; and transferee meet our then-current standards and signing our then-current franchise agreement.
n. Our right of first refusal to acquire your business	Section 13(F)	We have 30 days to match the offer of a qualified buyer to acquire your business.
o. Our option to purchase your business	Section 16(C)	We have the right to purchase or designate a third party that will purchase at a fair market price all or any of your assets at a price determined by an appraiser upon the expiration or termination of your business, provided we give you notice of our intent within 30 days of expiration or termination.
p. Your death or disability	Section 13(E)	If your heir gives notice within 90 days of your death for a transfer of the agreement, meets our criteria, and satisfies the transfer conditions under Sections 13(B-D). If heir is a spouse or child, there is no transfer fee or right of first refusal.
q. Non-competition covenants during the term of the franchise	Section 12(E)(ii)	You will not own, manage, operate, maintain, engage in, consult with, or have any interest in any other lice-treatment clinic or business.
r. Non-competition covenants after the franchise is terminated or expires	Section 12(E)(iii)	You agree not to own, manage, or consult with a competing business at the premises of the former Clinic, within 10 miles of the outer boundary of the Territory, or within five miles of another Lice Clinics of America clinic for a period of 2 years after your Franchise Agreement expires or terminates.
s. Modification of the agreement	Schedule E	All modifications will be listed in Schedule E; we will both have to sign off on modifications.



t. Integration/merger clause	Section 17(B)	Only the terms of the franchise agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution	Sections 14(A)	You and we agree to submit any disputes to the state court located in Salt Lake County, Utah, or the federal court of the United States District Court for the Central District of Utah
v. Choice of forum	Section 17(H)	Venue for any litigation is Salt Lake County, Utah (subject to state law)
w. Choice of law	Section 17(H)	The state of Utah (subject to state law)
x. Change of control in lieu of terminations	Section 16(C)	In the event of an Incurable Default we, at our option and with 30 days' notice may elect to assume day-to-day management of your Clinic until such time as you are no longer in default. If we do that we will charge you a management fee of up to 20% of the Gross Sales of the Clinic.

## **ITEM 18 PUBLIC FIGURES**

We do not use a public figure 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 the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We allow our franchisees to open more than one location in their territories. The first location is called a Clinic, and any subsequent locations are called Satellites. All outlets listed in this Item 19 reflect just one outlet per franchised territory, regardless of whether they are operating multiple treatment locations as Clinics or Satellites within that territory.

Although all new and renewing franchisees must now pay us royalties based on their gross sales, prior to 2021 we charged all of our franchisees a usage fee based on the number of treatments they performed, instead of royalties. As such, we historically have required our franchisees to submit treatment numbers to us but had not required them to provide us with their sales numbers. Beginning in 2021 we began moving some of our franchisees to a sales-based royalty model; but a majority of our outlets are still paying usage fees of between \$30-\$35 per treatment. Also, prior to our 2023 version of the franchise agreement, we never required our franchisees to provide us with their expenses. As such, we are not able to provide you with the profitability of our outlets system wide. However, we do know treatment numbers of all our franchisees, as well as sales numbers for 40 percent of our outlets. The financial performance representations made in this Item 19 are based on the past performance of existing outlets. None of the outlets had characteristics that are materially different from the ones your Clinic will have.

We had 105 outlets open between January 1, 2023, and December 31, 2023. Of those, 100 (95%) were also open between January 1, 2022, and December 31, 2022. The chart below shows the average monthly treatments performed, as reported to us by our franchisees, during 2023 for those 100 outlets, broken into four quartiles. The chart also shows the median, high and low treatments within that quartile, and the percentage increase of same-unit treatments compared to those same outlets for 2022.

	# of units	Average Treatments	Increase over 2022	Median	High	Low
1st Quartile	25	127	25%	118	274	96
2nd Quartile	25	73	30%	73	90	62
3rd Quartile	25	50	19%	52	60	36
4th Quartile	25	25	-8%	27	36	7

In 2018 we began offering a POS System called Meevo to our franchisees. Our franchisees have been gradually converting their POS systems to Meevo, which is now a requirement for all new franchisees to use. Because we have access to each of our franchisees' Meevo systems, we know what their monthly sales are in those outlets. Although we still do not know profitability of the outlets, and not all of our franchisees are using Meevo yet, we are able to provide you with sales from a representative sample of our franchisees.

Of the 100 outlets shown in the chart above, 39 (39%) had been using Meevo for all of 2022 and 2023, so we have their sales numbers.

The chart below shows the average gross monthly sales of those 39 outlets (which includes our corporate outlet), by quartile, from January 1, 2023, to December 31, 2023. The chart also shows the median, high and low average monthly sales within that quartile, and the percentage increase of same-outlet sales compared to the same months of 2022. Gross sales is defined as the total revenues and receipts from all Treatments performed and products, services, plans and merchandise sold in or from your Clinic or Satellite, including any mobile operations or sales, cover charges or fees, as well as all license and use fees; however, Gross Sales excludes sales taxes and tips paid to technicians by customers.

	# of units	Average Sales	Increase over 2022	Median	High	Low
--	------------	---------------	--------------------	--------	------	-----

1st Quartile	10	\$27,883	34%	\$26,847	\$36,740	\$23,378
2nd Quartile	10	\$19,216	54%	\$19,543	\$22,017	\$16,205
3rd Quartile	10	\$13,395	27%	\$12,724	\$15,856	\$11,657
4th Quartile	9	\$8,197	8%	\$8,349	\$11,328	\$2,816

Written substantiation for the financial performance representation will be made available to prospective franchisees on reasonable request.

**Some outlets have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.**

Other than as described in this Item 19, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Adam Ward, Vice President of Legal and Compliance, at 4873 South State Street, Murray, Utah 84107, telephone (801) 533-5423, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER 1**  
**Systemwide Outlet Summary (1)**  
**For Years 2021-2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2021	173	133	-40
	2022	133	114	-19
	2023	114	104	-10
<b>Company-Owned</b>	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
<b>Total Clinics</b>	2021	174	134	-40
	2022	134	115	-19
	2023	115	105	-10

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**TABLE NUMBER 2**  
**Transfers of Outlets from Franchisee to New Owners (Other than the Franchisor) (1) For Years 2021-2023**

State	Year	Number of Transfers
<b>AR</b>	2021	0
	2022	0
	2023	1
<b>CA</b>	2021	0
	2022	1
	2023	1
<b>GA</b>	2021	2
	2022	0
	2023	0
<b>IA</b>	2021	0
	2022	0
	2023	1
<b>KS</b>	2021	1
	2022	0
	2023	0
<b>MO</b>	2021	1
	2022	0
	2023	0
<b>WA</b>	2021	0
	2022	0
	2023	2
<b>Total</b>	2021	4
	2022	1
	2023	5

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**TABLE NUMBER 3**  
**Status of Franchised Outlets (1) For Years 2021-2023**

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Alabama	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Alaska	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Arizona	2021	6	0	0	0	0	3	3
	2022	3	0	0	1	0	1	1
	2023	1	0	0	0	0	0	1
Arkansas	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	1	3
California	2021	18	2	0	0	0	7	13
	2022	13	1	0	0	0	2	12
	2023	12	3	0	2	0	1	12
Colorado	2021	2	0	0	0	0	0	2
	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	0	1
Connecticut	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	2	1
Delaware	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Dist. of Columbia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Florida	2021	13	0	1	3	0	1	8
	2022	8	0	1	0	0	0	7
	2023	7	0	0	0	0	0	7
Georgia	2021	6	1	0	0	0	3	4
	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
Hawaii	2021	3	0	0	1	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	2	0	0	0

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Idaho	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Illinois	2021	6	0	0	1	0	0	5
	2022	5	0	1	0	0	0	4
	2023	4	0	0	0	0	0	4
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
	2023	0	0	0	0	0	0	0
Iowa	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	2	1
Kansas	2021	3	1	0	1	0	2	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Louisiana	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Maine	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Massachusetts	2021	4	0	1	0	0	0	3
	2022	3	0	1	0	0	0	2
	2023	2	1	0	0	0	0	3
Michigan	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
	2023	0	0	0	0	0	0	0
Mississippi	2021	2	0	0	0	0	0	2
	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	1	0

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Missouri	2021	3	1	0	1	0	1	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Montana	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Nebraska	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
New Hampshire	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	1	0
New Mexico	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
New York	2021	8	0	0	0	0	0	8
	2022	8	0	1	0	0	1	6
	2023	6	0	0	0	0	0	6
North Carolina	2021	2	0	0	0	0	0	2
	2022	2	0	2	0	0	0	0
	2023	0	0	0	0	0	0	0
North Dakota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Ohio	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	1	1
	2023	1	1	0	0	0	0	2
Oklahoma	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Oregon	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3



State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Pennsylvania	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	1	3
	2023	3	0	0	0	0	1	2
Rhode Island	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
South Carolina	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
South Dakota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Tennessee	2021	2	0	0	0	0	1	1
	2022	1	0	0	1	0	0	0
	2023	0	0	0	0	0	0	0
Texas	2021	17	2	0	0	0	6	13
	2022	13	2	0	0	0	0	15
	2023	15	0	0	0	0	0	15
Utah	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Vermont	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Virginia	2021	8	0	0	3	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Washington	2021	10	0	0	0	0	2	8
	2022	8	0	0	1	0	0	7
	2023	7	0	2	0	0	2	3
West Virginia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Wisconsin	2021	8	0	0	1	0	0	7
	2022	7	0	0	2	0	0	5
	2023	5	0	0	0	0	1	4
Wyoming	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
TOTAL	2021	173	7	3	13	0	31	133
	2022	133	3	8	7	0	7	114
	2023	114	9	2	4	0	13	104

**TABLE NUMBER 4**  
**Status of Company-Owned Outlets for Years 2021-2023**

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlet Closed	Outlets Sold to Franchisees	Outlets at the End of
Utah	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

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**TABLE NUMBER 5**  
**Projected Openings as of December 31, 2023**

State	Franchise Agreements Signed but Clinic not Open	Projected New Franchised Clinics through the End of the Current Fiscal Year	Projected New Company- Owned Clinics through the End of the Current
<b>CA</b>	3	3	0
<b>GA</b>	1	1	0
<b>IL</b>	1	1	0
<b>MD</b>	2	0	0
<b>MI</b>	1	0	0
<b>MO</b>	1	0	0
<b>NE</b>	1	1	0
<b>NY</b>	1	1	0
<b>OH</b>	1	1	0
<b>PA</b>	1	0	0
<b>TX</b>	5	2	0
<b>VA</b>	1	1	0
<b>WA</b>	1	1	0
<b>Total</b>	19	12	0

Footnotes to Tables Above:

- (1) All of the franchised outlets listed in Tables 1 through 3 above are operated under Franchise Agreements with us that require each franchise to offer from its Clinic (or Satellite) lice treatments using the Device. All of the franchised outlets listed above operate under the Lice Clinics of America brand. The franchised outlets listed in Tables 1 through 3 reflect just one outlet per franchised territory, regardless of whether they are operating multiple treatment locations as Clinics or Satellites within that territory.

The names, addresses and telephone numbers of all franchisees as of December 31, 2023, are listed in Exhibit C.

Also listed in Exhibit C is the name and last known city, state and business telephone number (or, if unknown, home telephone number) of every franchisee who has had an outlet or territory terminated, canceled, repurchased, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the period from January 1, 2023 to December 31, 2023, or who has not communicated with us within the ten weeks prior to the issuance date of this disclosure document.

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

In some instances, during the last three fiscal years, current and former franchisees signed provisions restricting their ability to speak openly about their experience with our 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.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this disclosure document.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached as Exhibit A are the audited financial statements of LSI for the fiscal years ending December 31, 2023, 2022, and 2021.

## **ITEM 22**

### **CONTRACTS**

The Franchise Agreement (including the Data Sheet Schedule, Trademarks Schedule, Addendum to Lease Schedule, Performance Milestones Schedule, and Modifications to the Agreement Schedule) is attached as Exhibit B. The state-specific addenda, if applicable, are included in Exhibit E. The Termination and General Release Agreement is attached as Exhibit F. The Business Associate Agreement is attached as Exhibit G. The Point-of-Sale Subscription Agreement is attached as Exhibit I.

## **ITEM 23**

### **RECEIPTS**

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit L). You should keep one copy as your file copy and return the second copy to us.

**EXHIBIT A**

**FINANCIAL STATEMENTS**

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**Larada Sciences, Inc.**

Financial Statements and  
Independent Auditor's Report

December 31, 2023

**Prepared by Bangerter, Lund Associates  
Certified Public Accountants**

**Larada Sciences, Inc.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Larada Sciences, Inc.  
Murray, Utah

### Opinion

We have audited the accompanying financial statements of Larada Sciences, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statement of operations, stockholders' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Larada Sciences, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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



#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

*Bangert, Ford & Associates*

Bountiful, Utah  
April 19, 2024

**Larada Sciences, Inc.**  
**Balance Sheet**  
**December 31, 2023**

**ASSETS**

<b>Current assets:</b>	
Cash and cash equivalents	\$ 171,122
Accounts receivable	569,768
Less: Allowance for credit losses	148,703
Accounts receivable, net	<u>421,065</u>
Inventory	205,495
Prepaid expenses and other current assets	<u>27,612</u>
<b>Total current assets</b>	<b>825,294</b>
<b>Right of use lease asset</b>	<b>152,679</b>
<b>Other assets</b>	
Intangibles, net of accumulated amortization	184,028
Other long-term assets	<u>2,100</u>
<b>Total other assets</b>	<b>186,128</b>
<b>Total assets</b>	<b>\$ 1,164,101</b>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

<b>Current liabilities:</b>	
Accounts payable	\$ 181,727
Accrued expenses	98,935
Other current liabilities	220,270
Current portion of contract liabilities	125,905
Current portion of lease liability	<u>37,079</u>
<b>Total current liabilities</b>	<b>663,916</b>
Contingent liability (see Note 11)	55,500
Contract liabilities, net of current portion	184,834
Lease liability, net of current portion	129,545
Notes payable, net of current portion	8,002,712
Notes payable to related parties	<u>13,638,211</u>
<b>Total long term liabilities</b>	<b>22,010,802</b>
<b>Total liabilities</b>	<b>22,674,718</b>
<b>Stockholders' deficit</b>	
Preferred stock, \$0.001 par value: 15,000,000 shares authorized; 11,439,501 shares issued and 9,920,171 shares outstanding at December 31, 2023.	9,921
Common stock, \$0.001 par value: 50,000,000 shares authorized; 4,286,688 shares issued and 3,947,080 share outstanding at December 31, 2023.	3,947
Additional paid-in capital	15,852,668
Accumulated deficit	<u>(37,377,153)</u>
<b>Total stockholders' deficit</b>	<b>(21,510,617)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 1,164,101</b>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**Statements of Operations**  
**For the year ended December 31, 2023**

<b>Net revenue</b>	<b>\$ 5,337,210</b>
<b>Cost of revenue</b>	<b>1,478,535</b>
<b>Gross profit</b>	<b><u>3,858,675</u></b>
<b>Operating expenses</b>	
General and administrative	1,865,399
Sales and marketing	1,807,855
<b>Total operating expenses</b>	<b><u>3,673,254</u></b>
<b>Income from operations</b>	<b>185,421</b>
<b>Other income</b>	
Interest income	582
Other income	4,807
<b>Total other income</b>	<b><u>5,389</u></b>
<b>Net income</b>	<b><u>\$ 190,810</u></b>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**Statements of Stockholders' Deficit**  
**For the year ended December 31, 2023**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
<b>December 31, 2022</b>	<b>9,920,171</b>	<b>\$ 9,921</b>	<b>3,947,080</b>	<b>\$ 3,947</b>	<b>\$ 15,837,355</b>	<b>\$ (37,526,517)</b>	<b>\$ (21,675,294)</b>
Stock options	-	-	-	-	15,313	-	15,313
Cumulative-effect adjustment from adoption of ASC 326	-	-	-	-	-	(41,446)	(41,446)
Net income	-	-	-	-	-	190,810	190,810
<b>December 31, 2023</b>	<b>9,920,171</b>	<b>\$ 9,921</b>	<b>3,947,080</b>	<b>\$ 3,947</b>	<b>\$ 15,852,668</b>	<b>\$ (37,377,153)</b>	<b>\$ (21,510,617)</b>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**Statement of Cash Flows**  
For the year ended December 31, 2023

<b>Cash flows from operating activities:</b>	
Net income	\$ 190,810
<b>Adjustments to reconcile net income to net cash flows from operating activities:</b>	
Depreciation and amortization	92,195
Stock-based compensation	15,313
Amortization of right of use lease asset	34,400
<b>(Increase) decrease in operating assets:</b>	
Accounts receivable, net	(3,627)
Inventories	(15,145)
Prepaid expenses and other current assets	(15,336)
Other long-term assets	1,803
<b>Increase (decrease) in operating liabilities:</b>	
Accounts payable	(29,082)
Accrued expenses	(12,898)
Other current liabilities	(19,430)
Lease liability	(34,289)
Contract liabilities	(59,027)
<b>Net cash used in operating activities</b>	<u>145,687</u>
<b>Cash flows from financing activities:</b>	
Repayment of notes payable	(15,796)
<b>Net cash flows provided by financing activities</b>	<u>(15,796)</u>
<b>Net change in cash and cash equivalents</b>	129,891
<b>Cash and cash equivalents, beginning of year</b>	<u>41,231</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 171,122</u></u>

*See accompanying notes to financial statements*



**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 1 - Organization** - The Company, which is a C Corporation incorporated in the state of Delaware, was founded in 2006 to commercialize a lice treatment method that quickly kills lice via warm-air dehydration (the "Devices"). The Company allows independent franchisees to set up lice treatment clinics using Company branding worldwide (the "Franchisees"), and operates one company owned clinic. The Company also sells do-it-yourself, home-use lice treatment products in clinics, retail stores and through ecommerce sites.

**Note 2 - Summary of significant accounting policies** - **Basis of accounting** -The financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**New accounting standard** - In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326"). ASC 326 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. Entities that apply Topic 326 applies must reflect a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. On January 1, 2023, the Company adopted the new accounting standard and all of the related amendments using the modified retrospective method. The Company recognized the cumulative effect of initially applying the new credit loss standard to its accounts receivables by recording a \$41,446 adjustment to the opening balance of retained earnings. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326.

**Use of estimates** - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** - Cash equivalents are generally comprised of certain highly liquid investments with maturities of three months or less at the date of purchase.

**Trade accounts receivable and allowance for credit losses** - Accounts receivable is recorded when invoices are issued and presented in the balance sheet net of the allowance for credit losses. The Company maintains an allowance for credit losses to account for potential losses inherent in its receivables portfolio. The allowance is determined through a comprehensive assessment that considers historical experience, current economic conditions, and reasonable forecasts. The assessment incorporates various factors, including payment patterns, aging of receivables, and specific risk characteristics associated with revenue types and customers. The Company utilizes a method of segmentation and allocates allowance percentages to each aging bucket accordingly. The methodology aligns with the requirements of Accounting Standards Codification (ASC) 326, Financial Instruments – Credit Losses, and ensures that the allowance accurately reflects the expected credit losses in the receivables portfolio. At December 31, 2023, the allowance for credit losses was \$148,703. Management reviews collections regularly. For the year ended December 31, 2023, the Company had bad debt expense of \$61,782.

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 2 -  
Summary of  
significant  
accounting  
policies  
(continued)**

The roll forward of the allowance for credit loss was as follows:

Beginning balance, January 1, 2023	\$	133,574
Adjustments		15,129
Ending balance, December 31, 2023	\$	148,703

**Inventories** - Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method and are comprised solely of finished goods. The Company periodically assesses the recoverability of its inventory and reduces the carrying value of the inventory when items are determined to be obsolete, defective or in excess of forecasted sales requirements. Inventory write-downs for excess, defective and obsolete inventory are recorded as a cost of revenue.

**Property and equipment** - Property and equipment are stated at cost net of accumulated depreciation. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 years). Depreciation begins in the month of acquisition or when constructed or developed assets are ready for their intended use. Depreciation expense for the year ended December 31, 2023 was \$50,529. As of and for the year ended December 31, 2023, all of the Company's property and equipment has been fully depreciated.

**Impairment of assets** - The carrying value of assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated discounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis. For the year ended December 31, 2023, the Company recognized no impairment of assets.

**Intangible assets** - Intangible assets with finite lives are amortized using the straight-line method over their estimated useful live (11.5 years).

**Revenue recognition** - The Company has three basic sources of revenue. The first is a one-time fee (the "Franchise Fee"). This revenue is recognized over the life of the contract when (i) the Company receives a signed franchise agreement, (ii) the Company has provided the franchisee with all required products and services to open a clinic, and (iii) collectability is reasonably assured. The second is for (i) Franchisees' use of the devices in performing treatments in their clinics and (ii) products shipped to the clinics for resale. Revenue is recognized at the time the treatments have been performed and reported and products have been shipped. The third is for products sold (i) wholesale to third parties, and (ii) directly to consumers. Revenue is recognized at the time title is transferred.

The Company recognizes revenue, net of buybacks from Franchisees, sales returns, sales incentives, discounts, volume incentive rebates, and sales tax. The Company accounts for shipping and handling fees billed to customers as revenue. Sales taxes collected from customers are remitted to governmental authorities and are not included in revenue, and are reflected as a liability on the balance sheet.

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 2 - Revenue recognition (continued)** - The Company recognizes a contract receivable balance related to the sources of revenue as well as a contract liability for the franchise fees to be recognized over the remaining life of their contracts. The beginning and ending balances of the contract receivables for the year ended December 31, 2023 were \$495,512 and \$569,768, respectively. The beginning and ending balances of the contract liabilities for the year ended December 31, 2023 were \$369,766 and \$310,739, respectively. Revenue recognized for the year ended December 31, 2023 that was included in the beginning contract liability balance totaled \$170,093.

**Summary of significant accounting policies (continued)**

Revenues disaggregated based on the timing of their recognition are detailed below:

		2023
Point-in-time	\$	5,160,684
Over-time		176,526
Total revenues	\$	5,337,210

**Concentrations of credit risk** - The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash balances in banks and trade accounts receivable. The Company maintains its cash balances at a financial institution. At times cash balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

**Warranties** - The Company owns the devices that are used in the clinics. The Company provides a 90 day warranty on the sale of hoses, power cords, applicator bases and treatment timers against material and manufacturing defects. The Company also provides a 90 day warranty on the sale of its products sold through retail and on ecommerce. The Company records the costs of repairing, replacing or return of device accessories and products sold through retail as a period cost.

**Cost of revenue** - Cost of revenue includes the following: the cost of inventory sold during the period, inventory write-down costs, purchasing costs, shipping and handling expenses to customers and warehousing costs, repairs and maintenance on devices, increases in the accrual for estimated uncollectible accounts receivable, commissions on territory sales and depreciation of devices and manufacturing equipment.

**Research and development** - Research and development costs are expensed in the year incurred.

**Advertising and promotion** - All costs associated with advertising and promoting the Company's goods and services are expensed in the year incurred. Advertising expense totaled \$765,204 for the years ended December 31, 2023.

**Income taxes** - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences in net property and equipment and bad debt reserve for financial and income tax reporting.

The Company complies with the provisions of Financial Accounting Standards Board ASC 740, Income Taxes. The Statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.



**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 2 - Summary of significant accounting policies (continued)** - **Income taxes (continued)** - The Financial Accounting Standards Board ("FASB") has issued Financial Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - An Interpretation of FASB ASC 740. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB ASC 740, Income Taxes. FIN 48 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more likely than not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. As a result of the implementation of FIN 48, the Company performed a review of its material tax positions in accordance with recognition and measurement standards established by FIN 48.

The Company had no unrecognized tax benefits which would materially affect the effective tax rate if recognized.

The Company will include interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of December 31, 2023, the Company had no accrued interest or penalties related to uncertain tax positions. Tax years that remain subject to examination are years 2020 and forward.

**Subsequent events** - The Company evaluated all events or transactions that occurred after December 31, 2023 through April 19, 2024, the date the Company issued these financial statements. During that period, the Company did not have any material recognizable subsequent events.

**Note 3 - Property and equipment** - Property and equipment consist of the following:

December 31	2023
Devices	\$ 313,593
Manufacturing equip, molds, and tooling	273,230
Total property and equipment	586,823
Less accumulated depreciation	(586,823)
Net book value	\$ -

**Note 4 - Intangible assets** - Intangible assets consist of the following:

December 31	2023
Non-compete agreement	\$ 500,000
Less accumulated amortization	(315,972)
Intangibles, net of accumulated amortization	\$ 184,028

Amortization expense for the year ended December 31, 2023 was \$41,666. Future amortization for each of the next 5 years is as follows:

2024	\$ 41,667
2025	41,667
2026	41,667
2027	41,667
2028	17,360
Thereafter	-
	\$ 184,028

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 5 - Stockholders' equity** The Company has Preferred and Common Stock. The par value of each is \$0.001 per share. There were 15,000,000 Preferred shares authorized, 11,439,501 issued and 9,920,171 outstanding as of December 31, 2023. As of December 31, 2023, there were 50,000,000 Common Stock shares authorized with 4,286,688 issued and 3,947,080 outstanding.

**Note 6 - Notes payable** The Company had notes to officers, stockholders and others which originally matured in 2021. Under the bankruptcy proceedings, these debts are considered Class 7 Sub debt claims, accrue interest at the Plan rate of 0.07% per annum and are to be repaid pro-rata with Class 6 unsecured claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on these loans at December 31, 2023 was \$5,467,672.

The Company had convertible notes in the amount of \$300,000 with the North Dakota Development Fund. These notes have been in place since November 2009. The notes and conversion options matured on January 1, 2015. These notes were deferred at the discretion of the North Dakota Development Fund. Under the bankruptcy proceedings, these debts are considered a Class 6 general unsecured claim, accrue interest at the Plan rate of 0.07% per annum, and are to be repaid pro-rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on these notes payable at December 31, 2023 was \$458,656.

The Company has certain pre-petition claims approved through the bankruptcy court. Under the bankruptcy proceedings, these claims are considered Class 6 general unsecured claims, accrue interest at the Plan rate of 0.07% per annum, and are to be repaid pro-rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on these unsecured claims at December 31, 2023 was \$1,991,011.

Note payable to franchisee for the repurchase of certain territories in Colorado for total purchase price of \$110,000. Repayment of the note will be made as a credit to the franchisee's royalties owed based on the following schedule: for the first 12 months, credit of 20% of royalties owed from non-Colorado territories will be credited against the note payable; starting in the later of month 13 or when franchisee opens a new clinic, credit of 25% of royalties owed from non-Colorado territories will be credited against the note payable; and starting in the later of month 25 or when franchisee opens second clinic, credit of 30% of royalties owed from non-Colorado territories will be credited against the note until the note is paid in full. The balance on this note at December 31, 2023 was \$85,372.

**Note 7 - Related party notes payable** On May 23, 2018 the Company entered into a note agreement with Alignment Debt Holdings 1, LLC. This note agreement was guaranteed by 37 Ventures, LLC a Company shareholder. The initial loan amount was for \$7,500,000 with an additional \$2,500,000 commitment, available upon the completion of certain milestones. The interest rate on the initial loan was equal to the LIBOR rate plus 11%, paid monthly, plus 4% accrued interest compounded monthly. The unpaid principal plus accrued interest matured on May 22, 2021. As part of the Plan confirmation, this debt obligation was paid and assumed by the Company's principal equity investor, 37 Ventures, LLC, who is now the primary secured creditor. Under the Plan, this note is considered a Class 4 secured claim and is non interest bearing. This claim is to be paid with 70% of the quarterly payment made from cash flow from operations less necessary expenditures until the claim is paid in full. The balance as of December 31, 2022 was \$10,163,222.

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 7 -  
Related party  
notes payable  
(continued)**

The Company has certain notes payable to a related party which is owned and controlled by a shareholder and officer of the Company. Under the bankruptcy proceedings, this debt is considered a Class 6 general unsecured claim, accrues interest at the Plan rate of 0.07% per annum, and is to be repaid pro rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on this related party note payable at December 31, 2022 was \$886,373.

During 2022, the Company entered into a settlement agreement with 37 Ventures to pay them for legal expenses incurred totaling \$1,699,116 as part of the joint bankruptcy proceeding for which they were involved. 37 Ventures is deemed a Class 6 general unsecured creditor with the claim accruing interest at the Plan rate of 0.07% per annum and repaid pro rata from 30% of the quarterly payment to be made from excess amounts less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on this note payable was \$1,699,116.

The Company has a note payable to a related party which is owned and controlled by a shareholder and officer of the Company. Under the bankruptcy proceedings, this debt is considered a Class 6 general unsecured claim, accrues interest at the Plan rate of 0.07% per annum, and is to be repaid pro-rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on this related party note payable at December 31, 2023 was \$889,500.

**Note 8 -  
Operating  
leases**

The Company entered into a non-cancelable operating lease for their corporate owned clinic. The terms of the lease are for 63.5 months beginning September 2022 and expiring December 2027 with base rental payments of \$3,449 beginning January 2023 and escalating 3% each year through the expiration of the lease.

The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

As of December 31, 2023, the ROU lease asset associated with this lease had a balance of \$152,679, as shown in noncurrent assets on the balance sheet; the lease liability is included in current liabilities of \$37,079 and long-term liabilities of \$129,545. The lease asset and liability were calculated utilizing the risk-free discount rate of 3.95% according to the Company's elected policy. These rates were determined utilizing the term of the leases and the U.S. Treasury rate at commencement of the leases. Lease expense for this operating leases at December 31, 2023 totaled \$41,501 and is included in General and Administrative expenses on the Statement of Operations.

The following summarizes the line items in the Balance Sheet for operating leases as of December 31:

	<b>2023</b>
Right of use lease asset	\$ 152,679
Lease liability	\$ 166,624



**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
December 31, 2023

**Note 8 - Operating leases (continued)** Future minimum lease payments under non-cancelable lease are as follows:

For the years ended December 31

2024	\$	42,787
2025		44,225
2026		45,706
2027		47,232
2028		-
Thereafter		-
Total future minimum lease payments	\$	179,950
Less: amounts representing interest		(13,326)
Present value of lease liability	\$	166,624
Weighted-average remaining lease term (in years)		4.00
Weighted-average discount rate		3.95%

**Note 9 - Employee stock incentive options** The Company has a stock option plan that provides for the grant of incentive and nonqualified options to all employees to purchase the Company's common stock. Options are granted at a price not less than the fair market value on the grant date and generally become exercisable between one and five years after the grant date in accordance with an applicable vesting schedules. The options generally expire ten years after the grant date.

The Company recorded \$15,313 in stock-based compensation expense included in general and administrative expenses in the statement of operations for the years ended December 31, 2023. The Company uses the Black-Scholes valuation model for estimating the fair value of stock-based compensation. The fair values of the options granted were calculated using the following assumptions:

December 31	2023
Risk-free interest rate	0.18% - 0.33%
Expected stock price volatility	58% - 69%
Expected life (in years)	1-4
Stock Value	\$ 0.11

As of December 31, 2023, total compensation cost not yet recognized related to nonvested stock options was \$1,513, which is expected to be recognized over the weighted average remaining vesting period of one year.

Stock option activity and related information are as follows:

December 31	2023
Outstanding at beginning of year	11,506,815
Granted	-
Exercised	-
Forfeited	(592,850)
Outstanding at end of year	10,913,965
Exercisable at end of year	10,882,715
Weighted average fair value of options granted during year	\$ -

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 9 - Employee stock incentive options (continued)** The weighted-average exercise price of exercisable options was \$0.26 at December 31, 2023. The weighted-average of options forfeited was \$0.33 during the year ended December 31, 2023. The weighted-average of nonvested options as of December 31, 2023 was \$0.01. There were no options granted during the year ended December 31, 2023. The grant date fair value of options forfeited ranged from \$0.16 to \$0.50 during the year ended December 31, 2023.

**Note 10 - Income taxes** The provision for income taxes differs from that computed by applying statutory rates to income before income tax expense, as indicated in the following analysis:

December 31	2023
Pre-tax income	\$ 8,873
State and local income taxes net of federal benefit	40,070
Permanent differences	325
True up of temporary differences	54,791
Other	15,313
Change in valuation allowance	(119,372)
<b>Total provision for income taxes</b>	<b>\$ -</b>

Deferred tax assets (liabilities) in the accompanying balance sheet are comprised of the following:

December 31	2023
NOL carry forward	\$ 6,644,881
Allowances	(149,782)
Fixed assets	441,500
	6,936,599
Less valuation allowance	(6,936,599)
<b>Net deferred tax assets</b>	<b>\$ -</b>

As of December 31, 2023, the Company has net operating loss carry forwards of \$26,282,462 for tax purposes, which will be available to offset future taxable income. If not used, carry forwards generated prior to 2021 will begin to expire in 2031. Federal carry forwards generated in 2021 and beyond will not expire. Certain tax attributes may be subject to an annual limitation as a result of prior stock issuances, which could constitute a change of ownership as defined under Internal Revenue Code Section 382.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has recorded a valuation allowance for a portion of its deferred tax assets that management believes more likely than not will not be realized.

**Note 11 - Contingencies** The Company has recorded a contingent liability for potential payments to be made if the Company sells certain territories they previously bought back. The balance of this contingent liability at December 31, 2023 was \$55,500.

**Larada Sciences, Inc.**

Financial Statements and  
Independent Auditor's Report

December 31, 2022

Prepared by Bangerter, Lund Associates, Inc.  
Certified Public Accountants

**Larada Sciences, Inc.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Larada Sciences, Inc.  
Murray, Utah

### Opinion

We have audited the accompanying financial statements of Larada Sciences, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2022, and the related statement of operations, stockholders' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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



#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

*Bampfey, Ford & Associates, Inc.*

Bountiful, Utah  
April 20, 2023

**Larada Sciences, Inc.**  
**Balance Sheet**  
**December 31, 2022**

**ASSETS**

<b>Current assets:</b>	
Cash and cash equivalents	\$ 41,231
Accounts receivable, net	403,384
Inventories	190,350
Prepaid expenses and other current assets	12,276
<b>Total current assets</b>	<u>647,241</u>
<b>Property and equipment, net</b>	50,529
<b>Right of use lease asset</b>	187,079
<b>Other assets</b>	
Intangibles, net of accumulated amortization	225,694
Other long-term assets	3,903
<b>Total other assets</b>	<u>229,597</u>
<b>Total assets</b>	<u>\$ 1,114,446</u>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

<b>Current liabilities:</b>	
Accounts payable	\$ 210,809
Accrued expenses	111,833
Other current liabilities	239,700
Current portion of lease liability	34,289
Current portion of contract liabilities	170,093
<b>Total current liabilities</b>	<u>766,724</u>
Contract liabilities, net of current portion	199,673
Contingent liability (see Note 13)	1,699,116
Lease liability, net of current portion	166,624
Notes payable, net of current portion	8,018,508
Notes payable to related parties	11,939,095
<b>Total long term liabilities</b>	<u>22,023,016</u>
<b>Total liabilities</b>	22,789,740
<b>Stockholders' deficit</b>	
Preferred stock, \$0.001 par value: 15,000,000 shares authorized; 11,439,501 shares issued and 10,249,109 shares outstanding at December 31, 2022.	9,921
Common stock, \$0.001 par value: 50,000,000 shares authorized; 4,286,688 shares issued and 3,947,080 share outstanding at December 31, 2022.	3,947
Additional paid-in capital	15,837,355
Accumulated deficit	(37,526,517)
<b>Total stockholders' deficit</b>	<u>(21,675,294)</u>
<b>Total liabilities and stockholders' deficit</b>	<u>\$ 1,114,446</u>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**Statements of Operations**  
**For the year ended December 31, 2022**

<b>Net revenue</b>	<b>\$ 5,082,317</b>
<b>Cost of revenue</b>	<b>1,445,174</b>
<b>Gross profit</b>	<b><u>3,637,143</u></b>
<b>Operating expenses</b>	
General and administrative	1,957,363
Sales and marketing	1,565,314
Research and development	<u>292</u>
<b>Total operating expenses</b>	<b><u>3,522,969</u></b>
<b>Income from operations</b>	<b>114,174</b>
<b>Other income (expense)</b>	
Interest income	11,095
Other income	203,722
Loss on impairment of fixed assets	(92,265)
Other expense related to contingent liability (see Note 13)	<u>(1,699,116)</u>
<b>Total other income (expense)</b>	<b><u>(1,576,564)</u></b>
<b>Net loss</b>	<b><u><u>\$ (1,462,390)</u></u></b>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**Statements of Stockholders' Deficit**  
**For the year ended December 31, 2022**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
<b>December 31, 2021, as restated</b>	10,249,109	\$ 9,921	3,947,080	\$ 3,947	\$ 15,746,933	\$ (36,064,127)	\$ (20,303,326)
Stock options	-	-	-	-	90,422	-	90,422
Net loss	-	-	-	-	-	(1,462,390)	(1,462,390)
<b>December 31, 2022</b>	<u>10,249,109</u>	<u>\$ 9,921</u>	<u>3,947,080</u>	<u>\$ 3,947</u>	<u>\$ 15,837,355</u>	<u>\$ (37,526,517)</u>	<u>\$ (21,675,294)</u>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**Statement of Cash Flows**  
For the year ended December 31, 2022

<b>Cash flows from operating activities:</b>	
Net loss	\$ (1,462,390)
<b>Adjustments to reconcile net loss to net cash flows from operating activities:</b>	
Depreciation and amortization	107,622
Stock-based compensation	90,422
Amortization of right of use lease asset	11,240
Loss on impairment of fixed assets	92,265
Other expense related to contingent liability (see Note 13)	1,699,116
<b>(Increase) decrease in operating assets:</b>	
Accounts receivable, current and noncurrent	138,938
Accounts receivable from related parties	65,762
Inventories	125,939
Prepaid expenses and other current assets	84,974
<b>Increase (decrease) in operating liabilities:</b>	
Accounts payable	157,792
Accrued expenses	(248,231)
Other current liabilities	(277,313)
Lease liability	2,594
Contract liabilities	(820,161)
<b>Net cash used in operating activities</b>	<u>(231,431)</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(20,299)
<b>Net cash used in investing activities</b>	<u>(20,299)</u>
<b>Net change in cash and cash equivalents</b>	(251,730)
<b>Cash and cash equivalents, beginning of year</b>	<u>292,961</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 41,231</u></u>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 1 -  
Organization**

The Company, which is a C Corporation incorporated in the state of Delaware, was founded in 2006 to commercialize a lice treatment method that quickly kills lice via warm-air dehydration (the "Devices"). The Company allows independent franchisees to set up lice treatment clinics using Company branding worldwide (the "Franchisees"), and operates one company owned clinic. The Company also sells do-it-yourself, home-use lice treatment products in clinics, retail stores and through ecommerce sites.

On September 8, 2022, the Company emerged from bankruptcy after their Reorganization and Disclosure Statement (the "Plan") was confirmed by the bankruptcy court on August 24, 2022 and became effective on September 8, 2022. Under the Company's confirmed Plan, all creditors will be paid in full over a period not to exceed seven years. Each class of creditors will be repaid on a quarterly basis as determined by a calculation set forth in the Plan. The allocation of the quarterly payment is as follows: 70% to the secured creditor and 30% to the unsecured creditors shared on a pro-rata basis with priority defined within the Plan. The first anticipated quarterly payment will commence in the 4th quarter of 2023.

**Going concern** - As previously noted, the Company emerged from bankruptcy in September 2022 with a plan to repay all creditors over a period of seven years. The Company has been able to meet or exceed their projections through 2022 and expect to be able to meet the expectations outlined in the Plan. The Company has also been able to see continued increases in treatments through 2022, but do not expect to see the same levels of pre-pandemic treatments until 2025. To help with future growth, and to meet the projections outlined in the Plan, the Company has reduced their corporate operating costs and implemented strategies with clinics in certain demographics to foster growth in lice treatments. The results of the strategies have resulted in lower overall average per-treatment revenue but has increased the overall treatments and resulting revenue. The Company has also projected to slowly increase their clinic footprint and reduce the sales price to help foster more territory sales. With these plans confirmed by the bankruptcy court (which the Company has met and/or exceeded thus far) and continued economic recovery from the COVID-19 pandemic, the Company anticipates that they will be able to realize their assets and discharge their liabilities in the normal course of business and expect to continue to operate as a going concern for the foreseeable future.

**Note 2 -  
Summary of  
significant  
accounting  
policies**

**Basis of accounting** -The financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**New accounting standard** - The Company adopted FASB Topic 842, Leases, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to not reassess whether expired or existing contracts are or contain leases, carry forward the historical lease classification, and not have to reassess initial direct costs for existing leases. Adoption of the new standard did not impact the Company's financials.

**Use of estimates** - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.



**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 2 -  
Summary of  
significant  
accounting  
policies  
(continued)**

**Concentrations of credit risk** - The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash balances in banks and trade accounts receivable.

The Company maintains its cash balances at a financial institution. At times cash balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

For the years ended December 31, 2022, the largest customer accounted for approximately 10% of the Company's receivable. However, concentrations of credit risk with respect to trade accounts receivable are limited because the Company routinely assesses the financial strength of its customers before extending credit.

For the year ended December 31, 2022, the largest customer accounted for approximately 40% of the Company's revenues.

**Warranties** - The Company owns the devices that are used in the clinics. The Company provides a 90 day warranty on the sale of hoses, power cords, applicator bases and treatment timers against material and manufacturing defects. The Company also provides a 90 day warranty on the sale of its products sold through retail and on ecommerce. The Company records the costs of repairing, replacing or return of device accessories and products sold through retail as a period cost.

**Revenue recognition** - The Company has three basic sources of revenue. The first is a one-time fee (the "Franchise Fee"). This revenue is recognized over the life of the contract when (i) the Company receives a signed franchise agreement, (ii) the Company has provided the franchisee with all required products and services to open a clinic, and (iii) collectability is reasonably assured (the revenue recognition method for this source of revenue was changed in 2019 and will be further explained below). The second is for (i) Franchisees' use of the devices in performing treatments in their clinics, and (ii) products shipped to the clinics for resale. Revenue is recognized at the time the treatments have been performed and reported and products have been shipped. The third is for products sold (i) wholesale to third parties, and (ii) directly to consumers. Revenue is recognized at the time title is transferred.

The Company recognizes revenue, net of buybacks from Franchisees, sales returns, sales incentives, discounts, volume incentive rebates, and sales tax. The Company accounts for shipping and handling fees billed to customers as revenue. Sales taxes collected from customers are remitted to governmental authorities and are not included in revenue, and are reflected as a liability on the balance sheet.

Historically the company had recognized the Franchise Fee at the time the contract was signed, supplies and training were provided, and collectability was determined to be reasonably assured. Effective January 1, 2019, the Company adopted Accounting Standards Codification, or ASC, Topic 606, Revenue from Contracts with Customers, or Topic 606, using the full retrospective transition method. The initial contract terms are typically 5 years and upon the execution and delivery of the services and supplies, the Franchise Fees are recognized ratably on a straight-line basis over the term of the franchise agreement. Under this method, the Company revised its financial statements for prior period amounts including the periods included in this Report as if Topic 606 had been effective for such periods.

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 2 -  
Summary of  
significant  
accounting  
policies  
(continued)**

**Cost of revenue** - Cost of revenue includes the following: the cost of inventory sold during the period, inventory write-down costs, purchasing costs, shipping and handling expenses to customers and warehousing costs, repairs and maintenance on devices, increases in the accrual for estimated uncollectible accounts receivable, commissions on territory sales and depreciation of devices and manufacturing equipment.

**Cash and cash equivalents** - Cash equivalents are generally comprised of certain highly liquid investments with maturities of three months or less at the date of purchase.

**Trade accounts receivable and non-current trade accounts receivable** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings (cost of revenue) and a credit to valuation allowance based on its assessment of the current status of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

At times the Company enters into payment plans with Franchisees. Balances that are due within one year are recorded on the balance sheet as accounts receivable and balances that are not due within one year are recorded on the balance sheet as noncurrent receivables.

**Inventories** - Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method and are comprised primarily of finished goods. The Company periodically assesses the recoverability of its inventory and reduces the carrying value of the inventory when items are determined to be obsolete, defective or in excess of forecasted sales requirements. Inventory write-downs for excess, defective and obsolete inventory are recorded as a cost of revenue.

**Property and equipment** - Property and equipment are stated at cost net of accumulated depreciation. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 years). Depreciation begins in the month of acquisition or when constructed or developed assets are ready for their intended use.

**Impairment of assets** - The carrying value of assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated discounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis. For the year ended December 31, 2022, the Company recognized loss on impairment of fixed assets of \$92,265.

**Intangible assets** - Intangible assets with finite lives are amortized using the straight-line method over their estimated useful live (11.5 years).

**Research and development** - Research and development costs are expensed in the year incurred.

**Advertising and promotion** - All costs associated with advertising and promoting the Company's goods and services are expensed in the year incurred. Advertising expense totaled \$244,777 for the years ended December 31, 2022.



**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 2 -  
Summary of  
significant  
accounting  
policies  
(continued)**

**Income taxes** - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences in net property and equipment and bad debt reserve for financial and income tax reporting.

The Company complies with the provisions of Financial Accounting Standards Board ASC 740, Income Taxes. The Statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

The Financial Accounting Standards Board ("FASB") has issued Financial Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - An Interpretation of FASB ASC 740. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB ASC 740, Income Taxes. FIN 48 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more likely than not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. As a result of the implementation of FIN 48, the Company performed a review of its material tax positions in accordance with recognition and measurement standards established by FIN 48.

The Company had no unrecognized tax benefits which would materially affect the effective tax rate if recognized.

The Company will include interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of December 31, 2022, the Company had no accrued interest or penalties related to uncertain tax positions. Tax years that remain subject to examination are years 2019 and forward.

**Subsequent events** - The Company evaluated all events or transactions that occurred after December 31, 2022 through April 20, 2023, the date the Company issued these financial statements. During that period, the Company did not have any material recognizable subsequent events.

**Note 3 -  
Accounts  
Receivable**

Accounts receivables consist of the following:

December 31	2022
Accounts receivable	\$ 495,512
Less allowance for doubtful accounts	(92,128)
<b>Current accounts receivable, net</b>	<b>\$ 403,384</b>

**Note 4 -  
Inventories**

Inventories are as follows:

December 31	2022
Raw Materials Inventory	\$ 149,170
Finished Goods Inventory	41,180
<b>Inventories</b>	<b>\$ 190,350</b>

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

<b>Note 5 - Property and equipment</b>	Property and equipment consist of the following:		
	December 31		<b>2022</b>
	Devices	\$	313,593
	Manufacturing equip, molds, and tooling		273,230
	Support systems and computer equipment		14,117
	Total property and equipment		600,940
	Less accumulated depreciation		(550,411)
	Net book value	\$	<b>50,529</b>

Depreciation expense for the year ended December 31, 2022 was \$58,079.

<b>Note 6 - Intangible assets</b>	Intangible assets consist of the following:		
	December 31		<b>2022</b>
	Non-compete agreement	\$	500,000
	Less accumulated amortization		(274,306)
	Intangibles, net of accumulated amortization	\$	<b>225,694</b>

Amortization expense for the year ended December 31, 2022 was \$49,543. Future amortization for each of the next 5 years is as follows:

		\$	41,667
	2023		41,667
	2024		41,667
	2025		41,667
	2026		41,667
	2027		41,667
	Thereafter		17,359
		\$	<b>225,694</b>

**Note 7 - Stockholders' equity** The Company has Preferred and Common Stock. The par value of each is \$0.001 per share. There were 15,000,000 Preferred shares authorized, 11,439,501 issued and 10,249,109 outstanding as of December 31, 2022. As of December 31, 2022, there were 50,000,000 Common Stock shares authorized with 4,286,688 issued and 3,947,080 outstanding.

**Note 8 - Notes payable** The Company had notes to officers, stockholders and others which originally matured in 2021. Under the bankruptcy proceedings, these debts are considered Class 7 Subdebt claims, accrue interest at the Plan rate of 0.07% per annum and are to be repaid pro-rata with Class 6 unsecured claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on these loans at December 31, 2022 was \$5,467,672.

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 8 - Notes payable (continued)** The Company had convertible notes in the amount of \$300,000 with the North Dakota Development Fund. These notes have been in place since November 2009. The notes and conversion options matured on January 1, 2015. These notes were deferred at the discretion of the North Dakota Development Fund. Under the bankruptcy proceedings, these debts are considered a Class 6 general unsecured claim, accrue interest at the Plan rate of 0.07% per annum, and are to be repaid pro-rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on these notes payable at December 31, 2022 was \$458,656.

The Company has certain pre-petition claims approved through the bankruptcy court. Under the bankruptcy proceedings, these claims are considered Class 6 general unsecured claims, accrue interest at the Plan rate of 0.07% per annum, and are to be repaid pro-rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on these unsecured claims at December 31, 2022 was \$1,991,011.

Note payable to franchisee for the repurchase of certain territories in Colorado for total purchase price of \$110,000. Repayment of the note will be made as a credit to the franchisee's royalties owed based on the following schedule: for the first 12 months, credit of 20% of royalties owed from non-Colorado territories will be credited against the note payable; starting in the later of month 13 or when franchisee opens a new clinic, credit of 25% of royalties owed from non-Colorado territories will be credited against the note payable; and starting in the later of month 25 or when franchisee opens second clinic, credit of 30% of royalties owed from non-Colorado territories will be credited against the note until the note is paid in full. The balance on this note at December 31, 2022 was \$101,168.

**Note 9 - Related party notes payable** On May 23, 2018 the Company entered into a note agreement with Alignment Debt Holdings 1, LLC. This note agreement was guaranteed by 37 Ventures, LLC a Company shareholder. The initial loan amount was for \$7,500,000 with an additional \$2,500,000 commitment, available upon the completion of certain milestones. The interest rate on the initial loan was equal to the LIBOR rate plus 11%, paid monthly, plus 4% accrued interest compounded monthly. The unpaid principal plus accrued interest matured on May 22, 2021. As part of the Plan confirmation, this debt obligation was paid and assumed by the Company's principal equity investor, 37 Ventures, LLC, who is now the primary secured creditor. Under the Plan, this note is considered a Class 4 secured claim and is non interest bearing. This claim is to be paid with 70% of the quarterly payment made from cash flow from operations less necessary expenditures until the claim is paid in full. The balance as of December 31, 2022 was \$10,163,222.

The Company has certain notes payable to a related party which is owned and controlled by a shareholder and officer of the Company. Under the bankruptcy proceedings, this debt is considered a Class 6 general unsecured claim, accrues interest at the Plan rate of 0.07% per annum, and is to be repaid pro rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on this related party note payable at December 31, 2022 was \$886,373.

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 9 - Related party notes payable (continued)** - The Company has a note payable to a related party which is owned and controlled by a shareholder and officer of the Company. Under the bankruptcy proceedings, this debt is considered a Class 6 general unsecured claim, accrues interest at the Plan rate of 0.07% per annum, and is to be repaid pro-rata with Class 7 claims from 30% of the quarterly payment to be made from cash flow from operations less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The balance on this related party note payable at December 31, 2022 was \$889,500.

**Note 10 - Operating leases** - The Company entered into a non-cancelable operating lease for their corporate owned clinic. The terms of the lease are for 63.5 months beginning September 2022 and expiring December 2027 with base rental payments of \$3,449 beginning January 2023 and escalating 3% each year through the expiration of the lease.

As disclosed in Note 2, the Company adopted FASB ASC 842 to account for their leases. Under ASC 842, the Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

As of December 31, 2022, the ROU lease asset associated with this lease had a balance of \$187,079, as shown in noncurrent assets on the balance sheet; the lease liability is included in current liabilities of \$34,289 and long-term liabilities of \$166,624. The lease asset and liability were calculated utilizing the risk-free discount rate of 3.95% according to the Company's elected policy. These rates were determined utilizing the term of the leases and the U.S. Treasury rate at commencement of the leases. Lease expense for this operating leases at December 31, 2022 totaled \$13,834 and is included in General and Administrative expenses on the Statement of Operations.

The following summarizes the line items in the Balance Sheet for operating leases as of December 31:

	<b>2022</b>
Right of use lease asset	\$ 187,079
Lease liability	\$ 200,913

Future minimum lease payments under non-cancelable lease are as follows:

For the years ended December 31	
2023	\$ 41,391
2024	42,787
2025	44,225
2026	45,706
2027	47,232
Thereafter	-
Total future minimum lease payments	\$ 221,341
Less: amounts representing interest	(20,428)
Present value of lease liability	\$ 200,913
Weighted-average remaining lease term (in years)	6.00
Weighted-average discount rate	3.95%

**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 11 - Employee stock incentive options** - The Company has a stock option plan that provides for the grant of incentive and nonqualified options to all employees to purchase the Company's common stock. Options are granted at a price not less than the fair market value on the grant date and generally become exercisable between one and five years after the grant date in accordance with an applicable vesting schedules. The options generally expire ten years after the grant date.

The Company recorded \$90,422 in stock-based compensation expense included in general and administrative expenses in the statement of operations for the years ended December 31, 2022. The Company uses the Black-Scholes valuation model for estimating the fair value of stock-based compensation. The fair values of the options granted were calculated using the following assumptions:

December 31	2022
Risk-free interest rate	0.18% - 0.33%
Expected stock price volatility	58% - 69%
Expected life (in years)	1-4
Stock Value	\$ 0.11

As of December 31, 2022, total compensation cost not yet recognized related to nonvested stock options was \$16,826, which is expected to be recognized over the weighted average remaining vesting period of one to two years.

Stock option activity and related information are as follows:

December 31	2022
Outstanding at beginning of year	11,663,515
Granted	-
Exercised	-
Forfeited	(156,700)
Outstanding at end of year	11,506,815
Exercisable at end of year	10,956,778
Weighted average fair value of options granted during year	\$ -

The weighted-average exercise price of exercisable options was \$0.26 at December 31, 2022. The weighted-average of options forfeited was \$0.48 during the year ended December 31, 2022. The weighted-average of nonvested options as of December 31, 2021 was \$0.07. There were no options granted during the year ended December 31, 2022. The grant date fair value of options forfeited ranged from \$0.11 to \$0.82 during the year ended December 31, 2022.



**Larada Sciences, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 12 - Income taxes**      The provision for income taxes differs from that computed by applying statutory rates to income before income tax expense, as indicated in the following analysis:

December 31	2022
Pre-tax loss	\$ (51,512)
State and local income taxes net of federal benefit	(285,596)
Permanent differences	(32,714)
True up of temporary differences	-
Other	(231,429)
Change in valuation allowance	601,251
<b>Total provision for income taxes</b>	<b>\$ -</b>

Deferred tax assets (liabilities) in the accompanying balance sheet are comprised of the following:

December 31	2022
NOL carry forward	\$ 6,318,859
Allowances	(45,739)
Fixed assets	(130,451)
	<b>6,142,669</b>
Less valuation allowance	<b>(6,142,669)</b>
<b>Net deferred tax assets</b>	<b>\$ -</b>

As of December 31, 2022, the Company has net operating loss carry forwards of \$25,275,435 for tax purposes, which will be available to offset future taxable income. If not used, carry forwards generated prior to 2021 will begin to expire in 2031. Federal carry forwards generated in 2021 and beyond will not expire. Certain tax attributes may be subject to an annual limitation as a result of prior stock issuances, which could constitute a change of ownership as defined under Internal Revenue Code Section 382.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has recorded a valuation allowance for a portion of its deferred tax assets that management believes more likely than not will not be realized.

**Note 13 - Contingent liability**      During 2022, the Company entered into a settlement agreement with 37 Ventures to pay them for legal expenses incurred totaling \$1,699,116 as part of the joint bankruptcy proceeding for which they were involved. The Company must file a motion with the bankruptcy court to allow 37 Ventures to be deemed a Class 6 general unsecured creditor with the claim accruing interest at the Plan rate of 0.07% per annum and repaid pro rata from 30% of the quarterly payment to be made from excess amounts less necessary expenditures until the claim is paid in full with interest, but no later than September 30, 2029. The agreement will not be effective until the bankruptcy court enters an order granting the motion. As of the date of these financial statements, this motion has been filed with the court but has not been granted; however, it is more likely than not that the bankruptcy court will grant the motion.

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**

Financial Statements and  
Independent Auditor's Report

December 31, 2021 and 2020

Prepared by Bangerter, Lund Associates, Inc.  
Certified Public Accountants

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Larada Sciences, Inc.  
Murray, Utah

### Opinion

We have audited the accompanying financial statements of Larada Sciences, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

*Bangert, Lund & Associates, Inc.*

Bountiful, Utah  
December 29, 2022

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Balance Sheets**  
**December 31, 2021 and 2020**

**ASSETS**

	2021	2020
<b>Current assets:</b>		
Cash and cash equivalents	\$ 292,961	\$ 22,344
Accounts receivable, net	450,186	105,427
Accounts receivable from related parties	65,762	-
Inventories	316,289	276,796
Prepaid expenses and other current assets	97,250	177,472
<b>Total current assets</b>	<b>1,222,448</b>	<b>582,039</b>
<b>Property and equipment, net</b>	<b>180,574</b>	<b>441,149</b>
<b>Other assets</b>		
Noncurrent receivables	92,136	269,141
Intangibles, net of accumulated amortization	204,783	256,101
Other long-term assets	3,903	3,903
<b>Total other assets</b>	<b>300,822</b>	<b>529,145</b>
<b>Total assets</b>	<b>\$ 1,703,844</b>	<b>\$ 1,552,333</b>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

<b>Liabilities not subject to compromise current liabilities:</b>		
Accounts payable - pre-petition	\$ 1,417,436	\$ 1,230,170
Accounts payable - post-petition	18,644	-
Accrued expenses	2,365,928	2,871,209
Other current liabilities	517,013	554,240
Current portion of contract liabilities	565,097	1,029,130
Current portion of related party payable	2,105,505	1,320,505
Current portion of notes payable	14,463,171	14,218,079
<b>Total current liabilities</b>	<b>21,452,794</b>	<b>21,223,333</b>
Contract liabilities, net of current portion	624,830	1,345,870
<b>Total long term liabilities</b>	<b>624,830</b>	<b>1,345,870</b>
<b>Total liabilities</b>	<b>22,077,624</b>	<b>22,569,203</b>
<b>Stockholders' deficit</b>		
Preferred stock, \$0.001 par value: 15,000,000 shares authorized; 11,439,501 shares issued and 10,249,109 shares outstanding at December 31, 2021 and 11,439,501 shares issued and 11,110,484 shares outstanding at December 31, 2020.	9,921	11,111
Common stock, \$0.001 par value: 50,000,000 shares authorized; 4,286,688 shares issued and 3,947,080 share outstanding at December 31, 2021 and 4,286,688 shares issued and outstanding at December 31, 2020.	3,947	4,287
Additional paid-in capital	15,746,933	15,543,680
Accumulated deficit	(36,134,581)	(36,575,948)
<b>Total stockholders' deficit</b>	<b>(20,373,780)</b>	<b>(21,016,870)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 1,703,844</b>	<b>\$ 1,552,333</b>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Statements of Operations**  
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Net revenue</b>	<b>\$ 4,910,536</b>	<b>\$ 6,447,803</b>
<b>Cost of revenue</b>	<b>1,089,924</b>	<b>2,101,093</b>
<b>Gross profit</b>	<b>3,820,612</b>	<b>4,346,710</b>
<b>Operating expenses</b>		
General and administrative	2,255,221	2,765,180
Sales and marketing	1,387,925	1,559,326
Research and development	14,261	21,649
<b>Total operating expenses</b>	<b>3,657,407</b>	<b>4,346,155</b>
<b>Income from operations</b>	<b>163,205</b>	<b>555</b>
<b>Other income (expense)</b>		
Interest income	-	6
Other income	299,117	418,638
Interest expense	(673,930)	(3,195,145)
Impairment of other long-term assets	-	(30,856)
Loss on disposal of assets	-	(8,667)
Forgiveness of debt	959,017	-
<b>Total other income (expense)</b>	<b>584,204</b>	<b>(2,816,024)</b>
<b>Income (loss) before reorganization items</b>	<b>747,409</b>	<b>(2,815,469)</b>
<b>Reorganization items</b>		
Professional fees	306,042	-
<b>Total reorganization items</b>	<b>306,042</b>	<b>-</b>
<b>Net income (loss)</b>	<b>\$ 441,367</b>	<b>\$ (2,815,469)</b>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Statements of Stockholders' Deficit**  
**For the years ended December 31, 2021 and 2020**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
<b>December 31, 2019</b>	<b>11,439,430</b>	<b>\$ 11,111</b>	<b>4,286,688</b>	<b>\$ 4,287</b>	<b>\$ 15,243,148</b>	<b>\$ (33,760,479)</b>	<b>\$ (18,501,933)</b>
Stock options	-	-	-	-	300,532	-	300,532
Net (loss)	-	-	-	-	-	(2,815,469)	(2,815,469)
<b>December 31, 2020</b>	<b>11,439,430</b>	<b>11,111</b>	<b>4,286,688</b>	<b>4,287</b>	<b>15,543,680</b>	<b>(36,575,948)</b>	<b>(21,016,870)</b>
Stock options	-	-	-	-	201,723	-	201,723
Forfeiture of preferred shares	(1,190,321)	(1,190)	-	-	1,190	-	-
Forfeiture of common shares	-	-	(339,608)	(340)	340	-	-
Net income	-	-	-	-	-	441,367	441,367
<b>December 31, 2021</b>	<b>10,249,109</b>	<b>\$ 9,921</b>	<b>3,947,080</b>	<b>\$ 3,947</b>	<b>\$ 15,746,933</b>	<b>\$ (36,134,581)</b>	<b>\$ (20,373,780)</b>

*See accompanying notes to financial statements*

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Statements of Cash Flows**  
**For the years ended December 31, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 441,367	\$ (2,815,469)
<b>Adjustments to reconcile net income (loss) to net cash flows from operating activities:</b>		
Depreciation and amortization	315,002	312,522
Stock-based compensation	201,723	300,532
Amortization and write-off of debt discount	-	157,161
Amortization of debt issuance costs	86,365	207,277
Impairment of other long-term assets	-	30,856
Loss on disposal of assets	-	8,667
Forgiveness of debt	(959,017)	-
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable, current and noncurrent	(167,754)	475,576
Accounts receivable from related parties	(65,762)	-
Inventories	(39,493)	94,053
Prepaid expenses and other current assets	80,222	(87,624)
Other long-term assets	-	82,895
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	205,910	(506,111)
Accrued expenses	(505,281)	1,000,965
Other current liabilities	(37,227)	(14,200)
Contract liabilities	(1,185,073)	(1,527,395)
Related party payable	785,000	81,524
<b>Net cash used in operating activities</b>	<b>(844,018)</b>	<b>(2,198,771)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,109)	(31,596)
<b>Net cash used in investing activities</b>	<b>(3,109)</b>	<b>(31,596)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of notes payable	1,117,744	1,970,360
Repayment of notes payable	-	(107,453)
<b>Net cash flows provided by financing activities</b>	<b>1,117,744</b>	<b>1,862,907</b>
<b>Net change in cash and cash equivalents</b>	<b>270,617</b>	<b>(367,460)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>22,344</b>	<b>389,804</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 292,961</b>	<b>\$ 22,344</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ -	\$ 1,464,511
Cash paid for income taxes	\$ -	\$ 2,457

*See accompanying notes to financial statements*



**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 1 - Organization**      The Company, which is a C Corporation incorporated in the state of Delaware, was founded in 2006 to commercialize a lice treatment method that quickly kills lice via warm-air dehydration (the "Devices"). The Company allows independent franchisees to set up lice treatment clinics using Company branding worldwide (the "Franchisees"), and operates one company owned clinic. The Company also sells do-it-yourself, home-use lice treatment products in clinics, retail stores and through ecommerce sites.

As noted in Note 13, the Company was severely impacted by the COVID-19 pandemic. As a result the Company defaulted on their loan covenants with their primary lender and sought to secure a forbearance agreement, which included extending the maturity date beyond May 2021. The negotiation efforts were unsuccessful and on March 19, 2021, the Company jointly filed Chapter 11 bankruptcy with 37 Ventures, LLC (the Company's lead investor) in the Central District of California. The Company continued to operate the business as "Debtor-in-Possession" pursuant to section 1107 and 1108 of the Bankruptcy Code until their Plan of Reorganization and Disclosure Statement (the "Plan") was confirmed by the bankruptcy court on August 24, 2022 and the Company emerged from bankruptcy on September 8, 2022.

Under the Company's confirmed Plan, all creditors will be paid in full over a period not to exceed seven years. Each class of creditors will be repaid on a quarterly basis as determined by a calculation set forth in the Plan. The allocation of the quarterly payment is as follows: 70% to the secured creditors and 30% to the unsecured creditors shared on a pro-rata basis with priority defined within the Plan. The first anticipated quarterly payment will commence in the 4th quarter of 2023.

**Going concern** - As previously noted, the Company was severely impacted by the COVID-19 pandemic and was forced into Chapter 11 Bankruptcy as a debtor-in-possession. The Company was able to emerge from bankruptcy in September 2022 with a plan to repay all creditors over a period of seven years. The Company has been able to meet or exceed their projections through 2022 and expect to be able to meet the expectations outlined in the Plan. The Company has also been able to see continued increases in treatments through 2022, but do not expect to see the same levels of pre-pandemic treatments until 2025. To help with future growth, and to meet the projections outlined in the Plan, the Company has reduced their corporate operating costs and implemented strategies with clinics in certain demographics to foster growth in lice treatments. The results of the strategies have resulted in lower overall average per-treatment revenue but has increased the overall treatments and resulting revenue. The Company has also projected to slowly increase their clinic footprint and reduce the sales price to help foster more territory sales. With these plans confirmed by the bankruptcy court (which the Company has met and/or exceeded thus far) and continued economic recovery from the COVID-19 pandemic, the Company anticipates that they will be able to realize their assets and discharge their liabilities in the normal course of business and expect to continue to operate as a going concern for the foreseeable future.

**Note 2 - Summary of significant accounting policies**      **Basis of accounting** -The financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Use of estimates** - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 2 -  
Summary of  
significant  
accounting  
policies  
(continued)**

**Concentrations of credit risk** - The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash balances in banks and trade accounts receivable.

The Company maintains its cash balances at a financial institution. At times cash balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

For the years ended December 31, 2021, the largest customer accounted for approximately 10% of the Company's receivable. For the year ended December 31, 2020, two customers accounted for approximately 23% of the Company receivables. However, concentrations of credit risk with respect to trade accounts receivable are limited because the Company routinely assesses the financial strength of its customers before extending credit.

For the year ended December 31, 2021, the largest customer accounted for approximately 31% of the Company's revenues. For the year ended December 31, 2020, two customers accounted for approximately 21% of the Company's revenues.

**Warranties** - The Company owns the devices that are used in the clinics. The Company provides a 90 day warranty on the sale of hoses, power cords, applicator bases and treatment timers against material and manufacturing defects. The Company also provides a 90 day warranty on the sale of its products sold through retail and on ecommerce. The Company records the costs of repairing, replacing or return of device accessories and products sold through retail as a period cost.

**Revenue recognition** - The Company has three basic sources of revenue. The first is a one-time fee (the "Franchise Fee"). This revenue is recognized over the life of the contract when (i) the Company receives a signed franchise agreement, (ii) the Company has provided the franchisee with all required products and services to open a clinic, and (iii) collectability is reasonably assured (the revenue recognition method for this source of revenue was changed in 2019 and will be further explained below). The second is for (i) Franchisees' use of the devices in performing treatments in their clinics, and (ii) products shipped to the clinics for resale. Revenue is recognized at the time the treatments have been performed and reported and products have been shipped. The third is for products sold (i) wholesale to third parties, and (i) directly to consumers. Revenue is recognized at the time title is transferred.

The Company recognizes revenue, net of buybacks from Franchisees, sales returns, sales incentives, discounts, volume incentive rebates, and sales tax. The Company accounts for shipping and handling fees billed to customers as revenue. Sales taxes collected from customers are remitted to governmental authorities and are not included in revenue, and are reflected as a liability on the balance sheet.

Historically the company had recognized the Franchise Fee at the time the contract was signed, supplies and training were provided, and collectability was determined to be reasonably assured. Effective January 1, 2019, the Company adopted Accounting Standards Codification, or ASC, Topic 606, Revenue from Contracts with Customers, or Topic 606, using the full retrospective transition method. The initial contract terms are typically 5 years and upon the execution and delivery of the services and supplies, the Franchise Fees are recognized ratably on a straight-line basis over the term of the franchise agreement. Under this method, the Company revised its financial statements for prior period amounts including the periods included in this Report as if Topic 606 had been effective for such periods.



**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 2 -  
Summary of  
significant  
accounting  
policies  
(continued)**

**Cost of revenue** - Cost of revenue includes the following: the cost of inventory sold during the period, inventory write-down costs, purchasing costs, shipping and handling expenses to customers and warehousing costs, repairs and maintenance on devices, increases in the accrual for estimated uncollectible accounts receivable, commissions on territory sales and depreciation of devices and manufacturing equipment.

**Cash and cash equivalents** - Cash equivalents are generally comprised of certain highly liquid investments with maturities of three months or less at the date of purchase.

**Trade accounts receivable and non-current trade accounts receivable** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings (cost of revenue) and a credit to valuation allowance based on its assessment of the current status of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

At times the Company enters into payment plans with Franchisees. Balances that are due within one year are recorded on the balance sheet as accounts receivable and balances that are not due within one year are recorded on the balance sheet as noncurrent receivables.

**Inventories** - Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method and are comprised primarily of finished goods. The Company periodically assesses the recoverability of its inventory and reduces the carrying value of the inventory when items are determined to be obsolete, defective or in excess of forecasted sales requirements. Inventory write-downs for excess, defective and obsolete inventory are recorded as a cost of revenue.

**Property and equipment** - Property and equipment are stated at cost net of accumulated depreciation. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 years). Depreciation begins in the month of acquisition or when constructed or developed assets are ready for their intended use.

**Impairment of assets** - The carrying value of assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated discounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis.

**Intangible assets** - Intangible assets with finite lives are amortized using the straight-line method over their estimated useful lives (11 to 15 years).

**Research and development** - Research and development costs are expensed in the year incurred.

**Advertising and promotion** - All costs associated with advertising and promoting the Company's goods and services are expensed in the year incurred. Advertising expense totaled \$266,233 and \$352,189 for the years ended December 31, 2021 and 2020, respectively.

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 2 -  
Summary of  
significant  
accounting  
policies  
(continued)**

**Debt discount** - Debt issuance costs related to a recognized debt liability are presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and are amortized to interest expense over the term of the related debt on the effective interest method.

**Income taxes** - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences in net property and equipment and bad debt reserve for financial and income tax reporting.

The Company complies with the provisions of Financial Accounting Standards Board ASC 740, Income Taxes. The Statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

The Financial Accounting Standards Board ("FASB") has issued Financial Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - An Interpretation of FASB ASC 740. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB ASC 740, Income Taxes. FIN 48 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more likely than not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. As a result of the implementation of FIN 48, the Company performed a review of its material tax positions in accordance with recognition and measurement standards established by FIN 48.

The Company had no unrecognized tax benefits which would materially affect the effective tax rate if recognized.

The Company will include interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of December 31, 2021 and 2020, the Company had no accrued interest or penalties related to uncertain tax positions. Tax years that remain subject to examination are years 2018 and forward.

**Subsequent events** - The Company evaluated all events or transactions that occurred after December 31, 2021 through December 29, 2022, the date the Company issued these financial statements. During that period, other than what is noted in Note 1 and Note 8, the Company did not have any other material recognizable subsequent events.

**Note 3 -  
Accounts  
Receivable**

Accounts receivables consist of the following:

December 31	2021	2020
Accounts receivable	\$ 946,262	\$ 502,818
Less noncurrent receivables	(92,136)	(269,141)
Current accounts receivable	854,126	233,677
Less allowance for doubtful accounts	(403,940)	(128,250)
Current accounts receivable, net	\$ 450,186	\$ 105,427

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

<b>Note 4 - Inventories</b>	Inventories are as follows:		
December 31	2021	2020	
Devices	\$ 85,944	\$	34,450
Finished Goods Inventory	16,492		20,819
Parts and other miscellaneous inventory	213,853		221,527
<b>Inventories</b>	<b>\$ 316,289</b>	<b>\$</b>	<b>276,796</b>

<b>Note 5 - Property and equipment</b>	Property and equipment consist of the following:		
December 31	2021	2020	
Devices	\$ 807,009	\$	807,009
Furniture and fixtures	51,675		51,675
Manufacturing equip, molds, and tooling	341,588		341,588
Support systems and computer equipment	510,451		508,427
Total property and equipment	1,710,723		1,708,699
Less accumulated depreciation	(1,530,149)		(1,267,550)
<b>Net book value</b>	<b>\$ 180,574</b>	<b>\$</b>	<b>441,149</b>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$262,599 and \$261,204, respectively.

<b>Note 6 - Intangible assets</b>	Intangible assets consist of the following:		
December 31	2021	2020	
Non-compete agreement	\$ 500,000	\$	500,000
Patents	37,496		37,496
Less accumulated amortization	(332,713)		(281,395)
<b>Intangibles, net of accumulated amortization</b>	<b>\$ 204,783</b>	<b>\$</b>	<b>256,101</b>

Amortization expense for the years ended December 31, 2021 and 2020 was \$51,318 and \$51,318, respectively. Future amortization for each of the next 5 years is as follows:

2022	\$	49,543
2023		49,316
2024		46,620
2025		46,259
2026		13,045
Thereafter		-
	<b>\$</b>	<b>204,783</b>

**Larada Sciences, Inc.**  
**(Debtor-in-Possession)**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 7 - Stockholders' equity**      The Company has Preferred and Common Stock. The par value of each is \$0.001 per share. In July 2021, a shareholder of the Company relinquished their Preferred and Common shares to the Company in the amount of 1,190,321 and 339,608, respectively. There were 15,000,000 Preferred shares authorized, 11,439,501 issued and 10,249,109 outstanding as of December 31, 2021 and issued 11,439,501 and 11,110,484 outstanding as of December 31, 2020. As of December 31, 2021, there were 50,000,000 Common Stock shares authorized with 4,286,688 issued and 3,947,080 outstanding as of December 31, 2021 and 4,286,688 issued and outstanding as of December 31, 2020.

**Note 8 - Notes payable**      The Company has convertible notes in the amount of \$300,000 with the North Dakota Development Fund. These notes have been in place since November 2009. The notes matured on January 1, 2015. The notes carry an 8% per annum simple interest rate. Payment of any and all principal and interest may be deferred indefinitely by North Dakota Development Fund at their option. This deferral is requested each quarter and has been approved. By agreement the notes with all principle and interest are callable by North Dakota Development Fund at any time. The conversion maturity of the notes was January 1, 2015. At this time the conversion options are not in effect and the notes are being considered simple debt instruments.

The Company's term loan with Alignment Debt Holding 1, LLC is recorded net of debt discounts which is comprised of OID (\$112,500) and the fair value of warrants (328,947 shares of the Company's preferred stock at an exercise price of \$0.76 per share) issued in conjunction with the term loan. The resulting debt discount is being amortized over the term of the term loan using the straight-line method (which approximates the effective interest rate method), and the amortization of debt discount is included in interest expense in the accompanying statements of operations. The note balance is booked net of the discount. The total debt discount amortized for the year ended December 31, 2021 and 2020 was \$35,754 and \$157,161, respectively.

The Company was subject to certain customary covenants set forth in the Alignment covenant agreement which matured May 2021. These covenants included a requirement that the Company maintain: (1) a Senior Secured Debt to Clinic EBITDA Ratio as of the end of each calendar quarter of between 3.5 to 1.0 on a rolling four-quarter basis, (2) a Consolidated Funded Debt to Consolidated Funded EBITDA Ratio as of the end of each calendar quarter of between 5.5 to 1.0 on a rolling four-quarter basis, (3) a Fixed Charge Coverage Ratio as of the end of each calendar quarter of not less than 1.25 to 1.00 on a rolling four-quarter basis, and (4) as Cash Covenant of not less than \$350,000 in the DACA bank accounts. At maturity, the Company has not repaid the debt obligation and a new agreement was not reached, accordingly, all amounts due under the Alignment loan are classified as current in the accompanying balance sheets as of that date.



**Larada Sciences, Inc.**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 8 - Notes payable** Notes payable as of December 31, 2021 and 2020, are as follows:

<b>(continued)</b>	<b>December 31</b>	<b>2021</b>	<b>2020</b>
On May 23, 2018 the Company entered into a note agreement with Alignment Debt Holdings 1, LLC. This note agreement is guaranteed by 37 Ventures, LLC a Company shareholder. The initial loan amount was for \$7,500,000 with an additional \$2,500,000 commitment, available upon the completion of certain milestones. The interest rate on the initial loan is equal to the LIBOR rate plus 11%, paid monthly, plus 4% accrued interest compounded monthly. Interest on the committed but not borrowed funds is equal to LIBOR rate plus 2.5%, paid monthly. The unpaid principal plus accrued interest matured on May 22, 2021. The Company provided Alignment with the required 6 months notice they did not intend to borrow the committed funds in 2020 and the last interest payment on the committed but not borrowed funds was made on December 31, 2019. The current balance also includes accrued legal fees incurred by Alignment and accrued interest. As part of the Plan confirmation, this debt obligation was paid and assumed by the Company's principal equity investor, 37 Ventures, LLC, who is now the primary secured creditor.	\$	10,163,221	\$ 9,524,994
Notes to officers, stockholders and others, interest of 20 percent, 10 percent accrued and 10 percent paid monthly, balloon payment due in 2021, secured in second position by the assets of the Company.		3,999,950	3,999,950
Payroll Protection Program (PPP) loan acquired through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, if the loan is not forgiven, it will mature April 2022, accrue interest at 1.00%, and require a monthly principal and interest payment of \$13,326 beginning November 2020. In January 2021, the Company was informed that the Small Business Administration (SBA) had approved their PPP loan forgiveness application and the Company had been relieved of this obligation.		-	479,500
Notes to a nonprofit development corporation, interest at 8 percent, convertible into 179,641 shares of preferred stock should there be a 50 percent or more change in control of the Company, currently due, but extended through 2020, unsecured. There is no set maturity date.		300,000	300,000
<b>Total Notes payable</b>		<b>14,463,171</b>	<b>14,304,444</b>
Less unamortized debt issuance costs		-	(86,365)
<b>Less current portion of notes payable</b>		<b>(14,463,171)</b>	<b>(14,218,079)</b>
<b>Notes payable, net of current portion</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

**Larada Sciences, Inc.**  
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**Note 8 - Notes payable (continued)** In 2021, the Company applied for and received a second PPP loan through the CARES Act in the amount of \$479,517. Under the terms of the loans, if it is not forgiven, it will mature January 2026, accrue interest at 1.00% and require monthly principal and interest payments of \$11,251 beginning June 2022. In November 2021, the Company was informed that the SBA had approved their PPP loan forgiveness application and the Company had been relieved of this obligation.

**Note 9 - Related party transactions** In 2018 the Company and Fiero, LLC ("Fiero") entered into purchase agreements for retail product finished goods inventory. The Company had reviewed offers of a similar type with other non-related parties and found the Fiero terms and conditions were similar to the other offers. Fiero is owned and controlled by a shareholder and officer of the Company. The agreements were for \$751,472 of finished goods inventory sold at a discounted price of \$626,277, paid in cash in full at execution of the agreements. These transactions represent arms-length transactions and have been recorded in accordance with GAAP. In 2019 the Company and Fiero, LLC entered into additional purchase agreements for retail product finished goods inventory. The agreements were for \$1,339,800 of finished goods inventory sold at a discounted price of \$1,116,500, paid in cash in full at execution of the agreements. These transactions represent arms-length transactions and have been recorded in accordance with GAAP. In December of 2019, due to market conditions, the Company repurchased \$425,545 of finished goods inventory from Fiero, to be paid over time. The total obligation to Fiero at December 31, 2021 was \$1,000,505, which included repurchased inventory and \$609,935 inventory sold by the Company for the benefit of Fiero but not yet been paid to Fiero.

The Company has certain related party notes payable outstanding to a shareholder and director. These loans are non-interest bearing and have no set repayment terms. Management considers these notes to be short-term in nature. The balance on these notes payable at December 31, 2021 and 2020 were \$1,105,000 and \$320,000, respectively.

**Note 10 - Operating leases** The Company leased office space under an operating lease that expires in July 2021. The lease was renewed for an additional one year term with monthly base rental payments of \$2,091 beginning in August 2021.

The Company recognizes rental expense under these operating leases on a straight-line basis over the life of the lease and has accrued for rental expense recorded but not paid. Rental expense for the years ended December 31, 2021 and 2020 was \$60,025 and \$188,772, respectively.

*FASB ASU No. 2016-02, Leases (Topic 842)* - Issued in February 2016, ASU No. 2016-02 is intended to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. In response to global concerns regarding the effect the COVID-19 pandemic may have on businesses, FASB decided to amend the effective date of Topic 842 for private companies to annual reporting periods beginning after December 15, 2021. The impact of the pronouncement will affect the Company for the financial reporting period ending December 31, 2022.

**Larada Sciences, Inc.**  
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**Note 11 - Employee stock incentive options** - The Company has a stock option plan that provides for the grant of incentive and nonqualified options to all employees to purchase the Company's common stock. Options are granted at a price not less than the fair market value on the grant date and generally become exercisable between one and five years after the grant date in accordance with an applicable vesting schedules. The options generally expire ten years after the grant date.

The Company recorded \$201,723 and \$300,532 in stock-based compensation expense included in general and administrative expenses in the statement of operations for the years ended December 31, 2021 and 2020, respectively. The Company uses the Black-Scholes valuation model for estimating the fair value of stock-based compensation. The fair values of the options granted were calculated using the following assumptions:

December 31	2021	2020
Risk-free interest rate	0.18% - 0.33%	0.18% - 0.33%
Expected stock price volatility	58% - 69%	58% - 64%
Expected life (in years)	1-4	1-4
Stock Value	\$ 0.11	\$ 0.11

As of December 31, 2021, total compensation cost not yet recognized related to nonvested stock options was \$304,433, which is expected to be recognized over the weighted average remaining vesting period of one to four years.

Stock option activity and related information are as follows:

December 31	2021	2020
Outstanding at beginning of year	12,277,419	12,028,283
Granted	-	1,465,000
Exercised	-	-
Forfeited	(613,904)	(1,215,864)
Outstanding at end of year	11,663,515	12,277,419
Exercisable at end of year	5,212,156	7,163,542
Weighted average fair value of options granted during year	\$ -	\$ 0.10

The weighted-average exercise price as of December 31, 2021 and 2020 was \$0.28 and \$0.25, respectively. The weighted-average exercise price of exercisable options was \$0.28 and \$0.29 at December 31, 2021 and 2020, respectively. The weighted-average exercise price of options granted was \$0.00 and \$0.10 during the year ended December 31, 2021 and 2020, respectively. The weighted-average of options forfeited was \$0.14 and \$0.39 during the year ended December 31, 2021 and 2020, respectively. The weighted-average of nonvested options as of December 31, 2021 and 2020 was \$0.28 and \$0.17, respectively. The grant date fair value of options granted ranged from \$0.03 to \$0.05 and was \$0.35 during the year ended December 31, 2020. There were no options granted during the year ended December 31, 2021. The grant date fair value of options forfeited ranged from \$0.11 to \$0.82 and \$0.27 to \$0.55 during the year ended December 31, 2021 and 2020, respectively.

**Larada Sciences, Inc.**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 12 - Income taxes** - The provision for income taxes differs from that computed by applying statutory rates to income before income tax expense, as indicated in the following analysis:

December 31	2021	2020
Pre-tax income	\$ 41,205	\$ (86,194)
State and local income taxes net of federal benefit	174,807	(458,243)
Permanent differences	(149,694)	(5,193)
True up of temporary differences	-	-
Other	(295,648)	117,244
Change in valuation allowance	229,330	432,386
<b>Total provision for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

Deferred tax assets (liabilities) in the accompanying balance sheet are comprised of the following:

December 31	2021	2020
NOL carry forward	\$ 6,288,984	\$ 6,278,769
Allowances	(45,737)	31,970
Accrued liabilities	-	-
Fixed assets	(42,860)	(84,627)
Stock-based compensation	-	-
	6,200,387	6,226,112
Less valuation allowance	(6,200,387)	(6,226,112)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

As of December 31, 2021, the Company has net operating loss carry forwards of \$24,851,250 for tax purposes, which will be available to offset future taxable income. If not used, carry forwards generated prior to 2021 will begin to expire in 2031. Federal carry forwards generated in 2021 will not expire. Certain tax attributes may be subject to an annual limitation as a result of prior stock issuances, which could constitute a change of ownership as defined under Internal Revenue Code Section 382.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has recorded a valuation allowance for a portion of its deferred tax assets that management believes more likely than not will not be realized.



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**Note 13 - COVID -19** On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of government mandated lockdowns, many of the Company's clinics were initially closed as they were deemed non-essential businesses. Upon re-opening, but with the closure of schools and other social distancing measures put into place, the Company's clinics experienced a major decline in the amount of treatments provided.

The Company also was required to follow best practices advised by the Center for Disease Control ("CDC") to ensure the safety of their customers. These measures included treating one family at a time, implementing rigorous cleaning and disinfecting protocol, offering tele-health solutions, and offering curbside pickup of treatment products.

As discussed further in Note 1, the economic impact from the pandemic resulted in the Company failing to meet their debt covenants, causing them to be in default and the need to seek forbearance with their secured lender.

**Note 14 - Contingencies** The Company is a party to claims and litigation in the normal course of its operations. Management believes that the ultimate outcome of these matters will not have a material effect on the Company's financial position, results of operations, or cash flows.

**Larada Sciences, Inc.**  
**Notes to Financial Statements**

December 31, 2022

**Note 14 - Contingencies**      The Company is a party to claims and litigation in the normal course of its operations. Management believes that the ultimate outcome of these matters will not have a material effect on the Company's financial position, results of operations, or cash flows.

**Note 15 - Prior period adjustment**      At December 31, 2022, management performed an evaluation on their patents and determined impairment of all patents being held based on their current legal rights being diminished. The Company subsequently recorded an adjustment to amortize the remaining balance at December 31, 2022. Also, while performing their evaluation of the patents, it was discovered that they had erroneously overstated their prior amortization from 2006 through 2021. Such an error, while potentially immaterial in nature to each individual year ranging from 2006 to 2021, had over time accumulated to a material difference in accumulated amortization. As a result, the Company recorded a prior period adjustment to correct these accounting errors which resulted in a decrease in accumulated deficit at the beginning of 2022 by \$70,454, which is the total cumulative effect of the error.

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

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LARADA SCIENCES Franchise Agreement

Larada Sciences, Inc.  
4873 South State Street  
Murray, UT 84107

For the \_\_\_\_\_ Territory

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## LARADA SCIENCES FRANCHISE AGREEMENT

This Franchise Agreement (together with all schedules and addenda, the “Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ between Larada Sciences, Inc., a Delaware corporation with its principal business located at 4873 South State Street, Murray, Utah, 84107 (“LSI”, “we” or “us”), and “Franchisee” or “you” as identified on the Data Sheet attached as Schedule A (the “Data Sheet”). If the Franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners.

### RECITALS

- A. We have developed a unique system for clinics that offers lice screening and diagnosis, lice-treatment services and other lice-treatment services and related products;
- B. Many of the lice-treatment services and products and services are provided according to specified methods and procedures;
- C. We own the LICE CLINICS OF AMERICA® Trademark and other trademarks used in connection with the operation of a LICE CLINICS OF AMERICA® business;
- D. We have the right to license to you the right to use and sublicense the LICE CLINICS OF AMERICA® Trademarks and business system in the United States;
- E. You desire to develop and operate a LICE CLINICS OF AMERICA® business; and
- F. We have agreed to grant you a franchise subject to the terms and conditions of this Agreement.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

### III. DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions (other terms are defined throughout the Agreement):

A. “Affiliate” means any corporation, limited liability company or other entity that controls, is controlled by or is under common control with a person or entity.

B. “ACH” shall mean the Automated Clearing House information you will provide us with, which we may use to electronically transfer funds from your bank account to ours. You agree that we can charge at our sole discretion, your ACH and/or Credit Card for Royalty Fees, Marketing Fund Fees, Technology Fees and Device Deposits when they are due, without getting your prior approval each month.

C. “Applicator Tip(s)” shall mean the plastic tip that attaches to the Device during a Treatment.

D. “Approved Suppliers” shall mean manufacturers, distributors, and/or suppliers that we have approved to provide you with Approved Supplies.

E. “Approved Supplies” shall mean products, services, inventory, equipment, fixture, furnishings, signs, advertising materials, trademarked items and novelties, and other items or services that we have approved to be used in the operation of, and sold from, your Clinic.

F. “Authorized Location” is the location or locations we have approved for you to establish and operate your Clinic or Satellite.

G. “Business” shall mean the lice-removal business operated by you wherein you provide a Treatment to Clients within a Clinic or Satellite using Device(s).

H. “Bylaws” shall mean the document that dictates how the Marketing Fund Council shall be constituted and run, the types of marketing and advertising activities the Marketing Fund Council will engage in, and how monies from the Dedicated Marketing Fund shall be overseen and spent.

I. “Call Tracking” shall mean the phone numbers and software we will manage and provide to you for tracking inbound calls and the effectiveness of your advertising campaigns.

J. “Certification” or “Certified” shall mean the certificate issued by us to each Certified Operator after he or she has successfully completed Device Training and is competent to use the Device.

K. “Certified Operator” shall mean that person or persons who have been Certified by us in the use of the Device and who are trained to follow the instructions for use in the User Manual.

L. “Certified Operator Agreement” is a document to be signed by each Certified Operator stating that he or she successfully completed Device Training. A copy of the Certified Operator Agreement can be found in the Operations Manual.

M. “Client” shall refer to the recipient of the Treatment serviced by Franchisee.

N. “Clinic” shall mean a place of business with a physical location and storefront that is marketed as Lice Clinics of America® where AirAllé® Treatments are provided. The Clinic must contain at least two salon-style treatment chairs and perform services on a floor plan that is no less than 400 square feet. The physical location of the Clinic must be approved by us prior to you signing the lease.

O. “Clinic Retail Products” shall mean Retail Products that you must carry and sell within your Clinic. You must purchase Retail Products from Approved Suppliers only. We have the right to add to, modify and/or eliminate any Clinic Retail Products at our sole discretion. Non-lice-related supplies and products that are not branded as Lice Clinics of America are not Clinic Retail Products and therefore do not need to be purchased from Approved Suppliers.

P. “Competing Business” shall mean any clinic or business which competes against Lice Clinics of America by providing lice-treatment services and selling related products.

Q. “Complaint” shall mean any communication from any source to LSI or to Franchisee, including Clients, that alleges deficiencies related to the identity, quality, durability, reliability, safety, effectiveness, or performance of the Treatment, Clinic Retail Products, Device or Device Accessories.

R. “Consent for Treatment Form” shall mean a standard LSI-provided template that describes the relative risks and benefits of Treatment using the Device that Clients must complete prior to getting a Treatment. The Consent for Treatment form is in the Operations Manual and may be modified by us from time to time.

S. “Consumer Device(s)” shall mean the LSI heated-air device also known as the “OneCure™ Device” currently sold in a treatment kit (the “OneCure™ Kit”) for consumers to treat head lice at home. The existence, use, or sale of Consumer Devices within the Territory shall not be deemed to be a violation of any license set forth in this Agreement or any other provision of this Agreement.

T. “Consumer Tips” shall mean the plastic tip that attaches to a Consumer Device.

U. “Credit Card” shall mean the credit card that you have on file with us that we may use to charge you for any fees or costs due under this Agreement. You agree that we can charge at our sole discretion, your Credit Card and/or ACH for Royalty Fees, Marketing Fund Fees, Technology Fees and Device Deposits when they are due, without getting your prior approval each month.

V. “Dedicated Marketing Fund” shall mean a segregated fund wherein we will deposit the full amount of Marketing Fund Fees we collect each month into a bank account designated specifically to account for all receipts and disbursements.

W. “Designated Territory” shall mean the area designated by zip codes on the Data Sheet wherein you are authorized to exclusively operate the Business according to this Agreement.

X. “Devices” shall mean our heated-air device also known as the “*AirAllé*® Device” for use in lice-removal Clinics. For the avoidance of doubt, Device shall not mean any consumer-use, heated-air device, including the Consumer Device, produced, sold or marketed by us, our Affiliates or agents.

Y. “Device Accessories” shall refer to any hoses, filters, replacement parts, and any other goods or items that are specifically designed for the Device and must be replaced in order to repair or maintain the Device. Device Accessories shall not refer to Professional Services Products or Clinic Retail Products. We may add Device Accessories at our discretion.

Z. “Device Deposit” shall mean the refundable security deposit you pay us for each Device, according to the terms of your Franchise Agreement.

AA. “Device Training” shall refer to a training program that we deliver to you and any of your employees on the safe and effective use of the Device, also called the “Training Program.” We may allow you to conduct Device Training for your employees, as stated in Section 9.B.

BB. “Documents” shall refer to all physical and electronic documents we may offer to you, including but not limited to the Franchisee Resource Portal, franchise agreements, Operations Manual, User Manual, training materials, the Consent for Treatment forms, product fact sheets and any electronic media or other written materials that we may offer from time to time.

CC. “E-Commerce” shall mean an online platform on your website that we create and manage that will give you the ability to sell approved Retail Products online. All Retail Products sold from your website shall be subject to our Minimum Advertised Price (“MAP”) provision, as stated in our Franchisee Resource Portal. We will manage the E-Commerce platform as part of your



Technology Fee, but you will be responsible for fulfilling E-Commerce orders placed on your website unless you arrange for drop-ship services from LSI.

DD. “Express AirAllé® Treatment” shall refer to a Treatment where a Certified Operator uses just the Device and Professional Services Products on a Client, and the Client finishes the Treatment by combing at home.

EE. “Franchisee Resource Portal” shall refer to an online system of websites designed to provide Franchisee and other members of the network with resources for support, training, reporting, ordering products, access to the Operations Manual and User Manual, and other clinic success tools.

FF. “Gross Sales” includes the total revenues and receipts from all Treatments performed and products, services, plans, and merchandise sold in or from your Clinic, whether under any of the Trademarks or otherwise, including any mobile operations or sales, cover charges or fees, as well as all license and use fees. Gross Sales excludes sales taxes and tips paid to technicians by customers.

GG. “HIPAA” shall mean the Health Insurance Portability and Accountability Act of 1996 which provides data privacy and security provisions for safeguarding medical information.

HH. “Incurable Default” shall mean any of the incurable defaults specified in Section 15.B.ii.

II. “Interim Period” shall mean a month-to-month period of time, granted at our discretion, between when this Agreement expires and any renewal agreement is signed by the Parties.

JJ. “Late Fee” is a fee we may charge you if we are unable to charge your Credit Card when a fee is due, or if you have insufficient funds in your bank account for us to draft via ACH.

KK. “Manual” or “Operations Manual” means any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our agents produce and which contain specifications, standards, policies, procedures, restrictions and recommendations for your LICE CLINICS OF AMERICA Clinic, all of which we may change from time to time. The information in the Franchisee Resource Portal comprises the Operations Manual.

LL. “Marketing Fund Council” shall mean a group of franchisees appointed or elected to represent all the U.S. franchisees in making recommendations on how to use monies in the Dedicated Marketing Fund for marketing initiatives. The Marketing Fund Council will follow a set of approved Bylaws.

MM. “Marketing Fund Fee” is a fee based on your Gross Sales that we will put into our Dedicated Marketing Fund for marketing initiatives.

NN. “Medicaid Treatment” shall mean any and all treatments for head lice delivered to a Client by a Certified Operator using the Device where the Client provides proof that Client is a Medicaid recipient. You may choose, but are not required, to offer Medicaid Treatments in your Clinic and any Satellites.

OO. “Minimum Royalties” shall mean a minimum amount you must pay us in Royalty Fees each year for your Designated Territory and for any Additional Territory that may be listed in this Agreement.

PP. “Nutshell” shall mean a CRM and email-marketing application we will manage and provide to you for marketing and communication purposes. It will be covered under your Technology Fee.

QQ. “Online Booking” shall mean the booking tool on your website that we manage and provide to you for Clients to book Treatments in your Clinic. It will be covered under your Technology Fee.

RR. “Owner” means any person or entity who, now or hereafter, directly or indirectly owns an interest in Franchisee when Franchisee is a corporation, limited liability company, or a similar entity other than a partnership entity. If Franchisee is a partnership entity, then each general partner is an Owner, regardless of the percentage of ownership interest. If the Franchisee is one or more individuals, each individual is an Owner of the Franchisee. Your Owner(s) is identified on the Data Sheet. Every time there is a change in the persons who are your Owners, you must, within ten (10) days from the date of each such change, update the Data Sheet. Each Owner must sign the Personal Guarantee on Schedule G. As used in this Agreement, any reference to Owner includes all Owners.

SS. “POS System” shall mean our designated point-of-sale system that you must use in the operation of your Clinic and any Satellites. Your use of our designated POS System will be paid for as part of your Technology Fee. As of the Effective Date our designated POS System is Meevo. We reserve the right, in our sole discretion, to change the designated POS System you must use.

TT. “Professional Services Products” shall refer to the Applicator Tips and the topical products used during Treatment. Professional Services Products must be purchased from Approved Suppliers only. We may modify, add, or discontinue Professional Services Products at our discretion (*See* Franchisee Resource Portal for a list of Professional Services Products and their prices).

UU. “Replacement Price” means the current price that we charge for the applicable Device Accessory, Document or other item.

VV. “Retail Products” may include, but not be limited to, combs, preventive sprays, preventive shampoos, preventive conditioners, combing solutions, gels (including the “Lice Preventer Kit” and “Lice Remover Kit” currently sold online and in retail stores), oils, rinses, Consumer Tips, Consumer Devices, other heated-air devices used by consumers, and other lice-treatment products that are branded under the Lice Clinics of America®, brand or any other brands owned by us or any of our Affiliates. The existence, use, or sale of Retail Products within the Territory shall not be deemed to be a violation of any license set forth in any provision of this Agreement. You must purchase Retail Products from Approved Suppliers only. We may modify, add or discontinue Retail Products at our discretion.

WW. “Royalty Fee” is a fee based on your Gross Sales that we will charge you for the license we grant you under the terms of your Franchise Agreement.

XX. “Satellite” shall mean any secondary place of business (the first place being the Clinic) within the Territory that is a place of business with a physical location that is marketed using the Lice Clinics of America trademark and where AirAllé® Treatments are provided. The physical

location of any Satellite must be approved by us in writing prior to you opening the Satellite. All Treatments performed at Satellites will be reported separately from Clinic Treatments. For purposes of this Agreement, any reference to, and requirements made of, a Clinic would also apply to a Satellite.

YY. “Signature AirAllé® Treatment shall mean a 3-step Treatment process where, after screening Clients and determining a lice infestation, Certified Operators use the Device, provide a thorough comb-out and apply Professional Services Products on a Client.

ZZ. “SOCi” shall mean a social-media scheduling platform that we will manage for you as part of the Technology Services.

AAA. “System” means the LICE CLINICS OF AMERICA System, which consists of lice screening and diagnosis, lice-treatment services, methods and procedures, equipment, equipment layouts, interior and exterior accessories, color schemes, products, services, methods of operation, marketing and advertising programs, management programs, standards, specifications and proprietary information, all of which we may change modify and change from time to time.

BBB. “Technology Fee” shall mean the monthly fee you will pay us to provide Technology Services. You must pay the full Technology Fee even if you choose not to use all of the Technology Services.

CCC. “Technology Services” shall mean the technology services we will provide to you as part of your Technology Fee, including but not limited to Website Management, Online Booking, E-Commerce, Call Tracking, Nutshell, SOCi, and the designated POS System. We may change the types of Technology Services or specific platforms used under those services with ninety (90) days’ prior written notice.

DDD. “Trademarks” means the LICE CLINICS OF AMERICA trademark that has been registered in the United States and elsewhere and the trademarks, service marks and trade names set forth on Schedule B, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Clinic. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Clinic from time to time.

EEE. “Treatment” shall mean any and all treatments for head lice delivered to a Client by a Certified Operator using the Device.

FFF. “User Manual” shall refer to the manual associated with the Device that prescribes how the Device is to be used.

#### IV. GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Authorized Location(s). We grant to you the right and license to establish and operate a retail Clinic and any Satellites identified by the LICE CLINICS OF AMERICA Trademarks or such other marks as we may direct at the location or locations identified on the Data Sheet, (each location being an Authorized Location). When a location has been designated by you and approved by us, it will become part of Section 2.A as if originally stated. If you do not have a Clinic open in an Authorized Location within the time specified in Section 2.B of this Agreement, we may grant you an extension of time to locate an Authorized Location, or, at our sole discretion, terminate this Agreement. You

accept the license and undertake the obligation to operate the Clinic at the Authorized Location(s) using the Trademarks and the System in compliance with the terms and conditions of this Agreement.

B. Opening. You agree that the Clinic will be open and operating in accordance with the requirements of Section 6.A within one hundred eighty (180) days from the date of this Agreement, unless we authorize in writing an extension of time.

(i) C. Designated Territory. The license is limited to the right to exclusively develop and operate one Clinic and approved Satellites at the Authorized Location(s) within the Designated Territory as defined on the Data Sheet.

(ii) During the term of this Agreement and provided you are in compliance with the terms and conditions of this Agreement we will not, except as it relates to Alternative Methods of Distribution (as defined below):

i. modify the Designated Territory,

(iii) ii. establish a company-owned, Affiliate-owned, or franchised LICE CLINICS OF AMERICA clinic within the Designated Territory, or

(iv) iii. establish a company-owned, affiliate-owned, or franchised clinic in the Designated Territory that offers the same products and services as your LICE CLINICS OF AMERICA Clinic.

(v) The foregoing does not limit our rights to other related activities as set forth below in Section 2.F.

There is no limitation on your ability to market or do Treatments or mobile Treatments, using either the AirAllé Device or the Consumer Device, outside of your own Designated Territory so long as these activities are not conducted in another franchisee's territory. You must check with us prior to conducting any of the above activities outside of your own Designated territory in order to ensure that you are not inadvertently operating in another franchisee's territory.

D. Device Use. During the Term of this Agreement, we shall provide you with up to Four (4) Devices per Clinic. You may request additional Devices in writing, which request will not be unreasonably denied by us (see Section 11.C for deposit requirements).

E. Minimum Requirements. During the term of this Agreement, you shall be required to spend a minimum amount on marketing and pay us a minimum amount of Royalty Fees as more specifically set forth in Schedule D attached hereto.

F. No Exclusivity; Our Reservation of Rights. The license is limited to the right to exclusively develop and operate one Clinic and Satellites at the Authorized Location(s).

The license granted to you does not include:

i. any right to operate the Devices or sell services and other products identified by the Trademarks at any location outside the Designated Territory, except for authorized services as noted in section 2.C,

ii. Subject to Section 2.G of this Agreement, any right to operate the Devices or sell services and other products identified by the Trademarks through any other channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce),

iii. any right to operate the Devices or sell services and other products identified by the Trademarks to any person or entity for resale or further distribution, except as we may designate in writing, or

iv. any right to exclude, control or impose conditions on our development of future franchised, company- or affiliate-owned clinics at any time or at any location regardless of the proximity to your Designated Territory.

Although we will not establish a company-owned, affiliate-owned, or franchised LICE CLINICS OF AMERICA clinic within the Designated Territory, as stated in Section 2.C of this Agreement, you acknowledge that the consumer service area or trade area of another LICE CLINICS OF AMERICA clinic may overlap with your Designated Territory. In other words, there are no restrictions or limitations from where consumer business may be generated. You are not provided consumer protections to the extent that consumers can visit any LICE CLINICS OF AMERICA clinic that they desire regardless of where they reside or any other factor.

Between the years 2010 and 2013, we sold one hundred thirty-five (135) Devices (“Sold Devices”) to individuals, schools, health departments, camps, and medical clinics. Except for twenty-five (25) of those Sold Devices that we subsequently reacquired, we do not know the current locations of Sold Devices. Although we do not provide Applicator Tips to owners of Sold Devices, and such owners do not have the rights to use any of our Trademarks, you acknowledges and agree that we cannot guarantee that no Sold Device will exist or be used in the Territory, and such existence or use of Sold Devices in the Territory shall not be deemed to be a violation of any license set forth in this Agreement or any other provision of this Agreement.

We retain all rights that are not expressly granted to you under this Agreement. Further, we may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee, and without granting you any rights therein, establish and/or license others to establish franchised or company-owned or affiliate-owned Clinics at any location outside your Designated Territory regardless of the proximity of such clinics to your Designated Territory.

G. Sales of Retail Products. We and our Affiliates also have the right to offer, sell or distribute Retail Products and any proprietary items or other products associated with the System (now or in the future) or identified by the Trademarks, or any other trademarks, service marks or trade names through any distribution channels or methods, without compensation to any franchisee. The distribution channels or methods (“Alternative Methods of Distribution”) include, without limitation, “big box” stores like Walmart, Costco, Walgreens, CVS, and others, wholesale, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the Internet (or any other existing or future form of electronic commerce).

Except for Retail Products sold at the time of Treatment to Clients receiving mobile Treatments, you may not sell Retail Products outside of your Clinic or Satellite, on your website, or any other online market without our prior permission.

## V. TRADEMARK STANDARDS AND REQUIREMENTS

3. You acknowledge and agree that the Trademarks are our property and we have licensed the use of the Trademarks to you and others. You further acknowledge that your right to use the Trademarks is specifically conditioned upon the following:

A. Trademark Ownership. The Trademarks are our valuable property, and we are the owner of all right, title, and interest in and to the Trademarks and all past, present, and future goodwill of the Clinic and of the business conducted at the Authorized Location that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to our benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm, or contest our rights in any of the Trademarks or the goodwill associated with the Trademarks, including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media, and further including but not limited to any challenge, whether formal or informal, to the validity, ownership, or enforceability of any of the Trademarks or our rights relating thereto.

B. Trademark Use. You may not use, or permit the use of, any trademarks, trade names, or service marks in connection with the Clinic except those set forth in Schedule B or except as we otherwise direct in writing. You may use the Trademarks only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademarks, trade name, and service mark notice marking requirements. You may use the Trademarks only in association with products and services approved by us and that meet our standards or requirements with respect to quality, mode, and condition of storage, production, preparation, and sale, portion, and/or packaging. You agree to use the Trademarks only as adjectives rather than as nouns or verbs. You further agree to use the Trademarks in a manner that distinguishes them from the surrounding text, such as using ALL CAPS, distinct fonts, bold type, and the like. You agree to use the Trademarks consistently and only in the manner authorized herein without any abbreviations or other modifications. You agree to consistently use appropriate trademark designations or markings in connection with the Trademarks, including “TM” or, with respect to Trademarks that have been registered with the United States Patent and Trademark Office, the circle-R (®) symbol.

C. Clinic Identification. You must use the name LICE CLINICS OF AMERICA as the trade name of the Clinic, and you may not use any other mark or words to identify the Clinic without our prior written consent. Although you may include the word “lice” in the name of your corporation, partnership, limited liability company, or other similar entity, you may not use any of the words LICE CLINICS OF AMERICA or any of the other Trademarks or any names or words that are substantially similar as part of the name of your corporation, partnership, limited liability company or other similar entity without our prior written permission. You may use the Trademarks on various materials, such as business cards, stationery, and checks, provided you:

- i. accurately depict the Trademarks on the materials as we prescribe,
- ii. include a statement on the materials indicating that the business is independently owned and operated by you,
- iii. do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use,
- iv. make available to us, upon our request, a copy of any materials depicting the Trademarks, and

- v. allow us to make any reasonable modifications to such materials in order to improve conformance with the standards and requirements set forth herein.

You must post a prominent sign in the Clinic identifying you as a LICE CLINICS OF AMERICA franchisee in a format we deem reasonably acceptable, including an acknowledgment that you independently own and operate the Clinic and that the LICE CLINICS OF AMERICA Trademark is owned by us and your use is under a license we have issued to you. All your internal and external signs must always comply with our outdoor/indoor guidelines and practices, as they are modified from time to time.

D. Litigation. In the event any person or entity improperly uses or infringes the Trademarks or patents, or challenges your use or our use or ownership of the Trademarks or patents, we will control all litigation or other legal action(s) and we have the right to determine whether suit will be instituted, prosecuted, or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge or claim arising out of your use of any Trademark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must reimburse us for our fees and expenses. Any damages or other compensation recovered in any litigation or other action referenced in this section shall be solely owed and paid to us.

E. Changes. You may not make any changes or substitutions to the Trademarks unless we direct in writing. We reserve the right to change or modify the Trademarks, including the LICE CLINICS OF AMERICA Trademark, at any time. For example, we may require you to cease all use of the LICE CLINICS OF AMERICA Trademark at any time and require you to use a different Trademark as we may designate in connection with the operation and identification of your Clinic. There are no limitations on our right to change or modify the Trademarks and we may change or modify the Trademarks for any reason including, but not limited to, any challenge to our ownership of the Trademarks, a change in market conditions, or any claimed or actual infringement of our Trademarks. We will provide you with written notice of any changes or modifications to the Trademarks. Upon receipt of our written notice, you will have a reasonable amount of time, not to exceed six (6) months, to change or modify your use of the Trademarks consistent with the terms contained in the written notice. By way of example only, if we require you to change or modify the Trademarks, you may be required to do any of the following:

- i. change all signage (interior and exterior) used in connection with the operation or identification of your Clinic,
- ii. cease all use of any products, serving and/or convenience items containing the Trademarks,
- iii. cease all use of any advertising or marketing materials containing the former Trademarks, and
- iv. change your letterhead, business cards and any other items containing the former Trademarks.

All changes or modifications to the Trademarks will be at your sole expense.

F. Creative Works. All inventions, ideas, designs, concepts, improvements, techniques, methods and/or materials concerning the Business and LICE CLINICS OF AMERICA

Clinic, whether or not protectable intellectual property and whether created by or for you or one of your owners, employees, associates, and/or agents must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you must assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment agreement or other documents) we request to establish or evidence ownership and/or intellectual property rights in the item. You agree to, without further consideration, to sign all lawful papers, perform all other lawful acts, and provide any other assistance we may need in order to perfect, use, and/or enforce our rights to any such intellectual property and/or items.

## VI. TERM AND RENEWAL

4. The following provisions control with respect to the term of this Agreement and any successor rights:

A. Term. The initial term of this Agreement is five (5) years, unless this Agreement is sooner terminated in accordance with Section 13. The initial term commences upon the Effective Date (as defined in Section 17.O) of this Agreement. We may extend this initial term in writing for a limited period not to exceed six (6) months to take into account the term of any applicable lease for the Authorized Location.

B. Renewal. You will have the option to renew your rights under this Agreement for one (1) five (5) year renewal term if you meet the following criteria:

i. you have given us written notice of your intent to enter into a renewal agreement at least six (6) months but not more than twelve (12) months prior to the end of the expiring term;

ii. you sign our then-current form of franchise agreement (modified to reflect that the agreement relates to a renewal agreement), the terms of which may differ from this Agreement, including higher fees;

iii. you have complied with the provisions of Section 6.E regarding modernization and you perform any further items of modernization and/or replacement of the building, premises, trade dress, equipment and grounds as may be necessary for your Clinic to conform to the standards then applicable to new LICE CLINICS OF AMERICA clinics, with the cost of such modernizations and/or replacements not to exceed \$15,000;

iv. you are not in default of this Agreement or any other agreement pertaining to the franchise granted; have not been in default of this Agreement on three or more occasions during the term of this Agreement, regardless of whether you have been notified of the breaches, or whether any cure has been effectuated; have satisfied all monetary and material obligations on a timely basis during the term; and are in good standing;

v. if leasing the Clinic premises, you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal period;

vi. you comply with our then-current training requirements;



- vii. you pay us a fee in the amount of \$5,000; and
- viii. you and your owner(s) execute a general release of claims in a form we prescribe.

C. Interim Period. If you do not exercise your option to enter into a renewal agreement prior to the expiration of this Agreement and continue to accept the benefits of this Agreement after the expiration of this Agreement, then at our option, this Agreement may be treated either as:

- i. expired as of the date of expiration with you then operating a franchise without the right to do so and in violation of our rights; or
- ii. continued on a month-to-month basis until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period.

In the latter case, all your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

D. Signing Other Franchise Agreements. If after the Effective Date you enter into franchise agreements with us for any other territories, you agree to replace this Agreement and its corresponding addenda or modification agreements, as applicable, with our then-current franchise agreement such that all franchise agreements between you and us will contain the same terms. Notwithstanding the foregoing, any replacement franchise agreement will not extend the initial term or any renewal term of this Agreement. Any remaining time left on the initial term or renewal term from this Agreement shall roll forward to the new then-current franchise agreement.

## VII. DEVICES, DEVICE ACCESSORIES, DOCUMENTS, MAINTENANCE, REPAIR AND OWNERSHIP

5. You acknowledge and agree that the Devices are our property and we have licensed the use of the Devices to you and to others. You further acknowledge that your right to use the Devices is specifically conditioned upon the following:

A. Device. You understand that we have represented that the Device is a "medical device" as defined by the United States Food and Drug Administration and its design and use are strictly regulated by one or more governmental entities. The Device must be operated only by a Certified Operator who operates the Device only in strict adherence to the methods, procedures, and quality standards taught in Device Training, as identified in the User Manual, and otherwise provided to you by us from time to time. You shall make no modifications of any kind to the Device. Breach of this covenant shall be material and may, at the option of us, be deemed to be an Incurable Default.

B. Device Accessories. You shall purchase all Device Accessories only from us or Approved Suppliers as applicable and determined solely by us. The prices for Device Accessories are listed in the Operations Manual. We have the right at any time, upon thirty (30) days' written notice to you, to change the prices charged for the Device Accessories; provided however, the prices charged for Device Accessories are reasonably competitive to similar products available in the industry (to the extent any similar products are available) as determined by us in our reasonable discretion.

C. Applicator Tips. The Operations Manual prescribes how Applicator Tips must be used, cleaned and disinfected. You must purchase Applicator Tips from Approved Suppliers.

D. Device Maintenance. You are solely responsible for the normal, routine maintenance and upkeep of the Device as required or recommended by us, and as so disclosed to you per our Device Training and Operations Manual, and for keeping on hand a sufficient supply of Device Accessories. You shall immediately notify us of any inoperable Device or Device Accessory, specifying in sufficient detail the nature of the problem (including photographs, if possible). Within two business days after receiving such notification, we shall instruct you to either repair the Device or Device Accessory on-site or to ship the problematic Device or Device Accessory to us or our Device supplier at your initial cost, and we shall simultaneously ship any replacement Device or Device Accessory back to you at our cost.

E. Location of Devices. At all times, each Device shall be kept at the Clinic; except that you may store or use any Device at a fixed location other than the Clinic, so long as you maintain a record of the location and shall provide us with such record upon request. You may use any Device in all mobile operations (such as for camp Treatments) and in all services provided at your Clinic(s) in adherence to the methods, procedures, and quality standards taught in our Training Program and provided within the User Manual, consistent with Lice Clinics of America's® standard offering of screening, diagnosis, and Treatment options to Clients.

F. Ownership of Devices. We solely own each Device. By signing this Agreement and using a Device, you acquire no right, title, or interest in or to the Device, except for the limited license of use expressed herein. You agree that, upon request, you will execute all reasonable agreements or notifications that serve to confirm ownership of the Device in the name of LSI.

G. Device Usage Data. Each Device may have the ability to transmit usage and other diagnostics data to us via wi-fi or cellular transmitters. We reserve the right to gather data transmitted from these Devices. You acknowledge that any such data will be owned by us and that we have the right, in our sole discretion, to analyze, aggregate and report such data to our Parties.

H. Device Upgrades. You agree to upgrade your Devices to the latest model within twelve (12) months of us notifying you in writing that we have released an upgraded model of the Device. You will be responsible for paying any difference between the deposits you paid for the older Devices and the required deposits for the upgraded Devices. You will also pay any shipping charges related to upgrading your Devices.

## VIII. FACILITY STANDARDS AND MAINTENANCE

6. You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of LICE CLINICS OF AMERICA clinics to protect the distinction, goodwill, and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Clinic Facility; Site Under Control. You must obtain our approval for the site location of your Clinic prior to opening it. We must consent to the site in writing. You must use an approved broker if we have one in your area, as well as provide us with pictures, floorplans, and a draft of the lease for our approval. We may, at any time, implement or update site selection guidelines in regard to sites for Clinics. If those guidelines have been implemented, you are responsible for purchasing or leasing a site that meets our site selection guidelines. You may not use the Clinic premises or Authorized Location for any purpose other than the operation of a LICE CLINICS OF AMERICA Clinic

during the term of this Agreement or any Interim Period. We make no guarantees concerning the success of the Clinic located on any site to which we consent.

You may not open your Clinic for Business until we have notified you in writing that you have satisfied your pre-opening obligations as set forth in Sections 6.A and 5.B and we have consented to your opening date. We are not responsible or liable for any of your pre-opening obligations, losses, or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. We also are entitled to injunctive relief or specific performance under Section 14.B for your failure to comply with your obligations.

If you plan to enter into any type of lease for the Clinic premises, you must exercise reasonable efforts to persuade your landlord to sign the Lease Addendum attached as Schedule C. We recommend you submit the Lease Addendum to the landlord at the beginning of your lease review and negotiation, although the terms of the Lease Addendum may not be negotiated without our prior approval. If the landlord requires us to negotiate the Lease Addendum, we reserve the right to charge you a fee, which will not exceed our actual costs associated with the negotiation. You must provide us a copy of the executed lease and Lease Addendum within five (5) days of its execution. We have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate, and enter into the lease for the Clinic premises.

B. Construction; Future Alteration. We may at any time implement specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, and design and layout of the Clinic building. If these have been implemented prior to your signing this Agreement, you must construct and equip the Clinic in strict accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, and design and layout of the building. We reserve the right to condition the beginning of construction of your Clinic on our written approval of your building plans.

Any change to the building plans or any replacement, reconstruction, addition or modification in the building, interior or exterior decor or image, equipment, or signage of the Clinic to be made after opening must be done only after receiving our prior written consent.

C. Maintenance. The building, equipment, fixtures, furnishings, signage, and trade dress (including the interior and exterior appearance) employed in the operation of your Clinic must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon periodic evaluations of the premises by our representatives. Within a period of thirty (30) to sixty (60) days (as we determine depending on the work needed) after the receipt of any particular report prepared following such an evaluation, you must effect the items of maintenance we designate, including the repair of defective items and/or the replacement of irreparable or obsolete items of equipment and interior signage. If, however, any condition presents a threat to customers or public health or safety, you must effect the items of maintenance immediately, as further described in Section 6.E.

D. Relocation. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us; provided that the new Clinic is located inside the Designated Territory, is under construction within ninety (90) days after you discontinue operation of the Clinic at the Authorized Location, and the new Clinic is open and operating within one hundred twenty (120) days after construction commences, all in accordance with our then-current standards. If you voluntarily decide to relocate the Clinic, your right to relocate the Clinic will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to

relocate not less than sixty (60) days prior to closing the Clinic, have procured a site that we accept within sixty (60) days after closing the prior Clinic, have opened the new Clinic for business within one hundred twenty (120) days of such closure and complied with any other conditions that we reasonably require.

In the event your Clinic is destroyed or damaged and you repair the Clinic at the Authorized Location (rather than relocate the Clinic), you must repair and reopen the Clinic at the Authorized Location in accordance with our then-current standards for the destroyed or damaged area within one hundred twenty (120) days of the date of occurrence of the destruction or damage.

You do not have the right to relocate in the event you lose the right to occupy the Clinic premises because of the cancellation of your lease due to your breach. The termination or cancellation of your lease due to your breach shall be grounds for immediate termination of this Agreement under Section 15.B.ii.3.

E. Modernization or Replacement. From time to time as we require, you must effect items of modernization and/or replacement of the building, premises, trade dress, equipment, and grounds as may be necessary for your Clinic to conform to the standards for similarly situated new LICE CLINICS OF AMERICA clinics. In no event will your modernization and/or replacement obligations exceed \$15,000 during any five (5) year period. Furthermore, in addition to performing general continued maintenance and refreshing of the Clinic premises whenever necessary as set forth in Section 6.C, you must effect any required expenditures for equipment or leasehold improvements necessary to prepare new Devices or products.

Each and every transfer of any interest in this Agreement or your business governed by Section 11 or any renewal agreement covered by Section 4 is expressly conditioned upon your compliance with these modernization or replacement requirements at the time of transfer or renewal.

You acknowledge and agree that the requirements of this Section 6.E are both reasonable and necessary to ensure continued public acceptance and patronage of LICE CLINICS OF AMERICA clinics and to avoid deterioration or obsolescence in connection with the operation of the Clinic. If you fail to make any improvement as required by this section or perform the maintenance described in Section 6.C, we may, in addition to our other rights in this Agreement, effect such improvement or maintenance and you must reimburse us for the costs we incur.

F. Signage. The outdoor signage at your Clinic must comply with our then-current specifications, if any, which we may modify and change from time to time due to modifications to the System, including changes to the Trademarks. You must make such changes to the outdoor signage as we require, subject to compliance with local regulations and the consent of the landlord.

## IX. PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

7. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity and protecting the goodwill of the Trademarks. The following provisions shall control with respect to products and operations:

A. Authorized Devices and Products. Your business must be confined to the treatment of head lice and sale of lice-treatment products and lice-prevention products as we designate and approve in writing from time to time for sale by your Clinic. You must offer for sale from the Clinic all items designated by us and may offer for sale other approved lice-treatment products and lice-prevention products provided they are Approved Supplies and are purchased from Approved

Suppliers. You must also exclusively use our Devices and Approved Supplies when treating head-lice infestations, unless contraindicated. We have the right to make modifications to these items from time to time, and you agree to comply with any modifications. You may not offer or sell any other product or service at the Authorized Location without our prior written consent.

B. Authorized Usage. You must operate the Clinic and use the Devices and other lice-treatment products and services as we specify in our Operations Manual or otherwise in writing. We will supply you a copy of the current Operations Manual prior to opening the Clinic. You acknowledge and agree that we may change these periodically and that you are obligated to conform to the requirements. All supplies and all other customer service materials of all descriptions and types must meet our standards of uniformity and quality. You acknowledge that the Clinic must always maintain an inventory of lice-treatment products and other products, materials and supplies that will permit operation of the Clinic at maximum capacity.

C. Approved Supplies and Suppliers. We will furnish you, from time to time, lists of Approved Supplies or Approved Suppliers. You must only use Approved Supplies in connection with the design, construction and operation of the Clinic as set forth in the Approved Supplies and Approved Suppliers lists, as we may amend from time to time. Although we do not do so for every item, we have the right to approve the manufacturer, distributor, and/or supplier of Approved Supplies. You acknowledge and agree that certain Approved Supplies may only be available from one Approved Supplier source, and we or our Affiliates may be from that source. You will pay the then-current price in effect for any approved products and supplies purchased from us or our Affiliates. All inventory, products, materials and other items and supplies used in the operation of the Clinic that are not included in the Approved Supplies or Approved Suppliers lists must conform to the specifications and standards we establish from time to time. ALTHOUGH APPROVED OR DESIGNATED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO SERVICES, PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS. IN ADDITION, WE DISCLAIM ANY LIABILITY ARISING OUT OF OR IN CONNECTION WITH THE SERVICES RENDERED OR PRODUCTS FURNISHED BY ANY SUPPLIER APPROVED OR DESIGNATED BY US. OUR APPROVAL OR CONSENT TO ANY SERVICES, GOODS, SUPPLIERS, OR ANY OTHER INDIVIDUAL, ENTITY OR ANY ITEM SHALL NOT CREATE ANY LIABILITY TO US.

Except for any products, supplies or materials for which we designate a single-source Approved Supplier, if you wish to purchase products, supplies, materials or equipment from suppliers not approved by us, you must submit to us a written request to approve the proposed supplier, together with any background documents or evidence we may require. We will have the right to require you to obtain permission from the supplier to allow our representatives to inspect the supplier's facilities and that you deliver samples from the supplier for evaluation and testing to us or to an independent testing facility that we designate. We may charge you an evaluation fee to conduct our evaluation and testing. We will, within thirty (30) days after our receipt of your evaluation request, notify you in writing of our approval or disapproval of your proposed supplier. We may revoke our approval of particular products, equipment or suppliers when we determine that such products, equipment or suppliers no longer meet our standards. Upon receipt of our revocation of approval, you must cease to use or sell any disapproved products and cease to purchase from any disapproved supplier.

D. POS and Accounting Systems. You must use as your only POS System the POS System that we designate, including all future updates, supplements, and modifications to it. The POS

System is a tool for you to use in the operation of your Clinic and not as a means for us to exercise control over the day-to-day operation of your Clinic. The POS System includes all hardware and software used in the operation of the Clinic, including electronic point-of-sale cash registers, credit card readers, and any designated software used to record and analyze sales, customer count, customer data, labor, inventory, Device usage, and tax information. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the POS System or other technology used in the operation of your Clinic, including all data protection or security laws as well as PCI compliance. The computer software package developed for use in the Clinic may include proprietary software. You may be required to license the proprietary software from us, an affiliate, or a third party and you also may be required to pay a software licensing or user fee in connection with your use of the proprietary software. You must, always, have at the Authorized Location Internet access with a form of high-speed connection as we require, and you must maintain an email account for the Clinic.

You always acknowledge and agree that we will be able to log into the POS System where we will have full and complete access to the information and data entered into and produced by the POS System. Our audit rights as stated in your Franchise Agreement include our right to evaluate, copy and audit all information entered in your POS System.

You must run all sales transactions through the POS System.

You must use QuickBooks Online for your accounting system. You always acknowledge and agree that we will be able to log into your QuickBooks Online to run and pull reports. You agree to provide us with any of your monthly, quarterly, and/or annual profit-and-loss statements upon request. You also agree to use a specific chart of accounts in your QuickBooks Online that we give you.

For the first twelve (12) months of the Clinic's operation you must use the accounting services provided by one of our Authorized Suppliers. After that twelve (12) month period you may seek our approval to manage your accounting in-house or use other accounting services. We may, at our sole discretion, approve your request if we are satisfied that you will continue to furnish the required reports and other financial information in compliance with our minimum standards.

E. Promotional Items. All sales promotion material, customer goodwill items and customer convenience items used in the sales promotion of Treatments and sale and distribution of products covered by this Agreement are subject to our approval and must, where practicable, contain one or more of the Trademarks. You must purchase these items from our approved suppliers.

F. Health and Sanitation. Your Clinic must be operated and always maintained in compliance with any and all applicable health and sanitary standards prescribed by governmental authority. You also must comply with any standards that we prescribe. In addition to complying with such standards, if the Clinic is subject to any sanitary or health inspection by any governmental authorities under which it may be rated in one or more than one classification, it must be maintained and operated so as to be rated in the highest available health and sanitary classification with respect to each governmental agency inspecting the same. In the event you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable health and sanitary standards, you must immediately notify us of such failure or noncompliance.

G. Evaluations. We or our authorized representative shall have the right to enter your Clinic at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your building and equipment, and to test, sample, inspect and evaluate your Devices, supplies,

ingredients and products, as well as the conditions of sanitation and cleanliness. We and our representative also have the right to interview you, your employees and subcontractors, marketing contacts and customers pertaining to matters of compliance with this Agreement and the System and to photograph, videotape or audiotape any such interviews and/or observation/inspection of the operation of the Clinic with or without your knowledge and without prior notice to you. You hereby consent to our use of any such audio or video recording for training, marketing, or any other purpose. Any evaluation or inspection we conduct is not intended to exercise control over your day-to-day operation of the Clinic or to assume any responsibility for your obligations under this Agreement.

Any failure of an inspection is a default under Section 15.A of this Agreement. Further, if we determine that any condition in the Clinic presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Clinic until the situation is remedied to our satisfaction. Our inspections and evaluations may include a “mystery shopper” program from time to time throughout the term of this Agreement. If you fail an evaluation by us or by a mystery shopper or if we receive a specific customer complaint, you must pay the costs and expenses of subsequent “mystery shopper” visits.

H. Period of Operation. Although you are not required to have your Clinic open for set business hours, you are required to have the Clinic available to do Treatments each week as set forth in the Operations Manual. You acknowledge and agree that if your Clinic is unavailable to do Treatments for a period of five (5) consecutive days without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we shall have the right, in addition to other remedies provided for herein, to terminate this Agreement. Acts of force majeure, as defined in Section 17.L, preventing you temporarily from complying with the foregoing will suspend compliance for the duration of such interference.

I. Operating Procedures. You must adopt and use, as your continuing operational routine, the required standards, service style, procedures, techniques, and management systems described in our Manuals or other written materials relating to product preparation, storage, financial management, equipment, facility, and sanitation. We will revise the Manual and these standards, procedures, techniques and management systems periodically to meet changing conditions of retail operation in the best interest of clinics operating under the Trademarks. Any required standards exist to protect our interests in the System and the Trademarks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards will be set forth in the Operations Manual or other written materials. The Operations Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Trademarks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

You acknowledge having received access to the Operations Manual via our Franchisee Resource Portal for the Term of this Agreement. The Operations Manual is always our sole property. You must at all times treat the Operations Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential, including but not limited to preserving and maintain the Operations Manual and all of its contents in strict confidence and confidentiality during and after the term of this Agreement, and requiring any and all employees with a *bona fide* need for access to the Operations Manual to do the same. The Operations Manual and its contents should not be distributed or otherwise made available

to any employees or any other affiliates, associates, or agents without a *bona fide* need for such access in connection with their respective employment duties. We may, from time to time, revise the contents of the Operations Manual and you expressly agree to comply with each new or changed requirement. You must always access the Operations Manual through the Franchisee Resource Portal to make sure you are using the most current and up to date copy. In the event of any dispute as to the contents of said Operations Manual, the terms of the master copy of the Operations Manual that we maintain are controlling.

J. Proprietary Information. For purposes of this Agreement, “Proprietary Information” includes but is not limited to:

- i. The Device and the construction thereof, including the design, mechanics, electronics, User Manual, Device Accessories and all other components and parts that make up the Device;
- ii. All Documents that we have not intentionally made available to the public;
- iii. The Operations Manual;
- iv. The operating procedures and processes used to deliver the Treatment to the Client;
- v. Any trade secret processes, formulae or information of a similar nature deemed to be a “trade secret” as that term is defined by the Uniform Trade Secrets Act of Utah as found at Title 13, Chapter 24 of the Utah Code;
- vi. Any Clinic Retail Products and Professional Services Products, including their packaging and design, that are proprietary to us;
- vii. The Consumer Device and the construction thereof, including the design, mechanics, patents, electronics, instructions for use, Consumer Tips and all other components and parts that make up the Consumer Device; and
- viii. Information on Clients, customers or potential customers that get captured through any website or POS System related to the Business, including but not limited to customer names, addresses, phone numbers, email addresses, customer sales data, and related information.

K. Confidentiality. During the Term of this Agreement and following its expiration or termination for any reason, you agree that without our prior written consent, which consent may be granted or denied for any reason or for no reason, you shall not:

- i. divulge, directly or indirectly, orally or in writing or electronically, to any person or entity, any component or portion of the Proprietary Information except such operating procedures and processes that are necessary to be used to deliver Treatments to the Client and only by performing such procedures and processes;
- ii. disassemble, reverse-engineer, or otherwise replicate, duplicate, or copy any component or portion of the Device, any Device Accessory, Consumer Device, any Retail Products, or any Professional Services Products; or



iii. otherwise take any action that may reasonably be deemed to be an infringement upon any common law or statutory trade secret or other intellectual property right in favor of us.

L. **Revealing Proprietary Information.** Nothing in this Agreement shall require us to reveal any Proprietary Information to you.

M. **Defending Proprietary Information.** Nothing in this Agreement shall require us to defend or enforce infringements of our Proprietary Information.

N. **Ownership of Proprietary Information.** You agree that we own all of the right, title and interest in and to each component of the Proprietary Information in whatever form or medium and have the legal right, power, and authority to license the Proprietary Information to you. Nothing in this Agreement shall be construed as granting you any right, title, or interest in or to any component of the Proprietary Information except as explicitly described herein. To the extent that this Agreement is deemed to grant you a license to operate using any component of the Proprietary Information, such license is limited, non-exclusive, and temporary, as described herein. You do not have the right to sublicense our Proprietary Information.

O. **Limited Rights to Disclose.** You do have the limited right to disclose Proprietary Information only to those of your Parties as must have access to it to operate the Device to perform Treatments and only in such cases to the extent necessary to perform such Treatments. In furtherance of the covenants of this Agreement, you shall obtain from each such Party a written agreement that such person shall not, during the course of his or her employment, representation, or agency with you, or at any time thereafter, use, divulge, disclose or communicate, directly or indirectly, in any form or manner, to any person or business entity any component of the Proprietary Information.

P. **Notification of Infringement.** You will promptly notify us, in writing, of any possible infringement of or use by others of any component of the Proprietary Information. You acknowledge that we shall have the right, in our sole discretion, to determine whether any action will be taken because of any possible infringement or illegal use. You have no right to make any demand, or to prosecute any claim against the alleged infringer. You must cooperate with us in any way necessary to protect such Proprietary Information with the understanding that we shall bear all costs and hold you harmless with respect to such third-party action.

Q. **Rights to Modify Proprietary Information.** We in our sole discretion shall have the right to:

- i. modify or discontinue use of any portion of the Proprietary Information;
- ii. modify the design of, or any component of, the Device, the Device Accessories, the Consumer Device, the Documents, the Retail Products, and the Professional Services Products; and,
- iii. develop additional components or substitutes for any such component of the Proprietary Information.

Upon no less than sixty (60) days written notice from us, you shall take such reasonable action, at your sole expense, as may be necessary to comply with such modification, discontinuation, addition, or substitution.

R. Goodwill. Any and all goodwill associated with any component of the Proprietary Information (including but not limited to the Device) and/or the Trademarks, including any goodwill that might be deemed to have arisen through your activities related to the Device and excluding your activities not associated with the Device as described herein, shall inure directly and exclusively to the benefit of us and not to you.

S. Adherence by you. You further agree to:

i. Fully and strictly adhere to all reasonable security procedures prescribed by us, including those set forth in Section 7.K, for maintaining the secrecy of Proprietary Information;

ii. Refrain from using any component of the Proprietary Information in any other business or in any manner not specifically authorized or approved by us in writing; and,

iii. Exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such Proprietary Information during and after the Term of this Agreement.

T. Innovation. During the Term or any Renewal Term, you may create, design, or otherwise improve upon any component of the Proprietary Information and/or the Creative Works (an “Innovation”). Any Innovation will be deemed the sole and exclusive property of LSI. Upon the creation of any Innovation, you will immediately notify us in writing and in detail, the nature of the Innovation. We shall have the sole and exclusive right to approve or disapprove of any such Innovation for any reason or for no reason at all. If an Innovation is approved, LSI may permit you and any other franchisees of LSI to use the Innovation. You agree that LSI does now and will own the right, title, and interest to the Innovation. You agree to take any action necessary to ensure that LSI obtains such right, title, and interest in any such Innovation, all at LSI’s expense. To the extent necessary, any such Innovation will be deemed to be a “work made for hire” that was specifically ordered and commissioned by LSI. You acknowledge and agree such work made for hire belongs to and shall be the sole and exclusive property of LSI.

U. Exclusions. The obligations of this Section 7.K.- 7.U. shall not apply to any information which was:

i. in the public domain at the time of our communication thereof to you;

ii. enters the public domain through no fault of you subsequent to the time of our communications thereof to you;

iii. was in your possession free of any obligation of confidence at the time of our communication thereof to you; or

iv. was received independently by you from a third party who was free to lawfully disclose such information to you.

V. Contesting Trademarks and Patents. You agree to refrain from any actions or involvement in any actions that could in any way damage, injure, or impair the validity or enforceability of the Trademarks, patents, or any of LSI’s other intellectual property. Examples of actions prohibited under this clause include, but are not necessarily limited to, attacking, disputing, or challenging the status, validity, enforceability, or strength of any of the Trademarks or patents, or of

LSI's ownership rights in or to the Trademarks or patents, or assisting any others in doing any of the foregoing.

W. Copyrights. With respect to any and all publicly-available information and/or materials that are subject to the possibility of any available copyright protection, whether or not registered, including but not limited to websites, webpages, and any copyrightable material contained therein, training materials, marketing materials, user manuals, and the like that are or become, due to circumstances outside of your control, available to the public ("Copyrightable Materials"), you hereby acknowledge our exclusive ownership of any and all rights to such Copyrightable Materials.

i. Derivative Works. Absent our express, written authorization, you are not authorized to create any derivative works in or from any of the Copyrightable Materials. To the extent that any such derivative works are created, you hereby acknowledge this as being an infringement of our intellectual property rights and a material breach of this agreement. To the extent we authorize creation of any derivative works, or that they are otherwise created, you hereby acknowledge our ownership in, and to the extent necessary hereby assign, all rights to any derivative works that may be created from any of the Copyrightable Materials. At our request, you agree to cause your employees, contractors, and/or agents to execute assignments or other documents necessary to establish our ownership rights in such derivative works.

ii. Examples of Unauthorized Derivative Works. As a non-exclusive example of a derivative work that, pursuant to Section W(i) above, requires our explicit authorization in order to create, is exclusively owned by us, and absent explicit authorization will be considered an infringement and a material breach of this agreement, unauthorized reproduction of any and all materials from our website, including photographs, images, designs, layout, slogans, graphics, non-generic text, descriptions, advertisements, and the like, will be considered an unauthorized derivative work. For the avoidance of doubt, the unauthorized use of any individual photograph, image, design, slogan, graphic, description, sentence, or other non-generic text from our website will be considered an unauthorized derivative work pursuant to this Section irrespective of whether an entire webpage has been copied.

iii. Remedies for Copyright Infringement. You agree that any breaches of this Section of the agreement, such as creations of unauthorized derivative works, will result in and be considered infringement of our copyrights. Consequently, as remedies for such breaches, you agree to be subject to all applicable remedies available in Federal Court following a formal determination of copyright infringement without requiring such a determination to be made, including an injunction, our actual damages, your profits, and statutory damages. Thus, for example, you agree to be subject to these consequences and damages without requiring us to formally register the copyrights from which the derivative works stem or formally bring claims under the Copyright Act. Rather, you agree to be subject to these consequences and damages as a result from a judicial determination of a breach of this Section alone.

iv. Survival of Copyright Clauses. All clauses and provisions in this Section (Section 7.W) shall survive the termination and/or expiration of this Agreement.

X. Mobile Treatment Services. In addition to offering Treatments in your Clinic, you may also offer mobile Treatment service to customers outside your Clinic in your Designated

Territory, using either the AirAllé Device or the Consumer Device. You are not allowed to do mobile Treatments services outside your Designated Territory without our prior written permission. Any mobile Treatment services must meet our written standards. You must purchase Consumer Devices and Consumer Tips from us for any mobile Treatments performed with the Consumer Device.

Y. Compliance with Law; Licenses and Permits. You must always maintain your premises and conduct your Clinic operations in compliance with all applicable laws, regulations, codes and ordinances. You must secure and maintain in force all required licenses, permits and certificates relating to your Clinic and Business and be prepared to furnish copies upon request.

You acknowledge that you are an independent business and solely responsible for control and management of your Clinic and Business, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility, or liability in respect to the hiring, discharging, setting and paying of wages or related matters.

You must immediately notify us in writing of any claim, litigation or proceeding that arises from or affects the operation or financial condition of your LICE CLINICS OF AMERICA Business or Clinic, including any notices of health code violations or other license violations.

Z. Participation in Internet Websites or Other Online Communications. We may require you, at your expense, to participate in our LICE CLINICS OF AMERICA website on the Internet, our intranet system or extranet system or other online communications as we may require. We have the right to determine the content and use of our website and intranet or extranet system and will establish the rules under which franchisees may or must participate. You may not separately register any domain name containing any of the Trademarks, participate in any website (including any social media platform) that markets goods and services similar to a LICE CLINICS OF AMERICA clinic, or operate a website or social media site for your Clinic that does not link to our website and/or that we do not approve. We will host and manage a landing page for your Clinic on our website as part of the Technology Services, we provide. We will also list your Clinic on our website. You agree to use the template-based Facebook page as your only Facebook page for your Clinic, and agree to use the associated domain name we will provide you in all your Business-related email communications and on your printed marketing materials. You also agree to use call-tracking phone numbers we provide you that will help you track the efficacy of your marketing efforts. We retain all rights relating to our website, intranet system, and call-tracking phone numbers. All data gathered about customers or potential customers through the website, we will own intranet system and call-tracking phone numbers, but we will grant you permission to use such data in the operation of your Business subject to you complying with the terms of this Agreement. Your general conduct on our website and specifically your use of the Trademarks or any advertising is subject to the provisions of this Agreement. In particular, you shall not either directly or indirectly create, develop, maintain, and/or use your own website, blog, vlog, social network, or other on-line venue or communication on the Internet using any of the Trademarks, or otherwise use any of the Trademarks on the Internet in any other manner including for search engine advertising purposes without our prior written consent. You acknowledge that certain information related to your participation in our website or intranet system may be considered Proprietary Information, including access codes and identification codes. Your right to participate in our website and intranet or extranet system, or otherwise use the Trademarks or System on the Internet or other online communications, will terminate when this Agreement expires or terminates.

AA. System Modifications. You acknowledge and agree we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions, or rescissions at your expense, subject to any express limitations set forth in this Agreement.

AB. Suggested Pricing Policies. You have the right to establish prices for the Treatments and other products and services you sell. We may, from time to time, suggest prices for Treatments and other products and services you sell. We do, however, have the right to modify the Devices or System to give us the right to establish prices, both minimum and maximum. Any such modification will be in writing. Unless we so modify the Devices or our System, any list or schedule of prices we furnish to you is a recommendation only and any decision you make to accept or reject the suggestion will not in any way affect the relationship between you and us.

AC. Best Practices. We have created a number of tools, including best practices, email templates and dashboards, for you to use for evaluating and promoting your business daily. For the first ninety (90) days after your Clinic opens you agree to actively use those tools under our direction and guidance. During that time you also agree to participate in any franchisee meetings or forums we schedule for using those tools. You will be expected to continue using those tools after the initial ninety (90) days, according to the requirements of the Operations Manual.

## X. DEVICE OPERATION STANDARDS

8. The following provisions and conditions control with respect to the operation and use of Devices:

A. Compliance. You shall use the Device, Device Accessories, Clinic Retail Products, Professional Services Products and Documents in strict compliance with the terms of this Agreement.

B. Mandatory Device Use. Unless prohibited by Device's contraindications or other extenuating circumstances, or unless otherwise stated in the Operations Manual, you agree to use the Device in treating every lice infestation at your Clinic and any Satellite within the Territory and in any mobile operations.

You may alternatively use the Consumer Device in Treatments at your Clinic, at a Satellite or in any mobile Treatments so long as you purchase the Consumer Device and Consumer Tips from us.

C. Notice of Applicable Regulations. You acknowledge that we have used reasonable efforts to provide to you notice of, and you agree to comply with, all applicable laws, ordinances, and regulations, or rulings of every nature whatsoever which in any way regulate or affect the operation of your Business or the use of the Device so as to insure the continued compliance with government regulations and the continuous operation of the Business and the Device. You further understand and agree that licensing separate from Certification may be required by any government in order to operate your Business and/or the Device. You shall obtain all such licensing prior to opening the Business and shall continually update such licensing as necessary to ensure the continuous operation of the Business.

D. Consent for Treatment Form. You will have access to a copy of the Consent for Treatment Form on the Franchisee Resource Portal. You may not modify the Consent for Treatment Form without prior written approval by us. To meet government requirements, you must have each

Client complete the Consent for Treatment Form and read its corresponding information form prior to receiving a Treatment.

E. Alterations. You shall not modify or remove any labels affixed to the Device, the Device Accessories, the Clinic Retail Products, the Professional Services Products or Documents and shall further refrain in any manner from altering the Device, a Device Accessory, a Professional Services Product or a Document.

F. Device Encumbrances. You shall at all times keep the Device, Device Accessories, Professional Services Products, Clinic Retail Products and Documents free and clear of all levies, liens, or encumbrances, it being understood that you shall in no way encumber the Device, Device Accessories, Professional Services Products, and Documents with any security agreement or financing statement except as permitted herein.

G. Markings. The Devices, as well as all promotional, packaging, and advertising material used in connection with the Devices and/or the offering and/or performance of any services under any of the Trademarks, shall include appropriate trademark designations or markings of “TM” or, with respect to Trademarks that have been registered with the United States Patent and Trademark Office, the circle-R (®) symbol.

H. Treatment Guarantees. You are required to offer your Clients a thirty (30) day guarantee on AirAllé® Treatments, as required by the Operations Manual.

I. Treatment Protocols. You agree to perform Treatments using our then-current Treatment protocols, which we may modify at our sole discretion from time to time.

J. Warranties. During the Term or any Renewal Term, we will repair or replace at our sole option, free of charge, any defective Device returned with prior authorization. Hoses, power cords, applicator bases, and treatment timers are warranted against material and manufacturing defects for ninety (90) days from the date of delivery to you and shall be replaced or repaired by us, at our sole cost so long as reported within those ninety (90) days. All other Device Accessories, Applicator Tips, the Documents, and any other goods or services identified in this Agreement are not warranted. This warranty does not cover loss or damage resulting from abuse, misuse, improper storage, negligence, or alteration of the Device, any Professional Services Product or Device Accessory or any other warranted good.

K. Evaluation. To obtain repairs or replacement under this warranty, contact us by filling out forms acceptable to us. You shall be responsible for all costs associated with shipping the Device to us; except that we will reimburse you for such costs if the repair or replacement is covered by the above warranty. If we determine that repair or replacement is necessitated by reason of an alteration or the misuse, abuse, negligence, improper storage, or other cause at the hands of the you or your Operators, you shall pay the costs of repair or replacement and return shipping. So long as the determination of causation shall be made in good faith, such determination by us shall be final. If the warranty claim is proper, we shall replace or repair the defective good and will return the same to you all at our cost.

L. **DISCLAIMER.** THE FOREGOING (SECTIONS 8.J. and 8.K.) IS THE SOLE WARRANTY PROVIDED BY US IN CONNECTION WITH THE DEVICE, THE DEVICE ACCESSORIES, THE DOCUMENTS, PROFESSIONAL SERVICES PRODUCTS AND OUR RETAIL PRODUCTS. WE HEREBY DISCLAIM AND YOU UNDERSTAND AND WAIVE ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, ORAL, OR WRITTEN, INCLUDING ANY

IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. ANY IMPLIED WARRANTIES AND OTHER TERMS THAT MAY BE IMPOSED BY LAW WILL BE LIMITED IN DURATION TO THE PERIOD OF THE ABOVE EXPRESS WARRANTY.

WE SHALL NOT BE LIABLE FOR LOSS OF USE, LOST PROFITS, OR ANY OTHER SPECIAL, INCIDENTAL, CONSEQUENTIAL OR INDIRECT COSTS, EXPENSES OR DAMAGES.

EXCEPT AS OTHERWISE PROVIDED HEREIN, PRODUCTS ARE PROVIDED HEREUNDER “AS IS” AND “WHERE IS.”

## XI. PERSONNEL AND SUPERVISION STANDARDS

9. The following provisions and conditions control with respect to personnel, training and supervision:

A. Supervision. During the term of this Agreement, you (if Franchisee is an individual), one of your Owners (if Franchisee is any other legal entity), or your Clinic manager (“Business Manager”) must devote full time and best efforts to the management and operation of your Clinic and provide direct, on-site supervision of the Clinic. Any manager or replacement manager(s) you hire must complete our training as described in Section 9.B – 9.D. Any Business Manager or replacement Business Manager you hire must meet the applicable training requirements. The use of a Business Manager in no way relieves you of your obligations to comply with this Agreement and to ensure that the Clinic is properly operated.

B. Training. You must comply with all the training requirements we prescribe for the Clinic to be developed under this Agreement. You (or if Franchisee is a legal entity, one of your Owners) must complete our initial training program to our satisfaction at least seven (7) days prior to opening your Clinic. It is then solely your responsibility to ensure that your employees are properly trained.

We will provide two days of initial owner training (“Owner Training”) to a maximum of four (4) people for \$2,000 (the “Initial Training Fee”). We will also provide Device Training and Certification for \$300 per person (the “Certification Fee”). You are responsible for paying all costs and expenses, including salaries, hotel, and transportation costs, for all persons to attend our training programs. Initial training may be conducted at our training facility, in some other location we designate, or remotely via technology, which we will decide in our sole discretion. You may send more than the allotted number of people to our initial training programs, but we reserve the right to charge you our then-current additional training fee for each additional person who attends our initial training programs. You will be responsible for paying all costs and other daily expenses for any additional person who attends our initial training program.

You must also receive P&L (QuickBooks) training from Profit Soup, an Authorized Supplier before you open your Clinic. The cost of that initial training is \$300. You will then be required to take refresher P&L training once a year. The refresher training is anticipated to be \$300 or less.

In the event you are given notice of default as set forth in Sections 15.A and 15.B, and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require, as a condition of curing the default, that you and your manager, at your expense, comply with the additional training requirements we prescribe. Any new Business Manager you hire must

comply with our training requirements within a reasonable time as we specify. Under no circumstances may you permit the management of the Clinic's operation on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require.

If we determine during our initial training program or within fifteen (15) days after completion of our initial training program that you have failed to demonstrate the aptitude, abilities, or personal characteristics necessary to operate a LICE CLINICS OF AMERICA Clinic, we will have the right to terminate this Agreement and, if this is your first LICE CLINICS OF AMERICA Clinic, refund the full amount of the Initial Franchise Fee to you.

Prior to offering the first Treatment, each Certified Operator must sign and return to us the Certified Operator Agreement found in the Operations Manual.

C. Operating Device Without Certification. The use of the Device by any person other than a Certified Operator shall be deemed to be a default and may result in the termination of this Agreement.

D. Ongoing Training. We may require you, your Business Manager, and other key employees of the Clinic to attend, at your expense, ongoing training at our training facility, the Authorized Location, another location we designate, or remotely via technology, which we will decide in our sole discretion. We will decide whether the training will be done by us or one of our Approved Suppliers. If you request training in addition to the initial training program identified above, you must pay to us our then-current daily training fee plus expenses.

We will provide you with technical assistance and support through the telephone and email and provide ongoing communication and support and updates to the Operations Manual and the confidential and proprietary Franchisee Resource Portal where training, support, and marketing materials for you are located.

E. Staffing. You will employ enough competent and trained employees to ensure efficient service to your customers. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Trademark in any way shifts any employee or employment related responsibility from you to us.

We have no control over your labor relations, including employee selection, training, promotion, termination, discipline, hours worked, rates of pay, benefits, working conditions, work assigned etc. Your employees are under your control at your Business, and we are not their employer. Under no circumstances shall we be deemed a joint employer.

F. Attendance at Meetings. You must attend, at your expense, all periodic franchise conventions we may hold or sponsor (which may be held as frequently as once a year) and all meetings relating to new products or product preparation procedures, new operational procedures or programs, training, clinic management, sales or sales promotion, or similar topics. We may charge you a fee in connection with your attendance at any convention or meetings we hold or sponsor. If you are not able to attend a meeting or convention, you must notify us prior to the meeting and must have a substitute person acceptable to us, attend the meeting. Any fee we may charge shall be payable by you whether you or a substitute person attends the conference or meeting. If you fail to attend the periodic convention, you must pay a fee of \$400. If you fail to attend three (3) or more periodic conventions during the term of this Agreement, we have the right to require you to attend additional training, in addition to any other rights and remedies available to us for your breach of this provision.



G. Background Checks. You agree to have us conduct a background check on you (or if Franchisee is a legal entity, all Owners), at your expense, as a condition of signing this Agreement. The cost of the background check is \$250 per person screened. Within ninety (90) days from the Effective Date, we reserve the right to rescind this Agreement if, in our sole discretion, we determine you did not pass the background check.

## XII. ADVERTISING

10. You agree to actively promote your Clinic, to abide by all our advertising requirements and to comply with the following provisions:

A. Digital Marketing. You agree to engage each month in digital marketing, including search engine optimization (“SEO”) of your website, pay-per-click (“PPC”) advertising, and Facebook advertising. You must use LSI to manage your digital marketing.

B. Required Local Expenditures. You must use your commercially best efforts to promote and advertise the Clinic and participate in any local marketing and promotional programs we establish from time to time. You are required to spend a minimum amount on approved local marketing and promotion in your own market each month, as stated on Schedule D.

Upon our request, you must provide us with itemization and proof of marketing and an accounting of the monies that you have spent for approved local marketing. If you fail to make the required expenditure listed on Schedule D, we have the right to collect and contribute the deficiency to our national marketing initiatives.

C. Approved Materials. You must use only such marketing materials (including any print, radio, television, electronic, or other media forms that may become available in the future) as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Furthermore, any promotional activities you conduct in the Clinic or on its premises are subject to our approval. You must submit all advertising and promotional materials to us prior to your use. If we do not respond within fourteen (14) days after you submit the proposed advertising materials to us, the advertising materials will be deemed approved. We will not unreasonably withhold approval of any sales promotion materials or media and activities; if they are current, in good condition, in good taste and accurately depict the Trademarks.

D. Promotions. You must participate in all promotions of products and services as provided with thirty (30) days’ written notice by us.

F. Dedicated Marketing Fund. We have established a Dedicated Marketing Fund to pay for advertising, marketing, marketing materials, public relations, research and development and such other programs and activities that we deem appropriate from time to time to promote the Lice Clinics of America brand. The Dedicated Marketing Fund is managed and controlled in accordance with its Bylaws. The Dedicated Marketing Fund is funded by the Marketing Fund Fee we will collect from you and other franchisees each month. We account for the Dedicated Marketing Fund separately from our other funds and do not use monies from the Dedicated Marketing Fund for any of our general operating expenses. The Dedicated Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Fees collected in that year. The Dedicated Marketing Fund will provide you, upon request, with an annual, unaudited statement of Marketing Fund Fee collections and Dedicated Marketing Fund monies spent during the year.

## XIII. FEES, ORDERS, REPORTING AND AUDIT RIGHTS

11. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. You must pay us an Initial Franchise Fee in the amount set forth on the Data Sheet. The Initial Franchise Fee is a lump sum payment and is due when you sign this Agreement. Unless otherwise regulated by the state in which you live or have your Designated Territory, the Initial Franchise Fee is earned upon receipt and, except as noted below, is nonrefundable.

B. Royalty Fee. Eight percent (8%) of your monthly Gross Sales.

C. Deposit. \$1,500 refundable Device Deposit for each Device if the Device is a 1.0 model (i.e. similar in design to Devices manufactured in 2010). We reserve the right to change the amount we charge for a Device Deposit at any time.

D. Shipping and Handling. Shipping and handling costs per Device, Clinic Retail Products, Professional Services Products and Device Accessories, which shall be due at the time of shipment by us.

E. Marketing Fund Fee. Four percent (4%) of your monthly Gross Sales.

F. Technology Fee. \$380 per month for each Clinic; \$230 per month for each Satellite. We reserve the right to enact reasonable and competitive price increases to the Technology Fee with ninety (90) days' prior written notice.

G. Computations and Remittances. All amounts due and owing to us must be paid immediately. Within the first five business days of each month, we will access your POS System to view your Gross Sales for the prior month and then charge either your Credit Card or ACH, at our sole discretion, for all Royalty Fees, Marketing Fund Fees, and Technology Fees. We reserve the right to change the due date for any or all amounts. You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require to verify the accuracy of remittances. You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us or any of our affiliates any amounts that we or our affiliates may hold from time to time on your behalf or that we or our affiliates owe to you.

H. Orders. Orders for Devices, Device Accessories, Documents, Professional Services Products and Clinic Retail Products shall be made in writing using methods acceptable to us. Orders will be fulfilled by us or our Approved Suppliers in a commercially reasonable manner.

I. Rejecting Orders. You shall inspect the Device and each order of Clinic Retail Products, Professional Services Products, Device Accessories and Documents promptly upon receipt thereof. You may reject any Device, Professional Services Product, Device Accessory or Document purchased or acquired from us that commercially reasonably fails in any material way to meet the specifications set forth for such good. Any products you purchase from Approved Suppliers would be subject to those suppliers' return policies. To reject a Device or any Professional Services Product, Device Accessory or Document purchased or acquired from us, you shall notify us in writing or by email, within ten (10) days of receipt, specifying in sufficient detail (including photographs, if possible) the nature of the problem with respect to such good and the reason for its rejection. Within two (2) business days of receiving such notification, we shall instruct you to either:

- i. repair or replace the Device or Professional Services Product or Device Accessory or Document at our expense on-site; or
- ii. to destroy at our expense, the problematic Device, Professional Services Product, Device Accessory or Document, upon which, simultaneously, we shall ship any replacement Device, Professional Services Product, Device Accessory or Document to you at our cost; or
- iii. to ship the problematic Device or Professional Services Product or Device Accessory or Document to us at your initial cost, and we shall simultaneously ship any replacement Device or Professional Services Product or Device Accessory or Document back to you at our cost.

J. Credit Card and ACH Authorization. You must provide to us your Credit Card information and/or ACH information, at our sole discretion, for us to keep on file. By signing this Agreement you authorize us to charge that Credit Card and/or ACH all amounts due to us or our affiliates. You must maintain a sufficient credit limit on your Credit Card and/or a sufficient balance in your bank account to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section 11.

K. Late Fees. If for any reason we are unable to charge your Credit Card or draft your ACH for an amount you owe us, and it is deemed not to be our error, we will charge you a Late Fee of 1.5% per month.

L. Financial Planning and Management. You must keep books and records and submit reports as we periodically require, which may include but would not be limited to a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records, cash disbursement journals and general ledgers, all of which accurately reflect the operations and condition of your Clinic operations. You must compile, keep and submit to us the books, records and reports on the forms and using the methods of bookkeeping and accounting as we periodically may prescribe. The records that you are required to keep for your Clinic must include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You also must preserve and retain the books, records, and reports for not less than thirty-six (36) months. You must allow us electronic and manual access to any and all records relating to your Clinic. The provisions of this paragraph shall not apply if you use Quickbooks Online and the POS System authorized by us, and you authorize us to access the data maintained by those systems.

O. Treatment Reporting. In addition to pulling Gross Sales reports, we will access your POS System each month to pull reports that show how many Treatments you did in that month.

P. Collection Rights. The right of us to collect the Royalty Fee, Technology Fee, Marketing Fund Fee and all other amounts and fees due hereunder is independent of any other covenant found herein. You shall not be permitted to offset any claim you may have against us against any amounts due hereunder.

Q. Record Retention. You agree to retain all Consent for Treatment records, sales slips, orders, sales tax reports, and any other business records and related background material related to the

use of the Device at the Business, for a period of two (2) years following the end of the year in which the items were generated. You agree to store and handle all Client-related records in accordance with HIPAA and all applicable laws.

R. Audit Rights. In addition to having access to your POS system, we or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Business, Clinic and any Satellite are kept and to evaluate, copy and audit such books and records. We have the right to audit your use of the Devices to make sure you are performing Treatments according to the User Manual and Operations Manual. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of 3% or more of your Gross Sales, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 3 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Sales at any time, or if a subsequent audit or evaluation conducted within the three (3) year period reveals any understatement of your Gross Sales of 3% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately. You must fully cooperate with us or our representative in performing these activities and any expenses incurred by us from your lack of cooperation shall be reimbursed by you.

We will keep your financial books, records, and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding or in a manner as set forth in Section 13.D.viii or where your information is grouped with similar information from other clinics to produce shared results like high-low ranges or average gross sales or expenses on a system-wide or regional basis.

#### XIV. YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS

12. You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due:

i. all payments, obligations, assessments, and taxes due and payable to us and our affiliates, vendors, suppliers, lessors, federal, state, or local governments, or creditors in connection with your business;

ii. all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Clinic or Business; and

iii. all accounts and other indebtedness of every kind incurred by you in operating the Clinic or Business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

Each Owner must sign the Personal Guarantee on Schedule G, which obligates the Owner to pay us if you fail, or refuse, to pay us punctually.

You also will pay all state and local taxes, including, without limitation, taxes denominated as income or franchise taxes, that may be imposed on you.

B. Indemnification. You waive all claims against us for damage to property or injuries to persons arising out of the operation of your Clinic. You must fully protect, indemnify and hold us and our owners, directors, officers, insurers, successors and assigns and our affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Clinic (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for all our costs and all attorneys' fees immediately upon our request as they are incurred.

Notwithstanding the foregoing, you will not be liable for any Claim that arises solely because of a design or manufacturing defect in the Device (which defect has not arisen because of the your misuse of the Device or use of the Device for any purpose not authorized herein) or that arises from our provision of Technology Services for you; and in such an event, we will bear the costs and losses associated with defending such claim and indemnify, defend, and hold you harmless from any losses arising from a design or manufacture defect claim or from a claim arising out of our conduct in providing Technology Services for you. We and you will have the right to use counsel of their own choosing.

We waive all claims against you for damage to property or injuries to persons arising out of the operation of our company- or affiliate-owned clinics. We must fully protect, indemnify and defend you and your affiliates and hold you and them harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of our company- or affiliate-owned clinics (regardless of cause or any concurrent or contributing fault or negligence of you) or any breach by us or our failure to comply with the terms and conditions of this Agreement.

It is the intention of the parties to this Agreement that we should not be deemed a joint employer with you for any reason; however, if we incur any cost, loss or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such loss.

C. Insurance. Before you begin operating your Business you must purchase and maintain in full force and effect during the term of this Agreement, at your sole cost and from a responsible carrier with an AM Best rating of A+ or greater, insurance that insures you, us, and our affiliates. All required insurance policies shall name Larada Sciences, Inc. and any person or entity with an insurable interest that we designate (each an "Additional Named Insured") as an additional named insured and include a waiver of subrogation in favor of Larada Sciences, Inc. and any Additional Named Insureds. The insurance policies must be written in accordance with the standards and specifications (including minimum coverage amounts) set forth in writing by us from time to time, and, at a minimum, must include the following: (i) primary and noncontributing comprehensive general liability insurance covering your Business and the use of each Device on an occurrence basis with a nationally recognized insurance company with the following minimum limits of liability: \$1,000,000 for each occurrence, and \$2,000,000 in the aggregate (including products/completed operations, personal injury, and advertising injury) that includes \$100,000 tenant fire legal liability, \$5,000 medical payments liability, and \$1,000,000 hired and non-owned auto liability; (ii) workers' compensation insurance with coverage of \$1,000,000; (iii) employer practices liability insurance with coverage of \$1,000,000; and (iv) professional liability insurance with the following minimum limits of liability: \$500,000 per claim and \$1,000,000 annual aggregate.

You must deliver to us at commencement and annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show our status as an additional insured and provide that we will be given thirty (30) days' prior written notice of a material change in or termination or cancellation of the policy. We also may request copies of all policies. We may from time to time modify the required minimum limits and require additional insurance coverages, by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the LICE CLINICS OF AMERICA system, standards of liability and higher damage awards. If you do not procure and maintain the required insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge the costs to you, together with a reasonable fee for the expenses we incur in doing so. You must pay these amounts to us immediately upon written notice.

D. Insurance Certificates. You agree to furnish us with certificates of insurance annually and will provide us with at least thirty (30) days' prior written notice in the event of cancellation or material reduction in coverage. Each insurer shall agree, by endorsement or by independent instrument furnished to us, that it will give us thirty (30) days' prior written notice of the effective date of any alteration or cancellation of such policy.

E. Noncompete Covenants. You agree that you will receive valuable training, Proprietary Information and goodwill that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants:

i. Unless otherwise specified, the term "you" as used in this Section 12.E includes, collectively and individually, all Owners, officers, directors, members, managers, partners and holders of any ownership interest in you and any immediate family members of same including spouses and children. We may require you to obtain from your manager and other individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of Section 12.E.

ii. You covenant that during the term of this Agreement or during any Interim Period you will not, except as we otherwise consent to in writing, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any other lice-treatment clinic or business that provides lice-treatment services other than the one authorized by this Agreement or any other agreement between us and you.

iii. You covenant that you will not, for a period of two (2) years after the expiration or termination of this Agreement, or after the expiration of any Interim Period, regardless of the cause of termination, or within two (2) years of the sale of the Business or Clinic or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a Competing Business:

1. At the premises of the former Clinic;
2. Within ten (10) miles of the outer boundary of the Designated Territory as calculated by Google Maps; or

3. Within 5 miles of any other business or clinic using the LICE CLINICS OF AMERICA System, whether franchised or owned by us or our affiliates, as calculated by Google Maps.

For the purposes of Section 12.E.iii, a Competing Business includes any clinic or business which includes the sale of lice-treatment services and related products.

iv. You agree that the length of time in Section 12.E.iii will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

v. The non-compete covenants in this Agreement shall be null and void if LSI is forced into Chapter 7 bankruptcy whereby its business is brought to an end and its assets are distributed to claimants ("Liquidation").

F. Lost or Stolen Devices. Should any Device be lost or stolen, you must notify us within seven (7) days of such event ("Loss Notification"). If you have paid a Device Deposit on the lost or stolen Device, we will keep the Device Deposit. You will then be required to pay a new Device Deposit on any replacement Device. You will also be required to pay us a penalty of \$3,000 for each Device that has been lost or stolen. You are solely responsible for filing a police report or insurance claim, as applicable, for any stolen or lost Device. A copy of the police report or insurance claim shall be delivered to us within five (5) days of the date made.

## XV. TRANSFER OF FRANCHISE

13. You agree that the following provisions govern any transfer or proposed transfer:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills, and managerial qualifications as being essential to the satisfactory operation of the Clinic. Consequently, neither your interest in this Agreement nor in the Clinic may be transferred or assigned to or assumed by any other person or entity (the "Assignee"), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 13.F, and, if we do not exercise such right, unless our prior written consent is obtained, the transfer fee provided for in Section 13.C is paid, and the transfer conditions described in Section 13.D are satisfied, provided, however, that any transfer or assignment to the spouse or to one or more lineal descendants (or to a trust for the benefit of any or all of the foregoing) or to an affiliate of any Owner shall not constitute a "transfer" for purposes of this agreement. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer, and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section 13:

i. Any change in the percentage of the franchisee entity owned, directly or indirectly, by any Owner (including any addition or deletion of any person or entity who qualifies as an Owner) that results in a 20% or more change of ownership interest;

ii. Any change in the general partner of a franchisee that is a general, limited or other partnership entity;

iii. Bringing on a new Clinic manager who is also a part owner of the franchisee entity;

iv. For purposes of this Section 13.A, a pledge or seizure of any ownership interests in you or in any Owner that affects the ownership of 20% or more of you or any Owner, which we have not approved in advance in writing; or

v. Any grant of a security interest in, or otherwise encumbrance of, any of the assets or securities of you, including the Clinic unless you satisfy our requirements. Such requirements may include execution of an agreement by the secured party in which it acknowledges the creditor's obligations, and agrees that in the event of any default by you under any documents related to the security interest, we shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure your default; and, in the event we exercise such option, any acceleration of indebtedness due to your default shall be void.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 13.F, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in Section 13.C, and satisfy the transfer conditions described in Section 13.D. In addition, you or the Assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

You may not place in, on, or upon the location of the Clinic, or in any communication media or any form of advertising, any information relating to the sale of the Clinic or the rights under this Agreement, without our prior written consent.

B. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided we determine that all the conditions described in this Section 13 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Section 13.F must be made by submission of our form of application for consent to transfer, which must be accompanied by a purchase agreement between you and the transferee, as well as any other documents we request and other required information. The application must indicate whether you or an Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer will be subject to our prior written approval, which approval will not be withheld unreasonably. You must immediately notify us of any proposed transfer and must submit promptly to us the application for consent to transfer and any other required documents. d information. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void, your interest in . s Agreement will be voluntarily abandoned, and it will provide us with the right to elect either to deem you in default and terminate this Agreement or to collect from you a transfer fee equal to two times the transfer fee provided for in Section 13.C.

C. Transfer Fee. You must pay us a transfer fee in the amount of \$10,000. The transfer fee is nonrefundable even if, for any reason, the proposed transfer does not occur.



D. Conditions of Transfer. We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership, or any other entity upon the following:

i. Assignee Requirements. The Assignee must meet all of our then-current requirements for our LICE CLINICS OF AMERICA franchise program we are offering at the time of the proposed transfer and sign our then-current form of franchise agreement modified to reflect the term remaining under this Agreement.

ii. Payment of Amounts Owed. All amounts owed by you to us, or any of our affiliates, your suppliers or any landlord for any Clinic or Satellite premises and Authorized Location, or upon which we or any of our affiliates have any contingent liability must be paid in full.

iii. Reports. You must have provided all required reports to us in accordance with Sections 11.M.

iv. Modernization. You must have complied with the provisions of Section 6.E.

v. Guarantee. In the case of an installment sale for which we have consented to you or any Owner retaining a security interest or other financial interest in this Agreement or the business operated thereunder, you or such Owner are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

vi. General Release. You and each Owner must sign a general release of all claims arising out of or relating to this Agreement, your Clinic and Business, or the parties' business relationship, in the form we designate, releasing us and our affiliates.

vii. Training. The Assignee must, at your or Assignee's expense, comply with the training requirements of Section 9.B.

viii. Financial Reports and Data. We have the right to require you to prepare and furnish to Assignee and/or us such financial reports and other data relating to the Clinic and its operations necessary or appropriate for Assignee and/or us to evaluate the Clinic and the proposed transfer. You agree that we have the right to confer with proposed Assignees and furnish them with information concerning the Clinic and proposed transfer without being held liable to you, except for intentional misstatements made to an Assignee. Any information furnished by us to proposed Assignees is for the sole purpose of permitting the Assignees to evaluate the Clinic and proposed transfer and must not be construed in any manner or form whatsoever as a financial performance representation or claims of success or failure.

ix. Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

E. Death, Disability or Incapacity. If any individual who is an Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as an Owner, such person or entity must apply for our consent under Section 13.B, pay the applicable transfer fee under Section 13.C, and satisfy the transfer conditions under Section 13.D, as in any other case of a proposed transfer, all within ninety (90) days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Clinic still must be operated in accordance with the terms and conditions of this Agreement. If the

Assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us, and we will not have a right of first refusal as set forth in Section 13.F.

F. Right of First Refusal. If you propose to transfer or assign this Agreement or your interest herein or in you or the Business, in whole or in part, to any third party, including, without limitation, any transfer contemplated by Section 13.E or any transfer described in Section 13.A, you first must offer to sell to us your interest under the same general terms. In the event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing in a form that is acceptable to us, signed by the offeror and by you, of the terms of the offer. In the event the proposed transfer results from a transfer under Section 13.A.iv, or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the land, building, equipment, furniture and fixtures, and any leasehold interest used in the operation of your Clinic. Unless otherwise agreed to in writing by us and you, the purchase price for our purchase of assets in the event of a transfer that occurs by a transfer under Section 13.A.iv or bankruptcy filing will be established by a qualified appraiser selected by the parties. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be that customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If the parties cannot agree upon the selection of such an appraiser, a Judge of the United States District Court for the District in which the Authorized Location is located will appoint one upon petition of either party.

You or your legal representative must deliver to us a statement, in writing, incorporating the appraiser's report and all other information we have requested. We then have thirty (30) days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any non-cash consideration included in the offer. If we fail to accept the offer within the thirty (30) day period, you will be free, for sixty (60) days after such period, to effect the disposition described in the statement delivered to us provided such transfer is in accordance with Section 13. You may affect no other sale or assignment of you, this Agreement or the business without first offering the same to us in accordance with Section 13.F.

G. Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement without limitation.

## XVI. DISPUTE RESOLUTION

(a) 14. The following provisions apply with respect to dispute resolution:

A. Dispute Resolution. Any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or your Clinic or Authorized Location that cannot be resolved to the mutual satisfaction of the parties must be submitted to the state court located in Salt Lake County, Utah or the federal court of the United States District Court for the Central District of Utah, in conformance with the provisions of Section 17.H.

(i) B. Costs of Enforcement, Defense and Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for the Clinic or Authorized Location, or the business will be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accounting and attorneys' fees (whether such fees be incurred by outside counsel or a staff attorney), expert witness fees, and any other costs and expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement. Further, if we incur expenses in connection with your failure to pay amounts owed to us when they are due; to submit when due any reports, information or supporting records; failure to comply with Post-Term Obligations under Section 16, including the covenant not to compete; or any other failure to comply with this Agreement, you shall reimburse us for any such costs and expenses which we incur including but not limited to attorneys' and accounting fees and collection agency fees.

## XVII. DEFAULT AND TERMINATION

15. The following provisions shall apply with respect to default and termination:

A. Defaults. You are in default if you or any Owner has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing includes making any false report to us, intentionally understating or underreporting or failure to pay when due any amounts required to be paid to us or any of our affiliates, conviction of you, or an Owner of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Trademarks or the Clinic, any felony, filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any Owner, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

i. Termination After Opportunity to Cure. Except as otherwise provided in this Section 15.B or elsewhere in the Agreement:

1. you will have thirty (30) days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have ten (10) days to cure those defaults;

2. your failure to cure a default within the thirty (30)-day or ten (10)-day period will provide us with good cause to terminate this Agreement;

3. the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and

4. the termination will be effective immediately upon our issuance of the written notice of termination.

ii. Immediate Termination With No Opportunity to Cure. In the event any of the following Incurable Defaults or any other default defined in this Agreement as an Incurable Default occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination:

1. any material misrepresentation or omission in the franchise application process;

2. your voluntary abandonment of this Agreement or the Authorized Location which shall include, but not be limited to, your Clinic being closed for a period of five consecutive days without our prior written consent;

3. the loss of your lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to reopen or relocate under Section 6.D;

4. the closing of any Clinic or Satellite by any state or local authorities for health or public safety reasons;

5. failure to commence operations of your Clinic within the time set forth in Section 2.B;

6. any unauthorized use of the Proprietary Information;

7. failure to maintain required insurance as required in Section 12.C;

8. You or an Owner making an assignment or entering into any similar arrangement for the benefit of creditors;

9. any default under this Agreement that materially impairs the goodwill associated with any of the Trademarks;

10. conviction of you or any Owners of (or pleading no contest to) any felony regardless of the nature of the charges, or any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of the Trademarks or the Clinic;

11. Understating or underreporting Gross Sales or any understatement or 3% variance on a subsequent audit within a three (3)-year period;

12. violation by you of the provisions of Section 17.P;

13. any unauthorized transfer or assignment in violation of Section 13;  
or

14. any default by you that is the second same or similar default within any twelve (12)-month consecutive period or the fourth default of any type within any twenty four (24)-month consecutive period.

16. You fail, for a period of fifteen (15) calendar days after notification of non-compliance by the appropriate governmental authority, to comply with any law or regulation applicable to the operation of the Business or the Device.

17. You violate any term, covenant or condition of this Agreement that: (i) contains its own right to cure, and you fail to cure such violation within such specified cure period; (ii) is a curable default that occurs a third time after having been cured twice before for the same breach, or (iii) is otherwise identified as an Incurable Default.

19. You fail to pay the Royalty Fee, Marketing Fund Fee, Technology Fee or any other amount you owe us for more than sixty (60) days after it is due.

20. You or an affiliate is in default of any other franchise, license or other type of agreement with us, and fail to cure such default within the applicable cure period, if any.

iii. Immediate Termination After No More than 24 Hours to Cure. In the event that a default under this Agreement occurs that violates any health safety or sanitation law or regulation, violates any system standard as to cleanliness, health and sanitation, or if the operation of any Clinic or Satellite presents a health or safety hazard to your customers or to the public:

1. you will have no more than twenty-four (24) hours after we provide written notice of the default to cure the default; and

2. if you fail to cure the default within the twenty-four (24) hour period, this Agreement will terminate effective immediately on our issuance of written notice of termination.

iv. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

C. Change of Control In Lieu of Termination. In the event of an Incurable Default we, at our option and upon thirty (30) days' written notice, may elect to assume day-to-day management of your Clinic until such time as you are no longer in default. In this event, you will be charged a reasonable management fee of up to 20% of the Gross Sales of the Clinic and/or Satellite of which we have assumed management.

D. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement provided that:

- i. you provide us with written notice of the breach that identifies the grounds for the breach; and
- ii. we fail to cure the breach within thirty (30) days after our receipt of the written notice.

If we fail to cure the breach, the termination will be effective sixty (60) days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your Post-Term Obligations under Section 16 of this Agreement.

## XVIII. POST-TERM OBLIGATIONS

16. Upon the expiration or termination of this Agreement, or the expiration of any Interim Period:

A. Reversion of Rights; Discontinuation of Trademark Use. All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks at the Authorized Location and within the Designated Territory will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Clinic (although we will not assume any past due obligations). You must immediately comply with the post-term noncompete obligations under Section 12.E, cease all use and display of the Trademarks and of any proprietary material (including the Operations Manual and the product preparation materials) and of all or any portion of point-of-sale materials furnished or approved by us and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You must pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our affiliates. You must immediately return to us, at your expense, all copies of the Operations Manual, Proprietary Information, and product preparation materials then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of Section 7.K. You must promptly at your expense remove or obliterate all Clinic signage, displays or other materials (electronic or tangible) in your possession at the Authorized Location or elsewhere, including on your website, Facebook page, Yelp listing, Google Business listing and any other social media platform, that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and so alter the appearance of the Clinic as to differentiate the Clinic unmistakably from duly licensed clinics identified by the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within thirty (30) days, we have the right to enter the Authorized Location and remove all Clinic signage, displays or other materials in your possession anywhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and you must reimburse us for our costs incurred. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement (or the expiration of any Interim Period), you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement. In addition, we shall have such additional rights as may be necessary or useful, including the right to obtain injunctive relief in order to insure that you cease to deliver Treatments using the Device or any heated-air device in violation of this Agreement and cease to use any component of the Proprietary Information.

B. Return of Devices and Accessories. Within five (5) business days after such termination or expiration, surrender and return to us at your cost all Devices, Device Accessories and Professional Services Products (including Applicator Tips).

C. Purchase Option. We have the right to purchase or designate a third party that will purchase all or any portion of the assets of your Clinic that are owned by you or any of your affiliates including, without limitation, the land, building, equipment, fixtures, signage, furnishings, supplies, leasehold improvements, and inventory of the Clinic at a price determined by a qualified appraiser (or qualified appraisers if one party believes it is better to have a real estate appraiser appraise the value of the land and building and a business appraiser appraise the Clinic's other assets) selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights under this Paragraph within thirty (30) days after the date of the expiration or termination of this Agreement, or the expiration of any Interim Period. If the parties cannot agree upon the selection of an appraiser(s), one or both will be appointed by a Judge of the United States District Court for the District in which the Authorized Location is located upon petition of either party.

The price determined by the appraiser(s) will be the reasonable fair market value of the assets based on their continuing use in, as, and for the operation of a LICE CLINICS OF AMERICA Clinic and the appraiser will designate a price for each category of asset (e.g., land, building, equipment, fixtures, etc.), but shall not include the value of any goodwill of the business, as the goodwill of the business is attributable to the Trademarks and the System.

Within thirty (30) days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Clinic that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefor and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

If we do not exercise our option to purchase under this subparagraph, you may sell or lease the Clinic premises to a third party purchaser, provided that your agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by us as a third party beneficiary, pursuant to which the purchaser agrees, for a period of two (2) years after the expiration or termination of this Agreement, or the expiration of any Interim Period, not to use the premises for the operation of a business that has a method of operation similar to that employed by our company-owned or franchised businesses.

D. Claims. You and your Owners may not assert any claim or cause of action against us or our affiliates relating to this Agreement or the LICE CLINICS OF AMERICA business after the shorter period of the applicable statute of limitations or one year following the date upon which a party discovered or should have discovered the facts giving rise to the claim,; provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

E. Transfer Customer Information. Within five (5) business days after such termination or expiration, transfer to us all customer agreements, accounts and related information on Clients and

customers including their names, addresses, email addresses, phone numbers, and customer sales data to us or the person we specify.

F. Liquidated Damages. If you fail to discontinue using the Trademarks as required per Section 16.A, fail to return the Devices, Accessories and Professional Services Products as required per Section 16.B, you will pay us liquidated damages (the “Liquidated Damages”) for each thirty (30) day period you continue to use the Trademarks or keep the Devices, Accessories and Professional Services Products following the expiration or termination of this Agreement (each being a “Post-use Period”). The amount of Liquidated Damages for each Post-use Period will be an amount equal to the Royalty Fees from the three full months prior to expiration or termination of the Agreement. We have the right to charge your Credit Card and/or ACH for Liquidated Damages for each Post-use Period for so long as you continue to use the Trademarks or keep the Devices, Accessories and Professional Services Products. You also agree to pay us Liquidated Damages equal to the replacement price of a Device if you return to us a damaged Device following the expiration or termination of this Agreement.

## XIX. GENERAL PROVISIONS

17. The parties agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify the Schedules and/or standards and as otherwise provided herein, this Agreement may not be waived, altered, or rescinded, in whole or in part, except by a writing signed by you and us.

This Agreement together with all schedules, addenda and appendices to this Agreement constitute the entire agreement between the parties and supersede all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document we furnished to you.

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.



C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein shall be in writing and shall be deemed to have been given and received

- i. upon hand delivery,
- ii. three (3) days after being sent by certified or registered mail, return receipt requested or
- iii. one (1) day after being sent by email or fax or by letter deposited with a recognized overnight courier with confirmation of next day delivery.

If sent by mail the notice shall be addressed as follows:

- iv. If intended for us, addressed to:

Larada Sciences, Inc.  
4873 South State Street  
Murray, Utah 84107

- v. If intended for you, addressed to you at the address set forth on the Data Sheet or at the Authorized Location; or,

in either case, to such other address as may have been designated by written notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our CEO, Chairman, President or one of our authorized Vice Presidents. Notwithstanding the foregoing, we may modify the Device, the Retail Products, the Professional Services Products, the Device Accessories, the Operations Manual, the User Manual and the Documents at any time and you shall be responsible to use the Device, Clinic Retail Products, Professional Services Products, Device Accessories and Documents as so modified after first receiving reasonable instructions on use and assuming such Device modification does not otherwise adversely affect your business operations as to the use and benefits of the Device(s) as described herein.

E. References. If the Franchisee consists of two (2) or more individuals, the individuals are jointly and severally liable, and references to you in this Agreement includes all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Successors/Assigns. Subject to the terms of Section 13 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

G. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

i. Applicable Law and Waiver. Subject to our rights under federal trademark laws, including the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.) or other federal, the parties' rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state of Utah.

ii. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute, and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify certain express limitations set forth in this Agreement.

iii. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise reasonable business judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing, or encouraging modernization and improving the competitive position of the System.

H. Exclusive Jurisdiction and Venue; Service. The parties (a) hereby irrevocably and unconditionally submit exclusively to the jurisdiction and venue of the state courts located in Salt Lake County, Utah and the federal court of the United States District Court for the Central District of Utah for the purpose of any suit, action, or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action, or other proceeding arising out of or based upon this Agreement except in the state courts located in Salt Lake County, Utah and the federal court of the United States District Court for the Central District of Utah, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action, or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action, or proceeding is brought in an inconvenient forum, that the venue of the suit, action, or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. The parties hereto expressly and irrevocably consent in advance to such jurisdiction and venue in any action or proceeding, hereby waiving personal service of the summons and complaint or other process, and agree that service of such summons and complaint, or other process or paper, may be made by conforming to the notice provisions set forth in Section 17.C hereof, or in such manner as may be permitted under the rules of said courts.

I. Waiver of Jury Trial. EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE SUBJECT MATTER HEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER

COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH ITS LEGAL COUNSEL.

J. Waiver of Punitive Damages. You and your affiliates and us and our affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained.

K. Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer, or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. Without limiting the generality of the foregoing, we shall have no liability in connection with or related to the products or services rendered to you by any third party, even if we required, approved or consented to the product or service or designated or approved the supplier.

L. Force Majeure. In the event of any failure of performance of this Agreement according to its terms by any party, the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, pandemics, riots and acts of government except as may be specifically provided for elsewhere in this Agreement. In no case shall the failure of performance under force majeure extend exceed thirty (30) days from the date that performance was to be delivered.

M. Adaptations and Variances. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the Devices and other standards, specifications, and requirements for any franchised clinic or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such clinic, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard devices, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

N. Notice of Potential Profit. We and/or our affiliates may from time to time make available to you or require you to purchase goods, products and/or services for use in your Clinic on the sale of which we and/or our affiliates may make a profit. Further, we and/or our affiliates may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and/or our affiliates are entitled to said profits and/or consideration.

O. Effective Date. We will designate the "Effective Date" of this Agreement in the space provided on the Data Sheet. If no Effective Date is designated on the Data Sheet, the Effective Date is the date when we signed this Agreement. However, as described in Section 2.A, you do not

have the right to, and may not, open and commence operation of a Clinic at the Authorized Location until we notify you that you have satisfied all the pre-opening conditions set forth in this Agreement.

P. Fee Deferral. If this Agreement is for a Territory in a franchise registration state (the "Registration State") that, as of the Effective Date, requires us to defer collection of the Franchise Fee and any other initial payments, you agree to pay the deferred Franchise Fee and any other deferred payments to us in accordance with the requirements of the Registration State. If between the time of the Effective Date and the opening of the Clinic the Registration State lifts its fee deferral requirement or allows us to escrow or impound the Franchise Fee or any other initial payments in lieu of fee deferral, you agree to pay the Franchise Fee and any other initial payments:

- i. immediately to us in the case the Registration State lifts the fee deferral requirement, or
- ii. at our discretion, immediately into an escrow or impound account in accordance with the requirements of the Registration State if the Registration State allows us to escrow or impound the Franchise Fee or any other initial payments in lieu of fee deferral.

Q. Anti-Terrorism Laws. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you certify, represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you are not otherwise in violation of any of the Anti-Terrorism Laws. For purpose of this paragraph, "Anti-Terrorism Laws" means Executive Order 13244 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorists acts and acts of war.

You certify that none of your owners, employees, or anyone associated with you is listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) You agree not to hire any individuals listed in the Annex. You certify that you have no knowledge or information that, if known, would result in you or your owners, employees, or anyone associated with you to be listed in the Annex to Executive Order 13224. You will be solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in this Agreement pertain to your obligations under this Section.

[Signature page follows]

**IN WITNESS WHEREOF**, the parties have executed this Franchise Agreement on the dates written below.

**FRANCHISEE: (For an Entity)**

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

Entity: \_\_\_\_\_  
(Please type name of entity)

By: \_\_\_\_\_  
(Signature of person signing on behalf of entity)

Name: \_\_\_\_\_  
(Please type or print name of person signing on behalf of entity)

Title: \_\_\_\_\_  
(Please type or print title of person signing on behalf of entity)

**FRANCHISEE: (For an Individual or Individuals)**

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

Name: \_\_\_\_\_  
(Please type or print)

Signature: \_\_\_\_\_

**FRANCHISEE: (For an Individual or Individuals)**

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

Name: \_\_\_\_\_  
(Please type or print)

Signature: \_\_\_\_\_

**US:**

Larada Sciences, Inc.

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

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

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

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

Schedule A to the Franchise Agreement

**Data Sheet**

1. **Franchisee:** Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

2. **Owner.** You represent and warrant to us that the following persons or entities, and only the following persons or entities, will be your Owner(s):

Name	Home Address	Email	Phone	Percentage of Ownership

3. **Authorized Location.** As stated in Section 2.A of the Franchise Agreement, the Authorized Location is: \_\_\_\_\_  
\_\_\_\_\_

4. **Designated Territory.** As stated in Section 2.C of the Franchise Agreement, the Designated Territory under this Agreement shall mean the area designated by the following zip codes and map:

Zip Codes

Map (on following page)



5. **Initial Franchise Fee.** As stated in Section 11.A of the Franchise Agreement, the Initial Franchise Fee is \$ \_\_\_\_\_.

6. **Effective Date:** \_\_\_\_\_

Schedule B to the Franchise Agreement

**Trademarks**

You have the right to use the following Trademarks in accordance with the terms of the Franchise Agreement:

<b>Trademark</b>	<b>Registration / Application Number</b>	<b>Registration / Application Date</b>	<b>Application</b>
LICE CLINICS OF AMERICA	4,792,221	08/11/15	Supplemental
AIRALLÉ	4,653,717	12/9/2014	Principal
URGENT CARE FOR LICE REMOVAL	4,792,222	08/11/15	Supplemental
ONCE AND FOR ALL	5,242,942	7/11/17	Principal
ONECURE	5,875,207	10/01/19	Principal
 Lice Clinics OF AMERICA	5,297,498	09/26/17	Principal
 Lice Clinics OF AMERICA	5,287,315	09/12/17	Principal

We may amend this Schedule B from time to time to make available additional Trademarks or to delete those Trademarks that become unavailable. You agree to use only those Trademarks that are then currently authorized.

The Trademarks must be used only in the manner that we specify. No deviations will be permitted.

Schedule C to the Franchise Agreement

Addendum to Lease

This Addendum to Lease (“Addendum”), dated \_\_\_\_\_, 20\_\_\_\_, is entered into between \_\_\_\_\_ (“Landlord”) and \_\_\_\_\_ (“Tenant”).

**R E C I T A L S**

The parties have entered into a Lease Agreement, dated \_\_\_\_\_, 20\_\_\_\_ (the “Lease”), pertaining to the premises located at \_\_\_\_\_ (the “Premises”).

The Landlord acknowledges that Tenant intends to operate a LICE CLINICS OF AMERICA® clinic (“Clinic”) from the Premises pursuant to Tenant’s Franchise Agreement with Larada Sciences, Inc. (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”), whereby Tenant will utilize the LICE CLINICS OF AMERICA name and the LICE CLINICS OF AMERICA Marks as Franchisor may designate in the operation of the Clinic at the Premises.

Landlord further acknowledges that Franchisor has approved Tenant’s request to locate its Clinic on the Premises that is the subject of the Lease, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

**A G R E E M E N T S**

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Lease as follows:

1. Remodeling and Decor. Landlord agrees that Tenant has the right to remodel, equip, paint and decorate the interior of the Premises and to display such marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any renewal Franchise Agreement under which Tenant may operate a Clinic on the Premises. Any remodel of the building and/or its signs shall be subject to the Landlord’s prior and reasonable approval.

2. Assignment By Tenant.

a. Tenant does not have the right to sublease or assign the Lease to any third party without Landlord’s and Franchisor’s written approval.

b. So long as Tenant is in good standing under the Lease, Tenant has the right to assign all of its right, title and interest in the Lease to Franchisor or its affiliates during the term of the Lease, including any extensions or renewals, without first obtaining Landlord’s consent. No assignment will be effective, however, until Franchisor or its designated affiliate gives Landlord written notice of its acceptance of the assignment. Franchisor will be responsible for the Lease obligations incurred after the effective date of the assignment.

c. If Franchisor elects to assume the Lease, Franchisor shall not be required to begin paying rent until Landlord delivers possession of the Premises to the Franchisor. At any time until the Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord.



3. Default and Notices to Franchisor.

a. Landlord shall send Franchisor copies of all notices of default under the Lease at the same time it provides Tenant with such notice. If Tenant fails to cure any defaults within the period specified in the Lease, Landlord shall promptly give Franchisor written notice thereof, specifying the defaults that Tenant has failed to cure. Franchisor has the right to unilaterally assume the Lease if Tenant fails to cure. Franchisor shall have fifteen (15) days from the date Franchisor receives such notice to exercise, by written notice to Landlord and Tenant, its right for Franchisor or its affiliate designee (“Franchisor Entity”), to assume the Lease. The Franchisor shall have an additional thirty (30) days from the expiration of Tenant’s cure period in which to cure the default or violation.

b. If Franchisor elects to assume the Lease, the Franchisor Entity shall not be required to cure defaults and/or to begin paying rent until Landlord delivers possession of the Premises to the Franchisor Entity. At any time until Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord.

4. Termination of Franchise Agreement; Expiration or Non-Renewal of Lease.

a. If the Franchise Agreement is terminated for any reason during the term of the Lease or any renewal or extension thereof, and if Franchisor desires to assume the Lease, Franchisor shall promptly give Landlord written notice thereof. Within thirty (30) days after receipt of such notice, Landlord shall give Franchisor written notice specifying any defaults of Tenant under the Lease. If Franchisor elects to assume the Lease, Franchisor must cure said defaults consistent with Section 3 above.

b. If the Lease contains term renewal or extension right(s) and if Tenant allows the term to expire without exercising said right(s), Landlord shall give Franchisor written notice thereof, and a Franchisor Entity shall have the option, for thirty (30) days after receipt of said notice, to exercise the Tenant’s renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If a Franchisor Entity elects to exercise such right(s), it shall so notify Landlord in writing, whereupon Landlord and the Franchisor Entity shall promptly execute and deliver an agreement whereby the Franchisor Entity assumes the Lease, effective at the commencement of the extension or renewal term.

5. Access to Premises Following Expiration or Termination of Lease. Upon the expiration or termination of the Lease, Landlord will cooperate with and assist Franchisor in gaining possession of the Premises and, if the Franchisor Entity does not elect to assume the Lease for the Premises consistent with Sections 3.a or 4.b above, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord except for any damages caused by Franchisor’s willful misconduct or gross negligence, to remove all signs and all other items identifying the Premises as a LICE CLINICS OF AMERICA Clinic and to make such other modifications (such as repainting) as are reasonably necessary to protect the LICE CLINICS OF AMERICA marks and system, and to distinguish the Premises from LICE CLINICS OF AMERICA Clinics. In the event Franchisor exercises its option to purchase assets of Tenant, Landlord must permit Franchisor to remove all such assets being purchased by Franchisor.

6. Assumption and Subsequent Assignment By Franchisor. If Franchisor elects to assume the Lease under Sections 2, or unilaterally assumes the Lease as provided for in Sections 3 or 4, Landlord and Tenant agree that:

a. Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption. Further, Tenant shall

be and remain liable to Landlord for all its obligations under the Lease, notwithstanding any assignment or assumption of the Lease by Franchisor. Franchisor shall be entitled to recover from Tenant all amounts it pays to Landlord to cure Tenant's defaults under the Lease, including interest and reasonable collection costs.

b. Franchisor, upon taking possession of the Premises, shall cure any default specified by Landlord within the time limits noted herein and shall execute and deliver to Landlord its assumption of Tenant's rights and obligations under the Lease. Franchisor shall pay, perform and be bound by all the duties and obligations of the Lease applicable to Tenant, except that the Franchisor may elect not to assume or be bound by the terms of any Amendment to the Lease executed by Tenant without obtaining Franchisor's prior written approval, which shall not be unreasonably withheld or delayed.

c. At or after the time Franchisor assumes Tenant's interests under the Lease, the Franchisor may, at any time, assign such interests or sublet the Premises to a LICE CLINICS OF AMERICA franchisee. Any such assignment shall be subject to the prior written consent of the Landlord, which Landlord shall not unreasonably withhold as it relates to a creditworthy franchisee who otherwise meets Franchisor's then-current standards and requirements for franchisees and agrees to operate the Clinic as a LICE CLINICS OF AMERICA Clinic pursuant to a Franchise Agreement with Franchisor. Upon receipt by Landlord of an assumption agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of Tenant to be performed under the Lease, the Franchisor shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgement of such release by Landlord.

7. Access to Premises During Lease. As provided in the Franchise Agreement, Franchisor shall have the right to access the Premises during continuance of the Lease to ensure compliance by Tenant with its obligations under the Franchise Agreement.

8. Additional Provisions.

a. Landlord hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and the Tenant would not lease the Premises without this Addendum.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liability of or against Franchisor or any affiliate of Franchisor, unless and until the Lease is assigned to, and accepted in writing by, Franchisor.

c. All notices to Franchisor required by this Addendum must be in writing and sent by registered or certified mail, postage prepaid, to the following address:

If intended for us, addressed to:

Larada Sciences, Inc.  
4873 South State Street  
Murray, Utah 84107

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

9. Sales Reports. If requested by Franchisor, Landlord will provide Franchisor with whatever information Landlord has regarding Tenant's sales from the Clinic.

10. Conflicts. In the event of a conflict between the terms of the Lease and the terms set forth in this Addendum, the terms set forth herein shall govern. In the event of a conflict between notices provided to Landlord by Tenant and Franchisor, the notices of Franchisor shall prevail.

11. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

12. Third Party Beneficiary. Franchisor is a third-party beneficiary to this Addendum and agreement and is entitled to the rights and benefits hereunder and may enforce the provisions hereof as if it were a party hereto.

[Signature page follows]

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of \_\_\_\_\_, \_\_\_\_\_.

**LANDLORD:**

\_\_\_\_\_

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

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

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

**TENANT:**

\_\_\_\_\_

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

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

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

Schedule D to the Franchise Agreement

**Minimum Requirements**

1. Minimum Annual Royalties and Cure.

- a. Beginning with the first twelve (12) months after your Clinic is opened, you must pay us at least \$9,000 in Minimum Royalties each year.
  
- b. If the amount of Royalty Fees paid is less than the Minimum Royalties, you can cure that default by paying the difference between the Minimum Royalties and the actual Royalty Fees paid in that year.

Minimum Local Marketing Spend. Upon opening your Clinic, you will be required to spend a minimum of \$1,000 each month for local advertising in your Designated Territory. For the avoidance of doubt, the above \$1,000 may include the costs of digital marketing campaigns but would not include management fees you will pay us to manage your digital campaigns. We do not guarantee that a spend of \$1,000 will result in a successful marketing campaign. Optimal results may require additional spending.

Schedule E to the Franchise Agreement

**Modifications to the Agreement**

Schedule F to the Franchise Agreement

**Telephone Number and Internet Agreement**

\_\_\_\_\_  
(Name of Telephone Company)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, State, Zip)

This TELEPHONE NUMBER AND INTERNET AGREEMENT, ASSIGNMENT AND POWER OF ATTORNEY (“Assignment”) is made pursuant to the terms of the Franchise Agreement dated \_\_\_\_\_ (“Agreement”) by and Larada Sciences, Inc. (“Franchisor”) and \_\_\_\_\_ (“Franchisee”), authorizing Franchisee to use Franchisor’s Marks and System in the operation of a business offering lice-removal services (the “Franchised Business”) in and for the Territory. Capitalized terms used herein without a definition shall have the meaning assigned to them in the Agreement.

1. For value received, Franchisee hereby irrevocably assigns to Franchisor all telephone listings and numbers at any time used by Franchisee in any printed or internet telephone directory in connection with the operation of the Franchised Business in the Territory, whether now-existing or adopted by Franchisee in the future, (collectively “Telephone Listings”) and all email addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them at any time used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future, (collectively “Internet Listings”) (collectively referred to herein as “Listings”). From time to time upon Franchisor’s request, Franchisee agrees to promptly provide a complete list of all Listings to Franchisor (in such format and level of detail as required by Franchisor).
  
2. Franchisee shall have the right to use the Listings only in connection with advertising the Franchised Business in the Territory. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee’s right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately at Franchisor’s request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor’s designated agent, (ii) install and maintain, at Franchisee’s sole expense, an intercept message, in a form and manner acceptable to Franchisor, on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

3. Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to “port” or transfer to Franchisor or an approved call routing and tracking vendor all phone numbers associated with the Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.
  
4. Franchisee appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place after the termination or expiration of Franchisee’s Franchise agreement, for the purpose of assigning any Listings covered by this Assignment to Franchisor or Franchisor’s designated agent or taking any other actions required of Franchisee under this Assignment. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power of attorney is created to secure performance of a duty to Franchisor and is for consideration.

This Assignment is agreed to by the Franchisee signing below.

FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_, individually

\_\_\_\_\_  
Date



Schedule G to the Franchise Agreement

**Personal Guarantee**

In consideration of and as an inducement to the execution of that certain franchise agreement (“Franchise Agreement”) dated \_\_\_\_\_ and/or any modification to that Franchise Agreement between Larada Sciences, Inc. (“Franchisor”) and \_\_\_\_\_ (“Franchisee”), each of the undersigned Guarantors hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, the punctual payment of all principal, interest, charges, and fees due Franchisor under the Franchise Agreement (collectively, the “Obligations”).

Each of the undersigned consents and agrees that:

- (1) he or she has carefully read the Franchise Agreement and this Guarantee, and understands all terms;
- (2) his or her direct and immediate liability under this Guarantee shall be joint and several, and may not be revoked;
- (3) he or she shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;
- (4) Franchisor may proceed against him or her to enforce this Guarantee without first proceeding against the Franchisee, and that this Guarantee is enforceable even if Franchisee goes out of business, declares bankruptcy, or fails to pay for any reason;
- (5) such liability shall not be diminished, relieved or otherwise affected by any set-off, recoupment, deductions, 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 guarantee, which shall be continuing and irrevocable until all Obligations have been satisfied;
- (6) he or she waives presentment, demand, protest, or notice;
- (7) he or she is subject to, and consents to the jurisdiction of Utah courts and waives local venue with respect to claims arising hereunder; and
- (8) a facsimile or electronic copy of this Guarantee and Franchise Agreement shall be valid and binding.

Guarantor(s):

X \_\_\_\_\_ Signature  
Date

\_\_\_\_\_  
Printed name Social Security Number

\_\_\_\_\_  
Home Address Email

**EXHIBIT C**

**LIST OF FRANCHISED OUTLETS AND FORMER FRANCHISEES**

<b>List of Active and Pending Outlets</b>				
<b>Name, Address and Telephone Number of Outlets as of December 31, 2023:</b>				
<b>Primary Contact</b>	<b>Clinic Address</b>	<b>City</b>	<b>State</b>	<b>Clinic Phone</b>
Heidi Merritt	1011 N. 2nd St. Suite D, Cabot, AR 72023	Little Rock / Cabot	AR	(501) 424-9396
Wade Huntsman	207 East Monroe Ave, Suite D Lowell, AR 72745	Lowell	AR	(479) 877-7385
Ashlyn Frachiseur	3114 Fox Rd Ste D, Jonesboro, AR 72404	Jonesboro	AR	(870) 497-2980
Mike Brehm	7170 West Camino San Xavier, Suite D-116, Glendale, AZ 85308	Glendale	AZ	(623) 226-8797
Amy Allen	7680 Monterey St., Suite 104a, Gilroy, CA 95020	Gilroy	CA	(408) 500-5537
Jacqueline Huynh	1001 Sneath Lane, Suite 107, San Bruno, CA 94066	San Bruno	CA	(650) 746-8788
Kelli Washington	41715 Enterprise Circle N. #209, Temecula, CA 92590	Temecula	CA	(951) 286-5958
Amira Purto	937 Coffee Road Suite 800, Modesto, CA 95355	Modesto	CA	(209) 248-6358
Philip Moon	1075 E. Bullard Avenue, Suite 102, Fresno, CA 93710	Fresno	CA	(559) 540-8703
Amira Purto	1625 W. March Lane, Suite 202, Stockton, CA 95207	Stockton	CA	(209) 248-6358
Philip Moon	2333 W. Whitendale Ave., Suite B, Visalia, CA 93277	Visalia	CA	(559) 608-4149
Hasani Thompson	12840 Riverside Drive, Suite 200, North Hollywood, CA 91607	Burbank	CA	(818) 450-5598
Hasani Thompson	Pending Treatment Center - Santa Clarita/Encino	Encino	CA	(818) 450-5598
Philip Moon	2920 F Street Suite G-9 Bakersfield, CA 93301	Bakersfield	CA	(661) 491-8600
Amy Allen	1155 Redmond Ave A, San Jose, CA 95120	San Jose	CA	(408) 539-7246
Michael Beckman	545 S. Murphy Ave., Sunnyvale, CA 94086	Sunnyvale	CA	(408) 780-9026
Hasani Thompson	1605 E. Palmdale Blvd #G, Palmdale, CA 93550	Palmdale	CA	(661) 592-2980
Philip Moon	Pending Treatment Center - Riverside	Riverside	CA	(661) 491-8600

Philip Moon	Pending Treatment Center - San Bernardino	San Bernardino	CA	(661) 491-8600
Tanya Kensley	421 21st Avenue, Suite 210, Longmont, CO 80501	Longmont	CO	(970) 233-8787
Greg Eisen	67 Prospect Avenue, Suite 301, West Hartford, CT 06106	West Hartford	CT	(860) 761-3666
Mandy Ottesen	13241 Bartram Park Blvd. #1801 Jacksonville, FL 32258	Jacksonville	FL	(904) 517-4087
Mandy Ottesen	1950 Lee Rd, Suite 217A, Winter Park, FL 32789	Winter Park	FL	(904) 517-4087
Corie Kaniamos	2602 SE Willoughby Blvd., Stuart, FL 34994	Stuart	FL	(561) 557-7947
Mike Brehm	1301 Beville Rd., Daytona Beach, FL 32119	Daytona Beach	FL	(386) 492-7645
Corie Kaniamos	1500 North Florida Mango Road - Suite 3, West Palm Beach, FL 33409	West Palm Beach	FL	(561) 557-7947
Ryan Nelson	8881 Terrene Ct Bonita Springs, FL 34135	Bonita Springs	FL	(239) 237-0757
Lesley Prince	128 Eglin Parkway SE Fort Walton Beach, FL 32548	Fort Walton Beach	FL	(850) 374-1203
Mandy Ottesen	1000 W. US Hwy 80, Pooler, GA 31322	Pooler	GA	(912) 988-4099
Melody Carter	514 S. Church St., Hahira, GA 31632	Hahira	GA	(229) 415-1748
Jennifer Crumrine	1831 Central Avenue Augusta, GA 30904	Augusta	GA	(706) 739-5828
Dacy Hitt	Pending Treatment Center - North Gwinnett	North Gwinnett	GA	(770) 756-8970
Dacy Hitt	102 Mary Alice Park Rd., Suite 503, Cumming, GA 30040	Cumming	GA	(770) 756-8970
Jeff Mauer	1400 Crane St SW, Ste 116, Rome, GA 30161	Rome	GA	(706) 503-7831
Montez Anderson	6900 University Ave., #120 Windsor Heights, IA 50324	Windsor Heights	IA	(515) 608-5485
Jill Leshtz	400 Lake Cook Road, Suite #201, Deerfield, IL 60015	Deerfield	IL	(847) 282-4226
Jill Leshtz	18 E. Dundee Rd., Building 6, Ste. 200, Barrington, IL 60010	Barrington	IL	(847) 282-4226
Erin Hawn	10 Phillip Rd. Ste. 123, Vernon Hills, IL 60060	Vernon Hills	IL	(224) 433-6087
Erin Hawn	2503 Spring Ridge Dr Suite C1 Spring Grove, IL 60081	Spring Grove	IL	(815) 581-0075

Libby Lutz	Pending Treatment Center - Glen Carbon	Glen Carbon	IL	(314) 329-5423
Wade Huntsman	2552 N Maize Ct., Suite 500, Wichita, KS 67205	Wichita	KS	(316) 352-9349
Barbara Frieden	9302 New Lagrange Rd., Condo H, Louisville, KY 40242	Louisville	KY	(502) 365-9505
Judy Hayden	1795 Alysheba Way, Unit 4105, Lexington, KY 40509	Lexington	KY	(859) 523-4813
Judy Hayden	6905 Burlington Pk Ste. A Florence, KY 41042	Florence	KY	(859) 927-3835
David Collett	830 Fairview Ave Suite A-4 Bowling Green, KY 42101	Bowling Green	KY	(270) 721-1481
Shanna Castille	100 Beauvais, Suite C2, Lafayette, LA 70507	Lafayette	LA	(337) 466-8998
Shanna Castille	7330 Fern Ave	Shreveport	LA	(337) 466-8998
Naomi Golden	1349 Centre Street, Suite 3, Newton, MA 02459	Newton	MA	(617) 901-0620
Naomi Golden	3 Baldwin Green Common, Suite 31, Woburn, MA 01801	Woburn	MA	(617) 901-0620
Naomi Golden	111 Center St., Middleborough, MA 02346	Middleborough	MA	(617) 901-0620
Mark Dent	604 Providence Road, Towson, MD 21286	Towson	MD	(410) 934-5423
Mark Dent	Pending Treatment Center - Annapolis	Annapolis	MD	(410) 934-5423
Mark Dent	Pending Treatment Center - Baltimore South	Baltimore South	MD	(410) 934-5423
Mark Dent	North Park Center, 4-C North Ave., Suite 424, Bel Air, MD 21014	Bel Air	MD	(410) 934-5423
Mark Dent	12222 Rockville Pike Suite C, Rockville, MD 20852	Rockville	MD	(240) 670-5423
Christine Cherry	640 Brighton Ave., Portland, ME 04101	Portland	ME	(855) 648-7363
Mike Brehm*	3001 Plymouth RD., Downstairs Suite 103, Ann Arbor MI 48105	Ann Arbor	MI	(734) 929-9180
Mike Brehm (Remedy)	5258 Plainfield Ace NE, Suite E, Grand Rapids MI 49525	Grand Rapids	MI	(616) 635-2398
Mike Brehm*	27620 Farmington Rd, Suite 109 Farmington Hills MI 48334	Farmington Hills	MI	(248) 536-2272
Mike Brehm*	4147 Metro Parkway, Suite 104 Sterling Heights MI 48310	Sterling Heights	MI	(586) 698-2453
Mike Brehm*	4005 Grand Blanc Road Swartz Creek, MI 48473	Swartz Creek	MI	(734) 929-9080

Mike Brehm*	Pending Treatment Center - Lansing	Lansing	MI	(734) 929-9080
Mike Brehm*	1141 S. Rose Street, Kalamazoo, MI 49001	Kalamazoo	MI	(269) 276-0010
Libby Lutz	7923 Big Bend Blvd., St. Louis, MO 63119	St. Louis	MO	(314) 329-5423
Libby Lutz	173 Long Road, Suite 100, Chesterfield, MO 63005	Chesterfield	MO	(314) 207-2787
Libby Lutz	Pending Treatment Center - Franklin County	Franklin County	MO	(314) 207-2787
Andrea Florsheim	Pending Treatment Center - Lincoln	Lincoln	NE	(402) 281-9188
Andrea Florsheim	8424 West Center Road, Suite 212, Omaha, NE 68124	Omaha	NE	(402) 281-9188
Christine Cherry	23 Atkinson Depot Road Plaistow, NH 03865	Plaistow	NH	(855) 648-7363
Philip Moon	450 South Buffalo Drive, Suite 116, Las Vegas, NV 89145	Las Vegas	NV	(702) 718-7387
Marnie Murray	2809 Wehrle Drive Suite #10, Williamsville, NY 14221	Williamsville	NY	(716) 626-5423
Marnie Murray	135 Sully's Trail Suite #7, Pittsford, NY 14534	Pittsford	NY	(585) 310-7131
Marnie Murray	6221 Route 31, Suite 114, Cicero, NY 13039	Cicero	NY	(315) 401-0051
Richard Florsheim	591 Stewart Ave ste 200, Garden City, NY 11530	Garden City	NY	(516) 217-8977
Richard Florsheim	599 W. Hartsdale Ave. White Plains, New York 10607	White Plains	NY	(914) 996-4050
Richard Florsheim	622 Hawkins Ave , Ronkonkoma NY 11779	Ronkonkoma	NY	(631) 202-1704
Richard Florsheim	Pending Treatment Center - NYC	New York City	NY	(631) 202-1704
Mike Brehm	2525 N. Reynolds Road, Suite 6, Toledo, OH 43615	Toledo	OH	(419) 214-0414
David Collett	Pending Treatment Center - Youngstown, OH	Youngstown	OH	(270) 721-1481
Christine Cherry	5910 Wilcox Rd, Ste E, Dublin, OH 43016	Dublin	OH	(614) 825-3802
Wade Huntsman	3421 E 21st St, Suite 210, Tulsa, OK 74135	Tulsa	OK	(918) 236-7182
Wade Huntsman	4001 N Classen Blvd, Suite 116 Oklahoma City, OK 73118	Oklahoma City	OK	(405) 420-0136

Mark Meyer	4060 Macleay Rd., Suite A, Salem, OR 97317	Salem	OR	(971) 273-5900
Mark Meyer	5201 SW Westgate Drive, Suite 106, Portland, OR 97221	Portland	OR	(503) 404-0475
Mark Meyer	16058 SE 82nd Drive, Clackamas, OR 97015	Clackamas	OR	(360) 334-6360
Michael Mantia	1000 Stonewood Drive, Suite 320, Wexford, PA 15090	Wexford	PA	(724) 620-3001
Michael Mantia	Pending Treatment Center - Southwest Pittsburgh	Pittsburgh	PA	(724) 620-3001
Kevin Reilly	2131 North Broad Street Suite 101, Lansdale, PA 19446	Lansdale	PA	(267) 903-7050
Heather Purtle	1 Creekview Ct. Suite C Greenville, SC 29615	Greenville	SC	(864) 484-7087
Heather Purtle	4128 Clemson Boulevard Suite C, Anderson, SC 29621	Anderson	SC	(864) 712-7157
Sonia Watt	404 University Drive East, Suite E, College Station, TX 77840	College Station	TX	(855) 464-8668
Mirtala Pena	1512 East Expressway 83, Ste. 107A, Mission, TX 78572	Mission	TX	(956) 585-5423
Amanda Westerman	3120 Hudson Crossing, Suite A2, McKinney, TX 75070	McKinney	TX	(972) 984-5223
Heather Smith	104 S Bynum St., Lufkin, TX 75904	Lufkin	TX	(936) 225-3160
Sheli Schomer	6391 De Zavala #222 San Antonio, TX 78249	San Antonio	TX	(210) 409-4635
Brent Mortensen	2330 Timber Shadow Dr. Suite 102 Kingwood, TX 77339	Kingwood	TX	(832) 948-4400
Mirtala Pena	1915 Zapata hwy, Suite 102, Laredo TX 78046	Laredo	TX	(956) 585-5423
Amanda Westerman	Pending Treatment Center - Cedar Park	Cedar Park	TX	(972) 984-5223
Brent Mortensen	6465 Calder Avenue, Suite 105, Beaumont, TX 77707	Beaumont	TX	(409) 239-0502
Brent Mortensen	1924 W 18th St, Houston, TX 77008	Houston	TX	(936) 666-3710
Brent Mortensen	1600 James Bowie Drive, Suite D109, Baytown, TX 77520	Baytown	TX	(832) 784-8927
Brent Mortensen	4420 Broadway St., Pearland, TX 77581	Pearland	TX	(281) 612-7382
Jacob Anthon	1531 FM-359, Suite 800, Richmond, TX 77406	Sugarland	TX	(281) 801-4470

Sheli Schomer	19115 FM 2252, #17 San Antonio, TX 78266	San Antonio East	TX	(210) 405-1197
Jacob Anthon	1400 W. Sam Houston Parkway N., Suite 120, Houston, TX 77043	Houston West	TX	(832) 900-7385
Amanda Westerman	Pending Treatment Center - Dallas	Dallas	TX	(972) 984-5223
Amanda Westerman	4002 Belt Line Rd.	Addison	TX	(972) 984-5223
Amanda Westerman	Pending Treatment Center	FORT WORTH NORTH	TX	(972) 984-5223
Amanda Westerman	Pending Treatment Center	FORT WORTH SOUTH	TX	(972) 984-5223
Amanda Westerman	Pending Treatment Center	AUSTIN	TX	(972) 984-5223
Darlene La Framboise	429A Carlisle Drive, Herndon, VA 20170	Herndon	VA	(703) 303-1576
Darlene La Framboise	Pending Treatment Center - Loudon	Loudon	VA	(703) 303-1576
Darlene La Framboise	450 W. Broad Street, Suite 320, Falls Church, VA 22046	Falls Church	VA	(703) 303-1576
Sonny Le	6080 Franconia Road, Suite D, Alexandria, VA 22310	Alexandria	VA	(703) 520-9000
Chris Winkler	2781 Jefferson Davis Hwy, Ste. 107, Stafford, VA 22554	Stafford	VA	(540) 300-1554
Chris Winkler	10625 Crestwood Dr Unit 1 Bldg Unit #2, Manassas, VA 20109	Manassas	VA	(858) 212-7222
Traci Benson	1420 156th Ave NE, Suite L, Bellevue, WA 98007	Bellevue	WA	(425) 533-2150
Mark Meyer	3520 96th street Suite 110 South Lakewood, WA 98499	South Lakewood	WA	(855) 542-3447
Mark Meyer	9576 Ridgetop Blvd. Suite L103 Silverdale, WA 98383	Silverdale	WA	(855) 542-3447
Mark Meyer	Pending Treatment Center - Olympia	Olympia	WA	(855) 542-3447
Patty Ziegler	600 W. Main Street, Lower Level, Sun Prairie, WI 53590	Sun Prairie	WI	(608) 825-8255
Andrea Florsheim	N4 W22370 Bluemound Road, Suite 203, Waukesha, WI 53186	Waukesha	WI	(262) 806-0477
Andrea Florsheim	mobile camp treatments	Northern Counties	WI	(920) 309-8399
Andrea Florsheim	124 N Broadway, Suite L1, De Pere, WI 54115	De Pere	WI	(920) 309-8399

\*These outlets informed us they were not renewing their franchise agreements, effective January 11, 2024, but the other outlets operated by this franchisee were continuing to operate.

## LIST OF FORMER FRANCHISEES

The following franchisees left the system (or sold their outlets/territories and stayed in the system) during the period from January 1, 2023 to December 31, 2023.

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

<b>Outlets &amp; Territories Closed (December 31, 2023):</b>					
<b>Former Franchisee</b>	<b>Total Number of Outlets Closed Under Franchise Agreement</b>	<b>City of each Outlet / Territory Closed</b>	<b>State of each Outlet / Territory Closed</b>	<b>Telephone Number</b>	<b>Reason for Closing</b>
Andrea Florsheim*	0	AL	Huntsville	(414) 331-0022	Never Opened
Andrea Florsheim*	0	GA	Atlanta Central	(414) 331-0022	Never Opened
Andrea Florsheim*	0	GA	Fayette	(414) 331-0022	Never Opened
Andrea Florsheim*	0	MN	Woodbury	(414) 331-0022	Never Opened
Andrea Florsheim*	0	MN	Hopkins	(414) 331-0022	Never Opened
Andrea Florsheim*	0	NC	Wake Forest	(414) 331-0022	Never Opened
Andrea Florsheim*	0	NC	Chapel Hill	(414) 331-0022	Never Opened
Andrea Florsheim*	0	NC	Raleigh	(414) 331-0022	Never Opened
Andrea Florsheim*	1	WI	Mt Pleasant	(414) 331-0022	Ceased Operations / Other Reasons
Bess Hayes	1	IA	Windsor Heights	(563) 564-6764	Transferred Clinic
Bess Hayes	1	IA	Dubuque	(563) 564-6764	Ceased Operations / Other Reasons
Greg Eisen*	1	CT	Bethel	(203) 948-3327	Ceased Operations / Other Reasons
Greg Eisen*	1	CT	Orange	(203) 948-3327	Ceased Operations / Other Reasons



Jason McQueen	1	MS	Hattiesburg	(601) 507-3724	Ceased Operations / Other Reasons
Kevin Croy*	0	NJ	Middlesex	(856) 266-4141	Never Opened
Kevin Croy*	0	NJ	Hunterdon County	(856) 266-4141	Never Opened
Kevin Croy*	1	NJ	Mount Laurel	(856) 266-4141	Ceased Operations / Other Reasons
Kevin Croy*	0	NJ	Atlantic City	(856) 266-4141	Never Opened
Kevin Croy*	0	NJ	Salem County	(856) 266-4141	Never Opened
Kevin Croy*	1	PA	Doylestown	(856) 266-4141	Ceased Operations / Other Reasons
Lisa Hagman	1	WA	Silverdale	(360) 813-5472	Transferred Clinic
Lisa Hagman	1	WA	Puyallup	(360) 813-5472	Transferred Clinic
Lisa Hagman	0	WA	Olympia	(360) 813-5472	Transferred Territory
Lori Silverstein	1	HI	Maui	(808) 283-4247	Non-Renewal
Lori Silverstein	1	HI	Honolulu	(808) 283-4247	Non-Renewal
Michelle Lehang Du	1	CA	Fremont	(510) 552-6129	Non-Renewal
Michelle Lehang Du	1	CA	Castro Valley	(510) 676-3272	Non-Renewal
Michelle Repp	1	WA	Spokane	(509) 998-7110	Termination
Michelle Repp	1	WA	Kennewick	(509) 998-7110	Termination
Savanna Mitchell	1	DE	Wilmington	(302) 565-8688	Ceased Operations / Other Reasons
Shannon Steele	1	AR	Jonesboro	(870) 926-2731	Transferred Clinic
Thuy Tien Du	1	CA	Sunnyvale	(408) 230-9895	Transferred Clinic

**\*These franchisees are still part of the franchise system.**

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**EXHIBIT D**

**LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS**

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**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275- 2677; toll free 1-866-277-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505- 0510, phone 701-328-4712
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

**EXHIBIT E**

**STATE-SPECIFIC ADDENDA**

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## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

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.

### Item 1, Additional Disclosure:

All customers getting lice treatments at our California clinics pay for those treatments directly. Although the clinic may choose to discount their services for Medicaid recipients, neither Medicaid nor Medicare pays any portion of any treatments performed in our California clinics.

### Item 3, Additional Disclosure:

Neither we nor any person described 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 such persons from membership in such association or exchange.

### Item 5, Additional Disclosure:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

### Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code

Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of Utah. This provision may not be enforceable under California law.

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

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

The franchise agreement requires binding arbitration for disputes. The arbitration will occur in Salt Lake City, Utah with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The financial performance figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.

#### CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of Utah. This provision may not

be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Salt Lake City, Utah with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

LARADA SCIENCES, INC.

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

**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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES 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.**

**STATE COVER PAGE. ADDITIONAL RISK FACTOR**

THE AUDITED FINANCIAL STATEMENTS OF THE FRANCHISOR INDICATE A DEFICIT OF 20,373,780 AS OF DECEMBER 31, 2021. AS A RESULT, THE STATE OF HAWAII HAS IMPOSED A DEFERRAL OF THE PAYMENT OF ALL INITIAL FEES AND DEPOSITS OWED TO FRANCHISOR OR ITS AFFILIATES BY FRANCHISEE UNTIL SUCH TIME AS ALL INITIAL OBLIGATIONS OWED TO FRANCHISEE UNDER THE FRANCHISE AGREEMENT HAVE BEEN FULFILLED BY FRANCHISOR AND FRANCHISEE HAS COMMENCED DOING BUSINESS.

Item 5, Additional Disclosure:

Payment of all initial fees and deposits owed to the franchisor or its affiliates by you is deferred until such time as the franchisor fulfills all initial obligations owed to you under the Franchise Agreement and you have commenced doing business.

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Payment of all initial fees and deposits owed to LSI (the franchisor) or its Affiliates



by Franchisee is deferred until such time as LSI fulfills all initial obligations owed to Franchisee under the Franchise Agreement and Franchisee has commenced doing business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

---

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

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

Its:

Its:

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

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

## ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 1, Additional Disclosures. The following statements are added to Item 1:

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act, 85 ILCS 15/2, 5 (West 2014); Medical Practice Act of 1987, 225 ILCS 60/ (West 2014); and Prohibition Against Fee Splitting at 225 ILCS 60/22.2 (West 2014).

IF THE OPERATION OF A FRANCHISED CLINIC OF THIS NATURE CONSTITUTES THE CORPORATE PRACTICE OF MEDICINE AND YOU ARE NOT LICENSED TO PRACTICE MEDICINE OR NURSING IN ILLINOIS, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT OR A BUSINESS ASSOCIATE AGREEMENT WITH LICENSED MEDICAL PROFESSIONALS WHO WILL PROVIDE MEDICAL PRODUCTS AND SERVICES IN YOUR FRANCHISED BUSINESS. RETAIN AN EXPERIENCED FRANCHISE ATTORNEY WHO WILL LOOK OUT FOR YOUR BEST INTEREST IN THIS BUSINESS VENTURE.

For info about the FDA clearance of the AirAllé medical device used in the operation of this franchised business, see the following link:

[https://google2.fda.gov/search?q=lousebuster%20device&client=FDAGov&proxystylesheet=FDAGov&output=xml\\_no\\_dtd&site=FDAGov&requiredfields=-archive:Yes&sort=date:D:L:d1&filter=1](https://google2.fda.gov/search?q=lousebuster%20device&client=FDAGov&proxystylesheet=FDAGov&output=xml_no_dtd&site=FDAGov&requiredfields=-archive:Yes&sort=date:D:L:d1&filter=1)

PRIOR TO FRANCHISING LICE TREATMENT CLINCS, FRANCHISOR SOLD THE AIRALLÉ DEVICE TO INDIVIDUALS, SCHOOLS, HEALTH DEPARTMENTS, CAMPS AND MEDICAL CLINICS. FRANCHISOR CANNOT ACCOUNT FOR THE PREVIOUSLY- SOLD DEVICES AND THEREFORE CANNOT GUARANTEE THAT AIRALLÉ DEVICES DO NOT EXIST AND MAY STILL BE USED WITHIN YOUR “EXCLUSIVE” TERRITORY.

Item 5, Additional Disclosures. The following statements are added to Item 5:

All initial fees paid to us or our affiliates by Illinois franchisees are required to be deferred until such time as we have satisfied our pre-opening obligations and the franchisee has commenced doing business. The Illinois Attorney General’s Office imposed this fee deferral requirement due to our financial condition.

Item 17, Additional Disclosures. The following statements are added to Item 17:

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.

Illinois law governs the Franchise Agreement.

Section 4 of 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, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.

#### ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

Section 4 of 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, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.

Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to franchisee concerning nonrenewal and termination of this Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act shall control.

All initial fees paid to LSI or its affiliates are required to be deferred until such time as LSI has satisfied its pre-opening obligations and the franchisee has commenced doing business. The Illinois Attorney General’s Office imposed this fee deferral requirement due to LSI’s financial condition.

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND

INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act, 85 ILCS 15/2, 5 (West 2014); Medical Practice Act of 1987, 225 ILCS 60/ (West 2014); and Prohibition Against Fee Splitting at 225 ILCS 60/22.2 (West 2014).

IF THE OPERATION OF A FRANCHISED CLINIC OF THIS NATURE CONSTITUTES THE CORPORATE PRACTICE OF MEDICINE AND YOU ARE NOT LICENSED TO PRACTICE MEDICINE OR NURSING IN ILLINOIS, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT OR A BUSINESS ASSOCIATE AGREEMENT WITH LICENSED MEDICAL PROFESSIONALS WHO WILL PROVIDE MEDICAL PRODUCTS AND SERVICES IN YOUR FRANCHISED BUSINESS. RETAIN AN EXPERIENCED FRANCHISE ATTORNEY WHO WILL LOOK OUT FOR YOUR BEST INTEREST IN THIS BUSINESS VENTURE.

For info about the FDA clearance of the AirAllé medical device used in the operation of this franchised business, see the following link:

[https://google2.fda.gov/search?q=lousebuster%20device&client=FDAGov&proxystylesh eet=FDAGov&output=xml\\_no\\_dtd&site=FDAGov&requiredfields=-archive:Yes&sort=date:D:L:d1&filter=1](https://google2.fda.gov/search?q=lousebuster%20device&client=FDAGov&proxystylesh eet=FDAGov&output=xml_no_dtd&site=FDAGov&requiredfields=-archive:Yes&sort=date:D:L:d1&filter=1)

PRIOR TO FRANCHISING LICE TREATMENT CLINCS, FRANCHISOR SOLD THE AIRALLÉ DEVICE TO INDIVIDUALS, SCHOOLS, HEALTH DEPARTMENTS, CAMPS AND MEDICAL CLINICS. FRANCHISOR CANNOT ACCOUNT FOR THE PREVIOUSLY-SOLD DEVICES AND THEREFORE CANNOT GUARANTEE THAT AIRALLÉ DEVICES DO NOT EXIST AND MAY STILL BE USED WITHIN YOUR “EXCLUSIVE” TERRITORY.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:  
LARADA SCIENCES, INC.

FRANCHISEE:  
\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

## MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14201 – 14-233 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosures:

Payment of the initial franchise fee and other initial payments is deferred until such time as franchisor completes its initial obligations under the franchise agreement.

### Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

You may bring a lawsuit in 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.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

## MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of any provisions for termination upon bankruptcy of the franchisee.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

The Franchise Agreement provides that disputes are resolved first through mediation and then through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

Payment of the initial franchise fee and other initial payments is deferred until such time as franchisor completes its initial obligations under the Franchise Agreement.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

LARADA SCIENCES, INC.

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

## MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

### State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

### Items 5 and 7, Additional Disclosures:

Payment of the initial franchise fees is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

### Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

### Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the



Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

Payment of the initial franchise fees is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:  
LARADA SCIENCES, INC.

FRANCHISEE:

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure.

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D 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, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. 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.**

Item 3, Additional Disclosure. 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.

Item 4, Additional Disclosure. The following is added to the end of Item 4:

With the exception of franchisor's bankruptcy petition filed March 19, 2021 as already described, 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.

Item 5, Additional Disclosures.

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 17, Additional Disclosures. The following statements are added to Item 17:

The following is added to the Summary sections of Item 17(c) titled "**Requirements for you to renew or extend**" and 17(m) titled "**Conditions for our approval approval or 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 Section 687.4 and 687.5 be satisfied.

The following is added to the Summary section of Item 17(d) titled "**Termination by you**": You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j) titled "**Assignment of contract by us**": 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.

The following is added to the Summary sections of Items 17(v) titled "**Choice of forum**" and 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.

#### NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the

extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

LARADA SCIENCES, INC.

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

## NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-1917 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor has fulfilled all of its initial obligations under the Franchise Agreement and other documents, and the franchisee has commenced doing business pursuant to the Franchise Agreement.

### Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within two years. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

The Franchise Agreement includes a waiver of a trial by jury. This waiver has been determined by the North Dakota Commissioner of Securities to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, and therefore may not be enforceable under North Dakota law.

## NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-1917 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement states that Franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires Franchisee to consent to a limitation of claims within two years. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

The Franchise Agreement includes a waiver of a trial by jury. This waiver has been determined by the North Dakota Commissioner of Securities to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, and therefore may not be enforceable under North Dakota law.

Payment of the initial franchise fee is deferred until such time as LSI (the franchisor) has fulfilled all of its initial obligations under the Franchise Agreement and other documents, and Franchisee has commenced doing business pursuant to the Franchise Agreement.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

LARADA SCIENCES, INC.

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 1928.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act 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 this Act.”

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 1928.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act 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 this Act.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:  
LARADA SCIENCES, INC.

FRANCHISEE:  
\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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



SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the South Dakota Franchise Investment Act, S.D. Codified Laws §§37-5B-53 – 375B-53 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure:

Payment of initial franchise fees owed to the franchisor or its affiliates by franchisee is deferred until such time as the franchisor has performed its initial obligations and the franchisee has commenced operations.

SOUTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the South Dakota Franchise Investment Act, S.D. Codified Laws §§37-5B-53 – 375B-53 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Payment of initial franchise fees owed to LSI (the franchisor) or its Affiliates by Franchisee is deferred until such time as LSI has performed its initial obligations and Franchisee has commenced operations.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:  
LARADA SCIENCES, INC.

FRANCHISEE:  
\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

“According 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.”

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

“According 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 ground 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.”

2. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires LSI (the franchisor) to defer payment of the initial franchise fee and other initial payments owed by Franchisee to LSI until LSI has completed its pre-opening obligations under the Franchise Agreement.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

LARADA SCIENCES, INC.

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

## WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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.

### Item 5. Additional Disclosure:

The Washington State Department of Financial Institutions requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement and franchisee has opened for business.

## WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

The state of Washington has a statute, RCW 19.100.180 which 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.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

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.

The Washington State Department of Financial Institutions requires us to defer payment of your initial franchise fee and other initial payments as described in Item 5 of the Franchise Disclosure Document until a) we have completed our pre-opening obligations under the franchise agreement and b) you have opened your business.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:  
LARADA SCIENCES, INC.

FRANCHISEE:  
\_\_\_\_\_

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

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

Its: \_\_\_\_\_

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

Its:

\_\_\_\_\_

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

**FORM RELEASE OF CLAIMS**

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL  
BE USED WITH OR INCORPORATED INTO A SEPARATE  
AGREEMENT. THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

For and in consideration of the Agreements and covenants described below, Larada Sciences, Inc. (“LSI”), \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Guarantors”) enter into this Release of Claims (“Agreement”).

### **RECITALS**

A. LSI and Franchisee entered into a LSI Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the “Franchise Agreement”).

B. [NOTE: Describe the circumstances relating to the release.]

### **AGREEMENTS**

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

#### **4. Release of Claims.**

A. Definitions.

1. LSI Parties: LSI and each of its subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

2. Franchisee Parties: Franchisee and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including, without limitation, each of their respective corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the LSI Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including, without limitation, actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, “Claims”), that they may now have, or at any time heretofore had, or hereafter may have, against each or any of the LSI Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to the Franchise Agreement(s), the development or operation of the Clinic(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the LSI Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.



**[California option:** The Franchisee Parties expressly waive all rights or benefits that they have or may have under Section 1542 of the California Civil Code, which section provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that if known by him or her, would have materially affected his or her settlement with the debtor or released party.]

**[Washington option:** The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.]

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of \_\_\_\_\_ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

FRANCHISOR:

FRANCHISEE:

LARADA SCIENCES, INC.

\_\_\_\_\_

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

\_\_\_\_\_

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

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

GUARANTORS:

\_\_\_\_\_

\_\_\_\_\_

**Exhibit F**

**TERMINATION AND GENERAL RELEASE AGREEMENT**

THIS AGREEMENT is made and entered into by and among \_\_\_\_\_ (“Franchisee”), and Larada Sciences, Inc. (“we,” “us,” or “Franchisor”). All capitalized terms not defined in this Agreement have the respective meanings set forth in the Franchise Agreement (defined below). This Agreement is effective on the date we sign below (the “Effective Date”).

**RECITALS**

- A. Franchisee and Franchisor (collectively, the “parties,” and each a “party”) entered into a Franchise Agreement (that may have been titled a “License Agreement” or some other name dated \_\_\_\_\_, and all addenda and amendments thereto (collectively, the “Franchise Agreement”), pursuant to which Franchisee was granted the right to open and operate a lice-removal business using Franchisor’s intellectual property located at \_\_\_\_\_ (the “Business”).
- B. The parties desire to terminate the Franchise Agreement and all rights, obligations and responsibilities thereunder, subject to the provisions stated below, and Franchisee and Franchisor agree to settle all known and unknown disputes they may have against each other, if any, that exist as of the Effective Date.

**AGREEMENT**

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchisor and Franchisee agree as follows:

1. Termination of the Franchise Agreement. As of the Effective Date, the Franchise Agreement is deemed terminated and of no further force and effect. As of the Effective Date, Franchisee has no further rights under or through the Franchise Agreement; provided, however, Franchisee acknowledges and agrees that it will comply with the post-termination obligations set forth in Section 3 below and in the Franchise Agreement, including, without limitation, the indemnification obligations under Section 16 of the Franchise Agreement.

2. Return of Devices and Other Proprietary Materials. Within five (5) business days after the Effective Date of this Agreement, Franchisee must return to Franchisor all Devices, applicator tips, device accessories and unused products that Franchisor provided to Franchisee for use in professional lice treatments. Notwithstanding the foregoing, the requirements of this Section 2 shall be waived if Franchisee signs Franchisor’s new-form franchise agreement or transfers the Devices, applicator tips, device accessories and unused products to a transferee approved by Franchisor on the same day as signing this Agreement.

3. Post-Termination Obligations. Beginning on the Effective Date of this Agreement, Franchisee agrees to comply with the post-termination obligations as set forth in Section 16(A) of the Franchise Agreement. Notwithstanding the foregoing, the requirements of this Section 3 shall be waived if Franchisee signs Franchisor’s new-form franchise agreement on the same day as signing this Agreement.

4. Fees Owed. Franchisee acknowledges that as of the Effective Date of this Agreement, Franchisee owes Franchisor \$\_\_\_\_\_ for \_\_\_\_\_ (the “Fees

Owed"). Franchisee agrees to pay Franchisor the Fees Owed on or before \_\_\_\_\_, 20\_.

5. Title; Authority. Franchisee represents and warrants to Franchisor that (i) Franchisee's interests in the Franchise Agreement are not subject to any liens or encumbrances of any kind, and (ii) Franchisee has full power and authority to enter into this Agreement and each of the transactions contemplated hereby.

6. Release.

A. Except as may be prohibited by applicable law, Franchisee and each of its respective heirs, successors and assigns, guarantors, affiliates (which means any entity that has owners in common with Franchisee), directors, officers, and shareholders and on behalf of any other party claiming an interest through them (collectively and individually referred to as the "Franchisee Parties" for purposes of this Section 6), release and forever discharge Franchisor, its predecessors, successors, assigns, affiliates, directors, officers, shareholders, and employees (collectively and individually referred to as the "Franchisor Parties" for purposes of this Section 6), of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which Franchisee Parties may now or in the future own or hold, that in any way relate to the Franchise Agreement or any other agreement between Franchisor and Franchisee, the Business, or the relationship between Franchisor and Franchisee through the Effective Date (collectively, the "Franchisee Parties Claims"), for known or unknown damages or other losses, including, without limitation, to any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between Franchisor and Franchisee through the Effective Date.

B. The release of Franchisee Parties Claims as set forth in Section 6.A are intended by the Franchisee Parties to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Franchisee Parties against the Franchisor regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Franchisee Parties acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Franchisee Parties' intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Franchisee Parties acknowledge that they have had adequate opportunity to gather all information necessary to enter into this Agreement and to grant the releases contained herein, and need no further information or knowledge of any kind that would otherwise influence the decision to enter into this Agreement. This release is and shall be and remain a full, complete and unconditional general release. The Franchisee Parties further acknowledge and agree that no violation of this Agreement shall void the release set forth in Section 6.

C. The Franchisee Parties represent that they have not assigned or transferred, or purported to assign or transfer, any Franchisee Party Claim released by them under Section 6.A.

**[INCLUDE SECTION 6.D BELOW IF FRANCHISEE OR GUARANTORS ARE IN CALIFORNIA OR IF BUSINESS IS LOCATED IN CALIFORNIA]**

D. The parties to this Agreement specifically and expressly contemplate that this release of claims covers all of their claims, including, without limitation, those known and unknown claims for known and unknown injuries and/or damages, and those for expected and unexpected consequences. Franchisee and each guarantor expressly waive all rights or benefits that they have or may have under Section 1542 of the California Civil Code, which section provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that if known by him or her, would have materially affected his or her settlement with the debtor or released party.

**[INCLUDE SECTION 6.E BELOW IF FRANCHISEE OR GUARANTORS ARE IN WASHINGTON OR IF BUSINESS IS LOCATED IN WASHINGTON]**

E. The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.1000, and the rules adopted thereunder.

7. Acknowledgment. Franchisee and guarantors acknowledge and agree that the representations and agreements set forth in Section 6 are a material inducement to Franchisor to enter into this Agreement, such that Franchisor would not have entered into this Agreement in the absence of such agreements.

8. Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Franchisee and Franchisor and their respective successors and assigns.

9. Governing Law/Venue. This Agreement shall be governed by, and construed in accordance with, the law of the State of Utah without regard to principles of conflicts of law. The parties agree that any legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced only in state or federal court in Salt Lake City, Utah.

10. Attorney's Fees. The prevailing party in any legal proceeding to enforce the terms of this Agreement is entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party.

11. Confidentiality. Franchisee acknowledges and agrees that this Agreement and the matters discussed in relation thereto are entirely confidential. It is therefore understood and agreed by Franchisee that it will not reveal, discuss, publish or in any way communicate any of the terms, amount or fact of this Agreement to any person, organization or other entity, except to their respective officers, employees or professional representatives, or as required by law.

12. Entire Agreement/Amendment. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall not be amended except by the written agreement of the parties.

13. Representation by Counsel. Franchisee and Franchisor acknowledge and agree that they have been represented by independent legal counsel of their respective choice, including, without limitation, with respect to the full and final release of claims set forth herein.

14. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

15. Remedies Cumulative. All rights and remedies of the parties under this Agreement, including, without limitation, attorneys' fees, are cumulative and will not exclude any other right or remedy allowed at law or in equity.

16. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

***[Signatures on following page.]***

---

Franchisor

Franchisee

Signed: \_\_\_\_\_

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

Its: \_\_\_\_\_

**Effective Date:** \_\_\_\_\_

Signed:

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

Its: \_\_\_\_\_

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

a) \_\_\_\_\_, an individual

Signed:

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

\_\_\_\_\_, an individual

Signed:

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

## EXHIBIT G

### **BUSINESS ASSOCIATE AGREEMENT**

This Business Associate Agreement (the “*BAA*”), dated as of \_\_\_\_\_, 20 (the “*Effective Date*”), is by and between LARADA SCIENCES, INC. (“*LARADA*”) and \_\_\_\_\_, (“*CLINIC*”) whose business/home address is \_\_\_\_\_ (each individually, a “*Party*,” and collectively, the “*Parties*”).

#### RECITALS

CLINIC is interested in LARADA furnishing certain administrative support services to CLINIC, and LARADA has the expertise necessary to provide such services.

In order for LARADA to furnish services to CLINIC, CLINIC intends to disclose certain Protected Health Information (“*PHI*”) to LARADA.

The Parties desire to comply with federal laws regarding the Use and Disclosure of Individually Identifiable Health Information, in particular with the provisions of the federal Health Insurance Portability and Accountability Act of 1996 (“*HIPAA*”), and the Health Information Technology for Economic and Clinical Health Act (“*HITECH*”), and regulations promulgated under these laws.

**NOW, THEREFORE**, the Parties, in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt and adequacy acknowledged, do hereby agree as follows:

#### **Definitions**

For purposes of this BAA, each of the following capitalized terms shall have the meaning set forth in this Section. Except as the context of a provision dictates otherwise, a term used in this BAA that is not defined in this Section or elsewhere in this BAA shall have the meaning accorded to it under HIPAA or HITECH, as applicable.

**Breach.** “Breach” shall have the same meaning as the term “breach” in 45 CFR § 164.402 but limited in application to Unsecured Protected Health Information.

**Business Associate.** “Business Associate” shall mean LARADA.

**CFR.** “CFR” shall mean the Code of Federal Regulations.

**Covered Entity.** “Covered Entity” shall mean CLINIC.

**Designated Record Set.** “Designated Record Set” shall have the same meaning as the term “designated record set” in 45 CFR § 164.501.

**HIPAA.** “HIPAA” shall mean the Health Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder relating to the privacy and security of protected health information, as such statute and regulations may be amended from time to time.

**HITECH.** “HITECH” shall mean the Health Information Technology for Economic and Clinical Health Act, enacted as part of the American Recovery and Reinvestment Act of 2009, and the regulations promulgated thereunder relating to the privacy and security of protected health information, as such statute and regulations may be amended from time to time.

**Individual.** “Individual” shall have the same meaning as the term “individual” in 45 CFR § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR § 164.502(g).

**Privacy Rule.** “Privacy Rule” shall mean the standards for Privacy of Individually Identifiable Health Information at 45 CFR part 160 and part 164, subparts A and E.

**Protected Health Information/Electronic Protected Health Information.** “Protected Health Information” and “Electronic Protected Health Information” shall have the same meaning as the terms “protected health information” and “electronic protected health information,” respectively, in 45 CFR § 160.103, limited to the information created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity.

**Required By Law.** “Required By Law” shall have the same meaning as the term “required by law” in 45 CFR § 164.103.

**Secretary.** “Secretary” shall mean the Secretary of the Department of Health and Human Services or his or her designee.

**Security Rule.** "Security Rule" shall mean the standards for Security of Individually Identifiable Health Information at 45 CFR part 160 and part 164, subparts A and C.

**Subcontractor.** “Subcontractor” shall mean a person, not acting as a member of the Business Associate’s workforce, to whom Business Associate delegates a function, activity, or service: (i) that is subject to the requirements of this Agreement; and (ii) for which the person creates, receives, maintains, or transmits protected health information.

**Unsecured Protected Health Information.** “Unsecured Protected Health Information” shall have the same meaning as the term “unsecured protected health information” in 45 CFR § 164.402, but limited to Protected Health Information.

### **Obligations and Activities of Business Associate**

Business Associate will not use or disclose Protected Health Information other than as permitted or required by this BAA or as Required By Law.

Business Associate agrees to use appropriate physical, technical, and



administrative safeguards to prevent use or disclosure of Protected Health Information other than as provided for by this BAA or Required By Law. These safeguards shall include, but not be limited to, policies and procedures for reasonably and appropriately protecting the confidentiality, integrity and availability of Electronic Protected Health Information. With respect to such information, Business Associate shall meet the requirements of the Security Rule that apply to business associates.

To the extent practicable, Business Associate agrees to mitigate any harmful effect that is known to Business Associate of its use or disclosure of Protected Health Information in violation of the requirements of this BAA.

Business Associate agrees to report promptly and in writing to Covered Entity any use or disclosure of Protected Health Information not provided for by this BAA or Required by Law and any security incidents within the meaning of 45 CFR § 164.304 of which it becomes aware. Such reports shall be made promptly as they occur provided that unsuccessful attempts to access Business Associate's information systems shall be reported only to the extent and at such times as the Parties mutually agree in writing.

To the extent that Business Associate is to carry out Covered Entity's obligations under the Privacy Rule, Business Associate shall perform such responsibilities in accordance with the requirements of the Privacy Rule.

Business Associate agrees to ensure, through written agreement, that any Subcontractor agrees to substantially the same restrictions and conditions that apply through this BAA to Business Associate with respect to such information. Business Associate may disclose all or some of the terms of this BAA to any of its Subcontractors to secure its compliance with such restrictions and conditions.

Within thirty (30) calendar days of Covered Entity's written request, pursuant to a request by an Individual, Business Associate shall provide Covered Entity with Protected Health Information that Business Associate maintains in a Designated Record Set in a time and manner that reasonably allow Covered Entity to comply with the requirements under 45 CFR § 164.524.

Within thirty (30) calendar days of Covered Entity's written request, pursuant to a request by an Individual, Business Associate shall make Protected Health Information that it maintains in a Designated Record Set available to Covered Entity for amendment in a time and manner that reasonably allow Covered Entity to comply with the requirements under 45 CFR § 164.526, and, upon written notice from Covered Entity, Business Associate shall hold such amendments as Covered Entity incorporates into such information in accordance with the requirements of 45 CFR § 164.526.

Business Associate agrees to make internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary in a time and

manner designated by the Secretary, for purposes of the Secretary's determining Covered Entity's or Business Associate's compliance with the Privacy Rule.

Business Associate agrees to document disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures (and to the extent required under the HIPAA Rules, an access report) of Protected Health Information in accordance with the requirements under 45 CFR § 164.528. Upon Covered Entity's reasonable and timely request, Business Associate shall provide Covered Entity with such accounting (and to the extent required under the HIPAA Rules, an access report) in a time and manner that reasonably allow Covered Entity to comply with the requirements under 45 CFR § 164.528.

To the extent required under HIPAA, Business Associate shall: (i) restrict its use and disclosure of an individual's Protected Health Information relating to a healthcare item or service where the individual or another person acting on the individual's behalf pays the entire cost of the item or service out of his or her own pocket; (ii) make a reasonable effort to use and disclose only the minimum amount of Protected Health Information necessary to achieve a particular purpose; and (iii) provide Protected Health Information that it maintains electronically in the form requested by Covered Entity pursuant to a request for such information in such form by an Individual or, if not readily producible in such form, in another electronic form agreeable to the Individual and Business Associate, or if such agreement cannot be reached, as a readable hard copy.

Notwithstanding anything in this Agreement to the contrary, Business Associate shall not undertake the sale of Protected Health Information unless permitted under HIPAA and HITECH.

Upon the discovery of a Breach of Unsecured Protected Health Information, Business Associate shall notify Covered Entity of the Breach in accordance with the requirements under 45 CFR § 164.410.

### **Permitted Uses and Disclosures by Business Associate**

Except as otherwise limited in this BAA, Business Associate may use or disclose Protected Health Information to:

Perform functions, activities, or services for, or on behalf of, the Covered Entity, except to the extent that such use or disclosure would violate the Privacy Rule if performed by Covered Entity;

Perform its obligations under this BAA, except to the extent that such use or disclosure would violate the Privacy Rule if performed by Covered Entity;

Conduct activities for its own proper management and administration or carry out its own legal responsibilities, provided that any disclosure of Protected Health Information for such purpose shall be either: (i) Required By Law; or (ii) made after Business Associate obtains reasonable assurances from the recipient of the Protected Health Information that the Protected Health Information will be held confidentially, that it will be used and disclosed further only for

the purpose for which it was disclosed to the recipient, and that the recipient will notify Business Associate of any instances of which it becomes aware that the confidentiality of the Protected Health Information has been breached;

Provide data aggregation services relating to the health care operations of Covered Entity; and

Report violations of law in accordance with 45 CFR § 164.502(j)(1).

### **Authorized Individuals**

To the extent that Business Associate is obliged to act pursuant to the direction of Covered Entity, it shall have that obligation only when such direction is made by an individual authorized to provide such direction. Such authorization shall be provided in a written notice that Covered Entity provides to Business Associate.

### **Obligations of Covered Entity**

#### Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions.

Covered Entity shall furnish Business Associate with its notice of privacy practices prepared in accordance with 45 CFR § 164.520 and of any modifications thereto.

Covered Entity shall notify Business Associate of: (i) any restriction to the use or disclosure of Protected Health Information that Covered Entity has agreed to in accordance with 45 CFR § 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of Protected Health Information; and (ii) any changes in, or revocation of, permission by an Individual to use or disclose Protected Health Information, to the extent that such changes may affect Business Associate's use or disclosure of Protected Health Information.

Permissible Disclosures by Covered Entity. Covered Entity shall make a reasonable effort not to provide Business Associate more than the minimum Protected Health Information necessary for Business Associate to perform functions that are permitted or required under this BAA and shall implement and apply other physical, technical and administrative safeguards to transmit Protected Health Information to Business Associate in a manner that meets the requirements of HIPAA and HITECH, as applicable.

Permissible Requests by Covered Entity. Covered Entity shall not request Business Associate to use or disclose more than the minimum Protected Health Information necessary to perform functions that are permitted or required under this BAA or to use or disclose Protected Health Information in any manner that would not be permissible under HIPAA or HITECH if done by Covered Entity

## **Term and Termination**

Term. The term of this BAA shall begin on the Effective Date and shall terminate as provided elsewhere in this BAA or when all of the Protected Health Information is destroyed or returned to Covered Entity or its designee, or, if it is infeasible to return or destroy Protected Health Information, when protections are extended to such information, in accordance with the termination provisions in this Section.

Termination for Cause. If Covered Entity knows of a pattern of activity or practice by Business Associate that constitutes a material breach or violation of Business Associate's obligations under the BAA, Covered Entity shall notify Business Associate of the breach and of the period during which Business Associate may take reasonable measures to cure the breach or end the violation. If Business Associate does not cure the breach or end the violation within that period, Covered Entity shall terminate this BAA as soon as feasible.

Effect of Termination. Without limiting any responsibility for Business Associate to transfer information upon termination of this BAA, as set forth elsewhere in this BAA.

Except as provided in paragraph (2) of this Section, upon termination of this BAA, for any reason, Business Associate shall return or, at Covered Entity's direction, destroy all Protected Health Information.

In the event that Business Associate determines that returning or destroying any Protected Health Information is infeasible, Business Associate shall extend the protections of this BAA to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

## **Miscellaneous**

Regulatory References. A reference in this BAA to a section in HIPAA or HITECH, as applicable, means the section as in effect or, as applicable, as it has been redesignated subsequent to execution of this BAA.

Incorporation of Required Provisions. Any provisions of HIPAA, HITECH, or other applicable law that are required to be, but are not otherwise incorporated into this BAA are hereby incorporated by reference herein, effective as of the effective date of this BAA or, if later, as of the date such requirement is required to be incorporated herein.

Amendment. Covered Entity and Business Associate agree to take appropriate action to amend this BAA from time to time as necessary for the Parties to comply with the

requirements of HIPAA or HITECH, as each may be amended or construed by courts of applicable jurisdiction or the Secretary from time to time. Each such amendment shall be made by and, unless the Parties mutually agree, effective as of the applicable compliance date for the change in rules or interpretation. The Parties may amend or terminate this BAA in a writing executed by authorized representatives of each Party. Covered Entity shall notify Business Associate in writing of changes in its policies, procedures, or practices with respect to the privacy or security of information that may increase Business Associate's costs in performing obligations under this BAA.

Relationship. With respect to all functions that Business Associate performs on behalf of Covered Entity that involve Protected Health Information, the Parties shall have no relationship other than that of independent contractors.

Disclosure of Terms of Agreement. Business Associate may disclose some or all of the terms of this BAA to a Subcontractor or potential Subcontractor.

Survival. The respective rights and obligations of Business Associate under Sections 6(c) of this BAA shall survive the termination of this BAA.

Interpretation. Any ambiguity in this BAA shall be resolved to permit Covered Entity and Business Associate to comply with their respective obligations under HIPAA and HITECH.

IN WITNESS WHEREOF, this Agreement is executed by the parties, acting through their duly authorized representatives, as of the date first set forth above.

**LARADA SCIENCES, INC.**

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

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

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

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

**[CLINIC]**

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

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

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

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

**EXHIBIT H**

**LICE CLINICS OF AMERICA®**  
**OPERATIONS MANUAL**  
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Productivity Calendar	12
LCA Dashboard	1
12 Best Practices Clinic Scorecard	28
Grand Opening Checklist	7
Lice Heat Map	1
<b>TOTAL</b>	<b>923</b>

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**EXHIBIT I**

**Point of Sale Subscription Agreement**

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**SUBSCRIPTION AGREEMENT**

This subscription agreement (“Agreement”) is made and effective as of the date signed by LSI below (the “Effective Date”), by and between Larada Sciences, Inc., a Delaware corporation (“LSI”), whose address is 4873 South State Street, Utah, 84107, U.S.A. and \_\_\_\_\_ (“Franchisee(s)”) whose business/home address is \_\_\_\_\_ (“Business Address”). LSI and Franchisee may sometimes be referred to as a “Party” or jointly as the “Parties.”

**1. Definitions**

Any capitalized term not otherwise defined in this Agreement shall have the following meaning:

a. “ACH” means “Automated Clearing House” and refers to the network that processes electronic financial transactions in the United States.

b. “Aggregated Data” means information (excluding PII) anonymized, gathered, derived or summarized by or through the operation of the Services, developed by or on behalf of LSI or LSI’s Service Provider.

c. “Business” means the lice-removal business operated by the Franchisee under a franchise agreement or license agreement by and between LSI and Franchisee.

d. “Documentation” means all written, electronic and other materials supplied by LSI or LSI’s Service Provider regarding the Services, including user manuals and/or training guides in connection with access, functionality, operation and features of the Services; technical specifications explaining and detailing the design, capabilities and performance standards for the Services; and any other writings or other materials provided by LSI or LSI’s Service Provider for use in conjunction with the testing and use of the Services.

e. “Franchisee Data” means (i) data, information, material submitted, collected, obtained, used in, stored, generated, or produced as the result of Franchisee’s access to and use of the Services; and (ii) PII. Franchisee Data does not include Aggregated Data.

f. “HIPAA” means the Health Insurance Portability and Accountability Act passed by Congress in 1996.

g. “LSI Parties” means officers, directors, shareholders, employees, and agents of LSI.

h. “PHI” means personal health information pursuant to HIPAA and applicable rules and regulations, broadly interpreted to include information about (or linked to) an individual’s health, health status, health care, medical record, or payment for health care.

i. “PII” means personally identifiable information collected, obtained, used in, stored, generated, or produced as the result of use of the Services, that may specifically identify an individual, distinguish one individual from another, contact, or locate an individual, or identify an individual in context, including PHI, social security numbers or other government issued numbers, dates of birth, addresses, telephone numbers, maiden names, email addresses, facsimile numbers, credit card information, transaction history or a person’s name in combination with any other of the foregoing elements.

j. “Reports” means the results or output of Franchisee Data, or data anonymized, gathered, derived or summarized by or through the operation of the Services.

k. “Services” means the Meevo 2 point-of-sale system licensed by LSI from a third-party provider, related services provided by such third-party provider, training, and support services, all of which LSI may make available to Franchisee in accordance with the terms and conditions of this Agreement.

l. “Service Provider” means the third-party provider of the Services, a.k.a. Millennium Systems International.

m. “Third-Party Services” means certain additional services offered by third-party vendors that support or enhance the functionality of the Services and for which LSI or Franchisee contracts separately, subject to separate terms, conditions, and fees, including by way of example, but not limitation, products, applications, services, software,

networks, systems, directories, websites, databases and information obtained separately by LSI or Franchisee to which the Services link, or which LSI or Franchisee may connect to or enable in conjunction with the Services.

n. "User" means an individual that Franchisee authorizes to access and use the Services.

## **2. Rights to Use the Services**

a. Subject to the terms and conditions of this Agreement, LSI grants Franchisee a limited right to access and use the Services solely in connection with Franchisee's Business in the \_\_\_\_\_ Territory, as defined in Franchisee's franchise/license agreement dated \_\_\_\_\_, up to the quantities specified on Exhibit B. If Franchisee has signed multiple franchise agreements or license agreements with LSI, Franchisee must sign a separate subscription agreement for each of those agreements.

b. For the avoidance of doubt, Franchisee agrees that its right to access and use the Services is also subject to the terms of use for the Services set forth in Exhibit A.

c. Franchisee further agrees to cause its Users to comply with the terms and conditions of this Agreement, and Franchisee is responsible for the acts and omissions of its Users.

d. Franchisee acknowledges and agrees that Franchisee's right to use the Services is conditioned on Franchisee completing an order form supplied by Service Provider.

e. Franchisee acknowledges and agrees that Franchisee's right to use the Services is expressly conditioned on Franchisee using a payment processor that integrates with the Services. Accordingly, Franchisee agrees to use and contract with such payment processor. In the event that Franchisee's contract with such payment processor terminates or expires, Franchisee remains responsible and liable for all of its obligations under this Agreement.

f. Franchisee is solely responsible, at Franchisee's own expense, for: acquiring, installing and maintaining all hardware, software and other equipment that is necessary for Franchisee to connect to, access, and use the Services; setting up and learning how to use the Services; transferring or migrating data from a previous point-of-sale system, if desired; and maintaining battery backups of computer systems to keep computers from shutting down improperly.

## **3. Data.**

a. As between the Parties, Franchisee is solely responsible for the accuracy and quality of Franchisee Data and ensuring its collection of Franchisee Data complies with all applicable laws, including those related to data privacy and transmission of PII and other data.

b. Franchisee grants LSI a nonexclusive, worldwide, assignable, fully paid-up and royalty-free license, including the right to sublicense (through multiple tiers), to copy, distribute, display and perform, publish, prepare derivative works of and otherwise use Franchisee Data: (i) to enable LSI and LSI's Service Provider to evaluate ways to improve the Services, including analysis of markets and market trends; and (ii) for LSI's internal business purposes, provided that any Franchisee Data that is PHI will only be used by LSI in compliance with HIPAA.

c. Franchisee acknowledges and agrees that LSI may analyze and aggregate Franchisee Data with data of other LSI franchisees for purposes that include: (i) assisting franchisees and LSI in identifying best practices; and (ii) marketing of LSI franchises and products.

d. The Parties agree to sign a Business Associate Agreement that sets forth each Party's obligations with respect to Franchisee Data that is PHI.

## **4. Term and Renewal**

a. Initial Term. The initial term of this Agreement begins on the Effective Date and continues (i) for a period of one (1) year (the "Initial Term") or (ii) until such time as LSI's contract with the third-party provider of the Services is no longer in effect, whichever is shorter.

b. Renewal. Unless this Agreement is terminated pursuant to Section 4.a.ii (see above) or pursuant to Section 10 or a Party provides the other Party with written notice of its intent not to renew this Agreement at least thirty (30) days prior to the end of the Initial Term or any Renewal Term, this Agreement will automatically renew for successive one (1) year periods (each, a "Renewal Term").

c. Effect of Termination of Franchise Agreement. This agreement automatically terminates on the date the franchise agreement or license agreement between the parties terminates. Upon such termination, Franchisee has no rights to access or use the Services and must promptly return to LSI any Documentation in Franchisee's possession. In some circumstances, Franchisee may be permitted to use the Services for a temporary period following termination, upon LSI's prior approval and upon continued payment of all applicable fees.

d. Effect of Sale or transfer of Franchise. Upon the sale or other transfer of Franchisee's rights under a franchise agreement or license agreement, Franchisee's subscription may be assigned to the transferee of Franchisee's rights upon the following conditions: (i) transferee executes a subscription agreement; and (ii) transferee pays an administration fee of one hundred fifty (\$150) dollars prior to LSI and Service Provider granting access to the Services to transferee. Franchisee shall provide Franchisor with not less than seven (7) days advance written notice requesting the transfer of this Agreement ("Transfer Notice"). The Transfer Notice shall include information regarding such transfer, including but not limited to the effective date of such transfer, the contact information for the transferee, and a copy of this Agreement duly executed by transferee.

## **5. Training and Technical Support**

a. LSI will provide to Franchisee an on-boarding guide for setting up the Services. Franchisee will have access to Service Provider's training academy for self-guided training.

b. At Franchisee's sole expense, Franchisee may purchase more in-depth training from the Service Provider based on an hourly rate that LSI has negotiated with Service Provider. As of March 1, 2019 that negotiated rate was \$100 per hour.

c. LSI does not provide technical support. Franchisee is entitled to receive technical support from the Service Provider by calling 973-402-8801 during the regular support hours listed at [www.millenniumsi.com/support](http://www.millenniumsi.com/support). Service Provider's technical support does not include software trainings, non-software related issues, provision of software upgrades, data recovery, and data restoration.

## **6. Other Franchisee Obligations**

a. Franchisee will perform or comply with the obligations set forth in Exhibit C.

## **7. Fees and Payment Terms**

a. In consideration for Franchisee's access and use of the Services, Franchisee will pay LSI the fees set forth in Exhibit B (the "Services Fees"). LSI may increase such fees on sixty (60) days' notice to Franchisee.

b. Franchisee acknowledges and agrees that LSI will charge Franchisee's ACH or credit card on file with LSI for any one-time fees for the Services upon Franchisee's signature of this Agreement.

c. Franchisee acknowledges and agrees that LSI will charge Franchisee's ACH or credit card on file with LSI for: (i) recurring Services Fees on a monthly basis, in advance; and (ii) overage fees related to the Services Fees on a monthly basis, in arrears. LSI will automatically process such charges on the 25<sup>th</sup> day of each month, or within a few days after the 25<sup>th</sup> of each month. Notwithstanding the foregoing, in its initial Services Fees charge, LSI will charge for the first month on a pro rata basis from the Effective Date (calculated on a 30-day month), plus one full month. If the Effective Date is the first day of the month then LSI will charge for just one month in its initial Services Fees charge.

d. If Franchisee fails to have a sufficient credit limit or balance in the designated ACH account to pay the Services Fees, or the credit card is declined for any reason, LSI may 1) charge interest on the missing or late payment at eighteen percent (18%) per annum ("Interest") plus court costs and reasonable attorneys' fees incurred in collecting any past due balance; and 2) if the Services Fees remain unpaid for fifteen (15) days, prohibit Franchisee from accessing the Services until such time as Franchisee pays the Services Fees. Franchisee agrees and hereby consents, in order for LSI to collect any amounts Franchisee may owe, LSI may contact Franchisee by telephone at any telephone number, including wireless telephone numbers, which could result in charges to Franchisee. Franchisee also agrees that LSI may also contact Franchisee by sending text messages or e-mails to any of Franchisee's phone numbers or e-mail accounts. Methods of contact may include using pre-recorded/artificial voice messages and/or use of an automatic dialing device, as applicable. Franchisee acknowledges that this subsection does not constitute LSI's agreement to accept any payment after it is due or a commitment to extend credit to, or otherwise finance the operation of Franchisee's business. The collection of any Interest and the acceptance of any late payment will not diminish LSI's right to any other remedies available under this Agreement or at law or in equity. Notwithstanding any designation by Franchisee as to the

application of a payment, LSI shall allocate any payments first to any Interest owed, then to any past due Services Fees, then to current Services Fees owed to LSI. The allocation set forth above shall not serve to postpone any payments that are due on any current or future due date. If Franchisee goes more than sixty (60) days without paying the Services Fees after it is due, Franchisee shall be in Incurable Default of this Agreement.

## **8. Confidentiality**

a. For purposes of this Agreement, "Confidential Information" means:

- i. Documentation;
- ii. information relating to the Services and Documentation;
- iii. software and related source code and object code utilized in connection with the Services;
- iv. the terms and conditions of this Agreement, including the fees for the Services; and
- v. Reports.

b. Franchisee shall not: (i) directly or indirectly disclose any Confidential Information to any third parties other than Franchisee's employees, agents, or advisors with a bona fide need to know in connection with this Agreement; (ii) use any Confidential Information for the furtherance of its own business or financial interests or those of any other person or entity; (iii) use Confidential Information for any purposes whatsoever other than performance of this Agreement; or (iv) permit, cause or authorize unauthorized access, use, or disclosure of Confidential Information by any third party.

c. Franchisee further agrees to advise and require its employees, agents, and advisors of Franchisee's and their obligations to maintain all Confidential Information as strictly confidential. Franchisee shall immediately notify LSI if Franchisee learns or has reason to believe that any third party who had access to Confidential Information has violated or intends to violate the terms of this Agreement. Franchisee will cooperate with LSI and its Service Provider in seeking injunctive or equitable relief against any such third party.

## **9. Services Warranty; Disclaimer of Warranties**

a. LSI represents and warrants that the Services will operate in material conformance with the Documentation.

b. Franchisee acknowledges and accepts that neither LSI nor its Service Provider guarantees continuous, uninterrupted or secure access to the Services, or that operation of the Services will be uninterrupted or error free. Franchisee understands that usage of the Services may be interfered with or adversely affected by numerous factors or circumstances outside of the control of LSI and its Service Provider.

c. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE SERVICES ARE PROVIDED "AS IS". LSI AND ITS SERVICE PROVIDER EXPRESSLY DISCLAIM ALL OTHER WARRANTIES OR CONDITIONS OF ANY KIND (EXPRESS, IMPLIED, OR STATUTORY), INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. LSI AND ITS SERVICE PROVIDER CANNOT AND DO NOT GUARANTEE THAT THE SERVICES WILL WORK IN ANY PARTICULAR WAY, NOR CAN LSI OR ITS SERVICE PROVIDER GUARANTEE ANY PARTICULAR RESULT. FRANCHISEE AGREES NOT TO HOLD LSI OR ITS SERVICE PROVIDER LIABLE, FINANCIALLY, OR OTHERWISE, SHOULD THE SERVICES FAIL TO PERFORM.

## **10. Indemnification**

a. Franchisee shall indemnify, defend and hold LSI and all LSI Parties harmless from any and all liabilities, obligations, injuries, deficiencies, demands, claims, suits, actions or causes of action, assessments, awards, losses, damages, costs, fees (including reasonable fees and expenses of attorneys, accountants and other experts and consultants), expenses, interest, fines or penalties, (individually and collectively, the "Losses"): (i) resulting from Franchisee's unauthorized use or access to the Services; (ii) resulting from any actual violation by Franchisee of any

third-party intellectual property rights; (iii) in connection with any dispute regarding ownership of or access to Franchisee Data; or (v) to the extent such Losses relate to, have arisen in connection with, or result directly or indirectly from Franchisee's breach of any term or condition of this Agreement.

b. Included in any indemnification hereunder shall be the reimbursement or direct payment of any award, damage and costs reasonably incurred by LSI or an LSI Party in the defense of any claim against LSI or an LSI Party, including, without limitation, reasonable accountants', attorneys' and expert witness' fees, costs of investigation and proof of facts, court costs, and other litigation expenses.

## **11. Limitation of Liability**

a. NOTWITHSTANDING ANY OTHER PROVISION TO THE CONTRARY IN THIS AGREEMENT, UNDER NO CIRCUMSTANCES, WILL ANY OF THE LSI PARTIES OR LSI'S SERVICE PROVIDER BE LIABLE TO FRANCHISEE OR TO ANY PERSON OR ENTITY CLAIMING THROUGH FRANCHISEE FOR ANY LOST DATA, LOST PROFITS, OR COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, HOWEVER CAUSED AND UNDER ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) EVEN IF AN LSI PARTY OR LSI'S SERVICE PROVIDER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE MAXIMUM AGGREGATE LIABILITY OF THE LSI PARTIES AND LSI'S SERVICE PROVIDER FOR ANY DIRECT DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL NOT EXCEED THE AMOUNT OF FEES FOR THE SERVICES PAID OR PAYABLE UNDER THIS AGREEMENT. THE FOREGOING LIMITATIONS WILL NOT APPLY TO AN LSI PARTY'S OR LSI'S SERVICE PROVIDER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

b. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES OR THE LIMITATION OR EXCLUSION OF LIABILITY FOR CERTAIN TYPES OF DAMAGES. ACCORDINGLY, SOME OF THE ABOVE DISCLAIMERS OF WARRANTIES AND LIMITATIONS OF LIABILITY MAY NOT APPLY TO FRANCHISEE. IN JURISDICTIONS WHERE LIMITATION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES IS NOT PERMITTED, THE LIABILITY OF LSI PARTIES AND LSI'S SERVICE PROVIDER IS LIMITED TO THE MAXIMUM EXTENT PERMITTED BY LAW.

## **12. Termination**

a. Termination Rights for Incurable Defaults. Effective upon receipt of written notice, said notice presented to Franchisee in accordance with Section 13 below, LSI may terminate this Agreement without providing the Franchisee any right to cure upon the occurrence of any one or more of the following events (each of which event is deemed to be an "Incurable Default"):

- i. Franchisee ceases to operate the Business, without the prior written consent of LSI or otherwise abandons such Business for a period of fourteen (14) consecutive days, or any shorter period that indicates Franchisee's intent to discontinue operation of such Business.
- ii. Franchisee becomes insolvent, as that term is commonly defined using generally accepted accounting principles; is adjudicated as bankrupt; if any action is taken by Franchisee or by others against Franchisee under any insolvency, bankruptcy or reorganization act; if an assignment for the benefit of creditors is made by Franchisee in reference to the Business; or if a receiver is appointed to the Business.
- iii. Franchisee uses any component of the Confidential Information in violation of this Agreement, or otherwise negligently or intentionally discloses any component of the Confidential Information in violation of this Agreement.
- iv. Franchisee violates any term, covenant or condition of this Agreement that: (i) contains its own right to cure, and Franchisee fails to cure such violation within such specified cure period; (ii) is a curable default that occurs a third time after having been cured twice before for the same breach, or (iii) is otherwise identified as an Incurable Default.

2.

v. Franchisee fails to pay the Services Fees for more than sixty (60) days after such fees are due.

b. Termination Rights for Curable Defaults. LSI will have the right to terminate this Agreement effective upon fifteen (15) days' written notice to Franchisee if Franchisee breaches any other term, covenant or condition of this Agreement not identified as an Incurable Default and fails to cure the default during such fifteen (15) day period.

c. Termination for Convenience. Unless prohibited by Franchisee's franchise agreement or license agreement with LSI, Franchisee may terminate this Agreement after the Initial Term set forth in Section 4 above upon thirty (30) days' prior written notice to LSI in accordance with Section 13. Such termination will be effective at the end of the calendar month following LSI's receipt of such notice.

d. Services Fees at Termination. If this Agreement terminates for any reason, any Services Fees paid to LSI, including any monthly fees paid in advance, shall not be returned to Franchisee.

### 13. Miscellaneous Provisions

a. Entire Agreement. This Agreement and the Exhibits hereto contain the entire understanding of the Parties and incorporates and merges herein all prior oral or written, express or implied conditions, agreements, contracts or understandings of the Parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations LSI made in the franchise disclosure document that LSI furnished to Franchisee.

b. Modifications. This Agreement may be modified only in a written agreement that is signed by all Parties. Notwithstanding the foregoing, LSI or its Service Provider may modify the Services and Documentation at any time.

c. Waivers. No waiver by either Party of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by a Party shall be considered to imply or constitute a further waiver by a Party of the same or any other condition, covenant, right or remedy.

d. Severability. If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to the least extent possible so as to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included.

e. Notices. Any notice required to be given pursuant to the terms and provisions hereof shall be in writing and shall be deemed to have been given and received (i) upon hand delivery, (ii) three days after being sent by certified or registered mail, return receipt requested or (iii) one (1) day after being sent by email or fax or by letter deposited with a recognized overnight courier with confirmation of next day delivery, addressed to a Party at the address provided to the other Party from time to time.

f. Enforceable Extensions. Any provision, term, covenant or condition of this Agreement that by its terms must extend beyond termination or expiration of this Agreement in order to remain enforceable shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

g. Independent Covenants. The Parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement.

h. Governing Law. This Agreement shall be interpreted in accordance with the laws of the state of Utah without consideration of any conflict of laws.

B.

i. Dispute Resolution. The parties hereto agree to submit any and all disputes, controversies or claims to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”) then in effect. The venue of any such Arbitration shall be held in Salt Lake City, Utah, and the arbitration shall be conducted in English. Within ten calendar days after the arbitration demand is served upon a party, the parties must jointly select an arbitrator with substantial experience in resolving commercial contract disputes. If the parties have not mutually agreed on an arbitrator within thirty (30) days after the demand for confidential arbitration is made and filed, the arbitrator shall be appointed in the manner provided by Rule 13 of the Commercial Arbitration Rules of the AAA. Except as may be required by law, neither a party nor the arbitrator may disclose the existence, content or results of any arbitration without the prior written consent of both parties, unless to protect or pursue a legal right. The arbitrator shall, within fifteen (15) calendar days after the conclusion of the arbitration hearing, issue a written award and statement of decision describing the essential findings and conclusions on which the award is based, including the calculation of any damages awarded. In determining an award, the arbitrator shall give effect to all limitations and disclaimers in this Agreement, and in no event shall the arbitrator (i) award punitive damages, (ii) award non-economic damages, such as for emotional distress, pain and suffering or loss of consortium or reform, or (iii) modify or materially change this Agreement or any other agreements contemplated hereunder. The parties hereby mutually waive any claim for damages which may be awarded in excess or conflict with the foregoing in connection with any dispute subject to confidential arbitration under this Agreement. The decision of the arbitrator shall be final and binding and no party shall have rights of appeal and the judgment thereon may be entered into any court having jurisdiction over the parties and the subject matter thereof. Each party shall bear its own costs and fees in connection with the arbitration, however, the arbitrator shall have the power to order one party to contribute to the reasonable costs and expenses of the other party, or to pay all or any portion of the costs of the arbitration. ANY CLAIMS MADE IN ARBITRATION MUST BE BROUGHT IN THE PARTIES’ INDIVIDUAL CAPACITY AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. THE ARBITRATOR MAY NOT CONSOLIDATE MORE THAN ONE PERSON’S CLAIMS UNLESS OTHERWISE AGREED TO BY THE PARTIES IN WRITING AND MAY NOT OTHERWISE PRESIDE OVER ANY FORM OF A REPRESENTATIVE OR CLASS PROCEEDING. Notwithstanding the foregoing, (x) either party shall be permitted to seek a preliminary injunction or other equitable remedy in the courts to preserve rights, which may otherwise be lost or encumbered in the absence of injunctive relief, or to preserve the status quo, including but not limited to preserve confidentiality of Proprietary Information, and (y) any dispute, controversy or claim relating to the scope, validity, enforceability or infringement of any patents, copyrights, trademarks or trade secrets subject to this Agreement shall be submitted to a court of competent jurisdiction in state courts located in Salt Lake County, Utah or the federal courts located in Salt Lake City, Utah (unless such courts do not have personal jurisdiction in the dispute).

j. Survivability of Claims. Any claims by Franchisee against LSI must be made prior to the expiration of two years from the date the Agreement terminates.

k. Relationship of Parties. In all matters as between the Parties or between the Parties and the public, the only relationship between the Parties is that of franchisor and franchisee. Nothing in this Agreement or the relationship created thereby constitutes a partnership, agency, joint venture, or other arrangement between the Parties. Except as provided herein, each Party is: (i) liable for its own debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, wages, employees, negligence, errors, or omissions and not that of the other Party; and, (ii) responsible for the management and control of its business including its daily operations and employee matters. Each Party agrees not to hold itself out by action or inaction, contrary to the foregoing. It is understood and agreed that the Agreement does not establish a fiduciary relationship between the Parties.

l. Definition of Day. Unless otherwise stated, a “day” shall refer to a calendar day and a “business day” shall refer to any day except Saturday, Sunday or any other day on which commercial banks located in Salt Lake City, Utah are authorized or required by Law to be closed for business

C.

m. Counterparts; Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Electronic signatures or digitally transmitted signed documents shall be deemed to effectively bind the Parties.

n. Singular and Plural. The Parties further agree that the singular shall include the plural where applicable, the reference to one gender shall refer to the other gender and the use of the term “including” shall mean “including, but not limited to”.

o. Due Diligence. The Parties further agree that this Agreement was diligently reviewed by each Party. As a result, any vague or inconsistent term, covenant or condition herein shall not be interpreted against that Party that drafted it merely because of such drafting.

p. Prevailing Party. In the event that either Party brings any action in reference to this Agreement, the “Prevailing Party” in such action shall be awarded all reasonable attorneys’ fees, expert witness fees, court costs and discovery costs incurred. For purposes of this Agreement, the Prevailing Party shall be deemed that Party that has prevailed on a majority of the issues decided by the trier of fact, law or equity.

q. Legal Authority of LSI. LSI is duly incorporated, validly existing and in good standing under the laws of the State of Delaware with full legal power and authority to conduct its business, to enter into the Agreement to which it is a party and to carry out its obligations thereunder.

r. Legal Authority of Franchisee. Franchisee is duly organized, validly existing and in good standing under the laws of the state in which Franchisee is located with full legal power and authority to conduct its business, to enter into the Agreement to which it is a party and to carry out its obligations thereunder.

s. Compliance with Laws. Franchisee shall comply with all applicable laws regarding Franchisee’s use of and access to the Services.

t. Third-Party Beneficiaries. The Parties agree and acknowledge that LSI’s Service Provider is a third-party beneficiary of this Agreement, with the right to enforce applicable terms of the Agreement against Franchisee.

This Agreement was executed by the Parties as of the Effective Date:

**LSI**

**LARADA SCIENCES, INC.**

By: \_\_\_\_\_ (sign)  
Name: \_\_\_\_\_ (print)  
Title: \_\_\_\_\_  
Effective Date: \_\_\_\_\_



**FRANCHISEE**

By: \_\_\_\_\_ (sign)  
Name: \_\_\_\_\_ (print)  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
Email: \_\_\_\_\_  
Phone: \_\_\_\_\_

**FRANCHISEE**

By: \_\_\_\_\_ (sign)  
Name: \_\_\_\_\_ (print)  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
Email: \_\_\_\_\_  
Phone: \_\_\_\_\_

**EXHIBIT A**  
**MEEVO TERMS OF USE**

Each capitalized term shall have the meaning ascribed to it in the Agreement.

**1. Access and Use of the Services by Franchisee**

a. Franchisee acknowledges and agrees that Franchisee's rights to access and use the Services are personal, non-exclusive, non-transferable and non-sublicensable. Franchisee acknowledges and agrees the Services may only be used for Franchisee's operation of Franchisee's Business and not for the benefit of any other person or entity other than LSI.

b. LSI and its Service Provider reserve the right to suspend or terminate Franchisee's use of the Services if LSI or its Service Provider discovers, or has a reasonable basis to believe, that Franchisee has violated the Agreement. Franchisee is responsible for maintaining the confidentiality of its Users' log-in details and Franchisee is fully responsible for all activities that occur under Franchisee's account. Franchisee shall exercise commercially reasonable best efforts to prevent unauthorized access to, or use of the Services, and shall notify LSI immediately of any actual, threatened, or suspected unauthorized access to, or use of the Services. LSI and its Service Provider will not be liable for any loss or damage arising from Franchisee's failure to protect the confidentiality of its Users' log-in details.

**2. Prohibitions on Use; Limitations; Restrictions**

a. Franchisee shall not: (i) make the Services or Documentation publicly available or grant access to the Services or the Documentation except as expressly authorized under this Agreement; (ii) adapt, analyze, decompile, disassemble, reverse engineer, modify or translate the Services or the Documentation; (iii) transfer access to the Services to another entity without LSI's express and prior written consent; (iv) transmit by any media or copy, in whole or in part, the Services or the Documentation; or (v) distribute or allow use of the Services by any third party other than LSI.

b. Franchisee shall not: (i) submit any infringing, obscene, defamatory, threatening, or otherwise unlawful or tortious material to the Services, including any material that violates privacy rights; (ii) interfere with or disrupt the integrity or performance of the Services or the data contained in the Services; (iii) attempt to use or gain access to the Services or related systems or networks in a manner not authorized by this Agreement; (iv) post, transmit or otherwise make available through or in connection with the Services any virus, worm, Trojan horse, Easter egg, time bomb, spyware or other harmful computer code, files, scripts, agents or programs; (vi) remove any copyright, trademark or other proprietary rights notice from the Services; (vii) frame or mirror any portion of the Services, or other incorporate any portion of the Services into any product or service; (viii) systematically download and store content from the Services; or (ix) use any robot or manual or automatic device to retrieve, index, data mine or otherwise gather content from the Services or circumvent the navigational structure or presentation of the Services. Franchisee is solely responsible for any liability resulting from mishandling or misuse of any of Franchisee Data by Franchisee or Franchisee's Users.

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**3. Audits**

a. Franchisee understands and agrees that LSI's Service Provider has access to and may monitor Franchisee's use of the Services to ensure compliance with Franchisee's obligations under this Agreement and may limit Franchisee's

access to the Services at any time should LSI's Service Provider reasonably believe Franchisee has, or may at some point in the future, violate this Agreement.

#### **4. Third-Party Services**

a. Franchisee's access to and use of any Third-Party Services is governed solely by the terms and conditions imposed by such Third-Party Services. LSI and its Service Provider do not endorse, are not responsible or liable for, and make no representations as to any aspect of such Third-Party Services, including without limitation, content, or the

handling, protection, management or provisions of data (including Franchisee Data) or any interaction between Franchisee and the provider of such Third-Party Services. LSI and its Service Provider are not liable for any damage or loss caused or alleged to be caused by or in connection with Franchisee's enablement, access or use of any such Third-Party Services, or Franchisee's reliance on the privacy practices, data security processes or other policies of such Third-Party Services. Franchisee may be required to register for or log into such Third-Party Services on their respective websites.

#### **5. Modifications to Services**

a. Franchisee understands that LSI or its Service Provider may from time to time update, change or revise the Services, and that all such updates, changes and revisions will be deemed part of the Services for all purposes of this Agreement.

#### **6. Ownership**

a. All copyrights, trademarks, patent, and other intellectual property rights in the Services, including without limitation the design, text, graphics, interfaces, and the selection and arrangements thereof, are owned by LSI or its Service Provider, with all rights reserved. Franchisee acknowledges that Franchisee is not receiving any ownership interest in or to any of the foregoing, and no right or license is granted to Franchisee to use the same apart from Franchisee's right to access it under this Agreement.

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EXHIBIT B

Fees for the Services and Usage Limitations

Metric	Maximum Quantity	Fees per Month
Users	25	Included in the Technology Fee
Text Messages	1500 per month	
Emails	3,000 per month	

OVERAGE CHARGES

Text Messages: \$ 0.04 per message if Franchisee exceeds 1500 messages per month

Emails: \$ 0.30 per 1000 emails if Franchisee exceeds 3000 emails per month

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## EXHIBIT C

### Operational Requirements

1. Franchisee shall process all of its client transactions through the Services.
2. Franchisee shall complete an electronic record in the Services for each client who receives a service or buys a product (the "Client Record").
3. Franchisee shall ensure each client receiving an AirAllé treatment completes the Consent for Treatment form (as it is defined in Franchisee's franchise agreement or license agreement) in the Services.
4. Franchisee shall complete any other consent forms as required by LSI during the term of this Agreement.
5. Franchisee shall use text and email functionality of the Services to notify and confirm appointment set-up and/or changes, and for sending pre- and post-treatment information to each client's primary caregiver/contact.
6. Franchisee shall refer to treatments and services as pre-defined in the Services: Signature AirAllé, Express AirAllé, Comb-out and Head Lice Screening.
7. LSI reserves the right to create an operations manual for its franchise system. If LSI creates such a manual, Franchisee agrees to use the Services according to the requirements listed in that operations manual.

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## EXHIBIT J

### STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	January 9, 2024
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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.

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# EXHIBIT K

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

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

The franchisor is Larada Sciences, Inc. located at 4873 South State Street, Murray Utah 84107. Our telephone number is (801) 533-5423.

Issuance Date: April 19, 2024, as amended June 12, 2024

Our franchise sellers involved in offering and selling the franchise to you are Scott Wilson, 801-430-8550, and the name, address and telephone number of any other franchise sellers involved in offering and selling the franchise to you are listed below or will be provided to you separately before you sign a franchise agreement:

\_\_\_\_\_

We authorize the respective state agencies identified on Exhibit D to receive service of process for us in the particular state.

I have received a disclosure document dated April 19, 2024, as amended June 12, 2024 that included the following Exhibits:

(A) Financial Statements	(H) Business Associate Agreement
(B) Franchise Agreement	(I) Operations Manual Table of Contents
(C) Lists of Franchisees and Outlets, and Former Franchisees	(J) Point of Sale Subscription Agreement
(D) List of State Administrators; Agents for Service of Process	(K) State Effective Dates
(E) State Specific Addenda	(L) Receipt
(F) Disclosure Acknowledgment Agreement	
(G) Termination and General Release Agreement	

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Copy for Franchisee

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

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(G) Termination and General Release Agreement	

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Copy for Larada

Please sign and date both copies of this receipt. Keep one copy (the previous page) for your records. Scan and email one copy (this page) to [FDD@laradasciences.com](mailto:FDD@laradasciences.com). Although email is preferred, you may instead mail one copy (this page) to the address listed on the front page of this disclosure document.