

## FRANCHISE DISCLOSURE DOCUMENT

Sit Still Franchising, LLC  
An Oregon limited liability company  
PO Box 5994  
Sarasota, FL 34277  
503-703-2779  
Amy.Leclerc@SitStillKids.com  
www.sitstillkids.com



We offer franchises for the operation of an upscale children's hair salon. We also offer multi-unit development rights to develop and operate multiple hair salons within a specific development area under individual franchise agreements.

The total investment necessary to begin operation of a Sit Still franchise is \$124,532 to \$400,689. This includes \$20,000 to \$45,000 that must be paid to us or our affiliates.

There are no incremental initial investment costs initially if you become a multi-unit developer, but you will pay us a development fee equal to 100% of the initial franchise fee for each franchise you commit to open under the multi-unit development agreement. We credit the paid development fee against the initial franchise fee due when you sign each franchise agreement. For multi-unit developers, the initial franchise fee is \$45,000 for the first franchise, \$35,000 for the second franchise, and \$20,000 for the third and each additional franchise to be developed.

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, please contact Amy Leclerc, PO Box 5994, Sarasota, FL 34277, amy.leclerc@sitstillkids.com, and 503-703-2779.

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 8, 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.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Sit Still 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 Sit Still franchisee?</b>	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and multi-unit development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Florida than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373 7117

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## **EXHIBITS**

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement
- E. Form of General Release
- F. Financial Statements
- G. Operating Manual Table of Contents
- H. Current and Former Franchisees
- I. State Addenda
- J. State Effective Dates
- K. Receipt (2 copies)



**Item 1**

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

In this disclosure document, “we”, “us,” or “our” refers to Sit Still Franchising, LLC. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

(1) Us, Any Parents, and Certain Affiliates.

Our name is Sit Still Franchising, LLC and our principal business address is PO Box 5994, Sarasota, FL 34277. Our parent company is Sit Still, Inc., whose principal business address is PO Box 5994, Sarasota, FL 34277. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

(2) Our Predecessors

We do not have any predecessors.

(3) Our Business Name

We do business under the name “Sit Still,” “Sit Still Kid’s Salon,” and our entity name.

(4) Agent for Service of Process

Our agents for service of process are disclosed in Exhibit A.

(5) Business Organization

We are an Oregon limited liability company, formed on March 23, 2018.

(6) Our Business and the Franchises Offered; Applicable Laws and Regulations; Competition

(i) We do not operate businesses of the type being franchised, but our affiliate, Sit Still Corporate LLC, and our parent company have operated a Sit Still salon in the Portland, Oregon area since 2007.

(ii) We do not have any other business activities, nor have we offered franchises in other lines of business.

(iii) If you sign a franchise agreement with us, you will develop and operate an upscale children’s hair salon under a license to use our business system, know-how, and trademarks. Our salons provide haircuts in a family friendly environment. Each salon has a minimum of five cutting stations and employs at least four stylists. Each stylist is your employee and does have to provide their own cutting equipment. Depending on the location, you may also be authorized to offer ear piercing and “mini-manis” (nail painting only) at your salon as additional services.

All salons are established and operated under a comprehensive and unique system (the “System”). The System includes distinctive signage, interior and exterior design, décor, color scheme, furnishings and fixtures; distinctive products and services; uniform standards, specifications and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures; training and assistance; and advertising and promotional programs; all of which we may change, improve and further develop, at our discretion. We recommend your salon be 850 to 1,400 square feet for a franchise. Details of the System are described in this Disclosure Document and our Manual.

If you sign a Multi-Unit Development Agreement (“MUDA”) (attached as Exhibit C to this disclosure document), you will develop multiple Sit Still salons, on an agreed-upon schedule. You will sign all franchise agreements for all franchises to be developed under the MUDA when you sign the MUDA.

(iv) You will offer hair care services to children. The market for the hair care services and products offered by our salons is developed and highly competitive, and is generally not seasonal. The market for hair salons focusing primarily on children is less developed than the general hair care services market. We believe our competitive position is enhanced by our operational format, branding and marketing strategy, and focus on customer experience, as well as the various services offered by our salons. We plan to continue controlled expansion into areas that we determine can support the salons to improve name recognition and the reputation of the System.

(v) As the operator of a Sit Still franchised business, you will be required to comply with laws and regulations specific to the operation of hair care businesses and ear piercing, including any specific to providing such services to children. For example, all states have license requirements for stylists. Some also may have cosmetology license requirements for managers and shampoo assistants. In addition, environmental laws and regulations, such as water discharge regulations, may apply. You must comply with all local, state and federal laws, regulations and ordinances (collectively, “laws”) applicable to the operation of any business.

A few examples of other federal laws affecting many businesses are wage and hour, occupational health and safety, equal employment opportunity, taxes, hazardous materials communication to employees, hazardous waste and environmental, and the Americans with Disabilities Act. State and federal privacy laws may require covered companies to maintain or completely destroy documents containing certain personal information. State laws may cover the same topics as federal laws. A few examples of other state laws affecting many businesses include environmental, occupational health and safety, fire, taxes, health, and building and construction laws. Local laws may cover the same topics as federal and state laws. A few examples of other local laws affecting many businesses include health and sanitation, building and zoning, fire safety, other business permits and licenses, and waste disposal.

The foregoing are examples of some, but not all of the laws that may apply to the franchised business described in this disclosure document. The franchise agreement places the responsibility for complying with all applicable laws, including labor and employment laws, upon you, the franchisee. You should research all of these laws, regulations, and requirements before you invest, and should consult with your own legal counsel.

(vi) You will have to compete with national and local businesses offering similar services and products. Your competition will include national hair salon chains like Great Clips and Supercuts, as well as many regional and local salons and barbershops that offer hair care services and products. The principal bases of competition in the hair care industry have traditionally been price, convenience, speed of delivery, quality and name recognition.

(7) Prior Business Experience

We have offered franchises since the effective date of this disclosure document. None of our affiliates has offered franchises in other lines of business. None of our affiliates provides products or services to our franchisees.

We or our affiliates operated one or more Sit Still salons in the Portland, Oregon area from 2007 to August 2023. Our parent company also owns and licenses to us the trademarks used in Sit Still salons.

**Item 2  
BUSINESS EXPERIENCE**

The following people are our directors, trustees, general partners, principal officers, and any other individuals who will have management responsibility relating to the sale or operation of franchises offered by this document:

**Caroline Weiner: Chief Executive Officer**

Ms. Weiner has been our CEO since December 2020 and our Compliance and Salon Development Manager since May 2018. From May 2011 to April 2018, Ms. Weiner worked as Director of Franchising and Compliance with B3 Franchising, LLC (doing business as barre3) an exercise franchise company, in Portland, Oregon.

**Nhu Vo: Founder**

Ms. Vo has been an owner and founder of Sit Still Franchising, LLC since our inception in May 2018. She has also been the owner and founder of Sit Still, Inc., our parent company, and operator of a Sit Still salon since April 2007 in West Linn, Oregon.

**Amy Leclerc: Director of Franchise Development**

Ms. Leclerc has been our Director of Franchise Development since September 2018. Prior to joining Sit Still, Ms. Leclerc worked from January 2010 to August 2018 as Vice President of Sales and Business Development with B3 Franchising, LLC (doing business as barre3), an exercise franchise company, in Portland, Oregon.

**Leslie Reeves: Director of Operations**

Ms. Reeves has been our Director of Operations since January 2022. She has owned a Sit Still franchise in Austin, Texas since January 2020. Ms. Reeves was a fitness instructor at Barre3 in Austin, Texas from September 2016 to May 2022.

**Jessa Lowe: Master Stylist**

Ms. Lowe has been our Master Stylist since March 2019, in Portland, Oregon. She was a stylist at a Sit Still location in West Linn, Oregon from June 2016 to March 2019. She has been a sole proprietor hair stylist and make-up artist in Portland, Oregon since May 2016.

**Jamie Rau: Director of Marketing**

Ms. Rau has been our director of marketing since January 2023. She has been owner and marketing consultant for Verve Marketing in Grand Rapids, Michigan since December 2022. Ms. Rau was director of marketing for Slumberkins in Vancouver, Washington from March 2022 to December 2022. She was director of marketing and business development for Micro Kickboard in Grand Rapids, Michigan from April 2015 to March 2022.

**Item 3  
LITIGATION**

No litigation or other dispute resolution is required to be disclosed in this Item.

**Item 4  
BANKRUPTCY**

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

**Item 5  
INITIAL FEES**

**Initial Franchise Fee**

When you sign your franchise agreement, you must pay us a lump sum of \$45,000 as the initial franchise fee. Currently, if you are purchasing an additional franchise, \$35,000 is the fee for the second franchise, and \$20,000 for the third and each additional franchise purchased.

**Initial Training Fee**

When you sign your franchise agreement, you must pay us a lump sum of \$5,000 as the initial training fee. You will pay the initial training fee and we will provide the initial training program only for the first franchise you purchase. However, we may require you and/or your designated manager to complete additional training for your second and additional franchises if

we determine that such additional training is needed or desirable at our discretion, in which case you must pay our then-current training fees.

### Grand Opening Fee

You must pay us \$10,000 upon signing a lease for your franchise premises for a grand opening promotional campaign that we will manage on your behalf with your cooperation. In addition, you must spend at least \$5,000 on a grand opening promotional campaign in compliance with our specifications and subject to our approval.

### Multi-Unit Development Fee

If you desire to develop multiple franchises, and we agree that you meet our qualifications for multi-unit ownership, then you will sign our Multi-Unit Development Agreement (“MUDA”) in the form of Exhibit C to this disclosure document. The initial franchise fee is \$45,000 for the first franchise, \$35,000 for the second franchise, and \$20,000 for the third and each additional franchise to be developed. You will pay us a development fee equal to 100% of the initial franchise fee for each franchise you commit to open under the MUDA.

You will pay us an initial training fee as disclosed above in this Item. There are no other initial mandatory fees or payments to us. Other payments to us that occur after you open for business are described below. All other mandatory purchases and leases are from third parties, and are described below.

### Refundability and Financing

If (1) you fail to complete the initial training program to our satisfaction, or (2) we conclude, no more than 10 days after you complete the initial training program, that based on our evaluation criteria you do not have the ability to satisfactorily operate your franchise, then we have the right to terminate your franchise agreement (and MUDA, if applicable). If we do so, we will refund your franchise fee (or development fee) less \$5,000 or, if greater, the out-of-pocket costs we have incurred (including any broker commissions), subject to your signing a general release of our liability and confirmation of your post-termination obligations, including non-disclosure, non-competition, and indemnity. We do not refund the initial franchise fee or development fee for any other reason, and we do not refund other payments to us.

### Referral Fees

*Community Referrals.* Currently, we give our franchisees the option to use their unique URL and QR code to refer franchise candidates to us. We pay a \$1,500 referral fee to a franchisee who refers a candidate to us in this manner if the candidate ultimately purchases a franchise from us.

*Personal Referrals.* Currently, we pay a \$5,000 referral fee to any Sit Still franchisee who directly introduces a candidate to us by email ([franchise@sitstillkids.com](mailto:franchise@sitstillkids.com)) if the candidate ultimately purchases a franchise from us.

The referral fees described above will not be payable if (1) the candidate was in contact with us before the referral by the franchisee or (2) the candidate was previously referred to us by another party. A referring franchisee may be paid one, but not both, types of referral fees. Additional terms and conditions may be included in our Operations Manual. We will have sole discretion to determine whether a referral qualifies under our programs. We reserve the right to stop or change these referral programs at any time.

Uniformity of Initial Fees

During our last fiscal year, the range of initial franchise fees we charged was \$10,000 to \$45,000. The initial fees are uniform except as otherwise disclosed in this Item.

**Item 6  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of your gross sales or minimum royalty. See Remarks column.	At such times and in the manner as we specify, currently monthly	You must pay a minimum royalty of \$500 per month. See Note 1.
Marketing Fund Contribution	1% of your gross sales	At such times and in the manner as we specify, currently monthly	See Note 2.
Market Cooperative Contribution	As determined by co-op and approved by us, not to exceed 1% of your gross sales.  Currently, none.	At such times and in the manner as we specify	We have the right to establish local or regional advertising cooperatives. Outlets owned by us or our affiliates will contribute on the same basis and have the same vote per location as franchisees.
Local Marketing and Promotion By You	At least 2% of your gross sales (or \$300 if greater) per month.	Monthly	After you open, you must spend at least this amount on marketing and promotion in such media and such times as we approve. We may, in our discretion, allow amounts contributed to

			market cooperatives or multi-area marketing programs to count towards this minimum.
Technology Fee	Not currently assessed but estimated to be approximately \$500 to \$700 per month.	At such times and in the manner as we specify, currently none	We reserve the right to charge a reasonable technology fee to cover technologies we develop or source for and used in the operation of your Sit Still salon, which may include monthly maintenance and support of any proprietary Computer Systems (defined in Item 8).
Replacement / Additional Training Fee	Currently, \$2,000 per training session, plus any travel, food, and accommodations and all other necessary expenses, subject to reasonable increase by us	Prior to attending training	See Note 4.
Periodic Training	Up to \$500 per person per day, plus any travel, food, and accommodations and all other necessary expenses, subject to reasonable increase by us	On demand	See Note 5.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Third Party Vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors,

			mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.
Supplier Review Fee	Our direct and indirect costs, such as any third party testing cost, and a reasonable reimbursement of our time for us to evaluate your request; but there is a minimum non-refundable fee of \$500 that you will pay upon submitting an application for our review	As incurred	
Transfer fee	25% of our then-current standard initial franchise fee for new franchisees	Before approval of transfer	Payable if you sell your business or offer securities.
Renewal fee	15% of our then-current standard initial franchise fee for new franchisees	At least six months before the end of the initial or any renewal term	The fee for any subsequent renewal will be determined by any renewal franchise agreement.
Relocation fee	10% of our then-current standard initial franchise fee for new franchisees	Before approval of relocation	Payable if you request and we approve of you relocating your franchise location
Upgrading, modernization and	Your costs and expenses which will vary, but are estimated at from \$500 to \$5,000 annually.	Upon demand	With respect to your premises building, signs, fixtures, furnishings, and



maintenance costs			equipment, and décor you must continually maintain these assets at your cost; and you must modernize, upgrade, refurbish or remodel them at your cost as we require and to our specifications, but not during the first two or last two years of the term (except as a condition to a renewal or transfer) nor more often than every five years. You must maintain, and upgrade annually Computer Systems, as we may prescribe.
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.
Inspection fee	Currently \$600, plus our out-of-pocket costs	On demand	Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Customer complaint resolution	Our expenses	On demand	We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint,

			we may require you to reimburse us for our expenses.
Non-compliance fee	\$500	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Management Fees (if we must operate your facility as a result of your default)	Our expenses, plus \$500 per franchised business per day	Upon Demand	We may operate one or more of your franchised businesses if you are in default under your franchise agreement.
Late fee and interest	\$100 per late payment or late report; plus interest on the unpaid amount at a rate equal to 18% per year (or the maximum allowed by law if lesser)	On demand	We may charge a late fee and interest if you fail to make a required payment when due, or file late reports.
Insufficient funds fee	\$50 (or the maximum allowed by law if lesser)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of

			insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Indemnity	Will vary under the circumstances	As incurred	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our intentional misconduct or gross negligence).
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

Except as noted in the table above: all fees are payable only to us; all fees are imposed by us and collected by us; all fees are non-refundable; and all fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

Notes

1. "Gross Sales" is defined in our franchise agreement as the gross amount, whether in money or other form of consideration, earned or received by you from any source in connection with the operation of your Sit Still business or with the franchise, or with any similar or related activity, and whether for goods or services or promotions, including all amounts received from memberships, gift cards, and revenue to you from product, service, or e-commerce sales by us; subject to the following exclusions. "Gross Sales" will exclude only: (i) sales tax receipts that you must by law collect from customers and that you pay to the government; (ii) any customer refunds, allowances or discounts actually paid or credited

by you according to our policies; (iii) products or services paid for through the redemption of membership or gift cards; (iv) tips and gratuities paid by customers to stylists; and (v) the transfer of substantially all assets of your Sit Still business not in the ordinary course of business made in accordance with this Agreement.”

You will pay a minimum royalty of \$500 per month (“Minimum Payments”). If you fail to make the Minimum Payments for any period, we may, at our option, in addition to our other remedies, and regardless of a later cure of the nonpayment: (a) terminate your territorial protection and thereafter own, operate, or franchise additional fixed locations for businesses providing haircare products and services in your territory; or (2) reduce the geographic scope of the territory.

Payment will be submitted by electronic funds transfer or any other means that we designate, and at the times that we designate. The royalty begins the first day that you begin business and continues throughout the duration of the franchise.

2. We may start, discontinue or reduce Marketing Funds and expenditures, or may add, delete or change marketing programs during the term of the franchise agreement. We will place the Marketing Fund in a separate bank account. We may use the Marketing Fund for marketing, promotion, and advertising, marketing research and development; franchisee group advertising or marketing; local, regional, national, and international marketing; marketing on the Internet; administration of advertising or marketing (including salaries, accounting, collection, legal, and other direct and indirect costs); related expenses; and any media or agency costs. Expenditures may or may not be proportionate to contributions or provide any direct benefit to any franchisee. We have the discretion how to spend the Marketing Fund, and have no fiduciary duty with regard to the Marketing Fund.
3. We may require you to join, participate in, and pay into multi-area marketing programs that we develop in the future, which may include marketing to multi-area customers, Internet marketing, events, directories, affinity marketing, vendor programs, membership, loyalty and gift card programs; daily deal sites; online sales initiatives; and co-branding programs. Such programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to pricing to the extent permitted by law.
4. You (or your designated owner) and any manager you hire must complete to our satisfaction any additional or advanced training we may at any time reasonably require. We may require such training if we develop new aspects of our systems, if you are underperforming in any way, or you are in default under the franchise agreement, in addition to our other remedies on default. Upon your request, and depending on availability, we will also provide initial training to any new manager. The cost for all such training will be \$2,000 per session, plus travel, food, and accommodations and all other necessary expenses, subject to reasonable increase by us.
5. We may, in our discretion, prescribe optional and mandatory group training programs, courses, or conferences, with or without charge, for all franchisees. Any charge for group courses will not exceed \$500 per day. These programs may be held at our training facilities

or such other locations as we may designate, and may be given by us or by designated vendors. The programs may last from 1 to 15 days per year. You must pay all transportation, lodging, meals and other expenses for those attending a mandatory or optional program, course, or conference.

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount (Low)</b>	<b>Amount (High)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee (see Note 1)	\$20,000	\$45,000	Lump sum	Upon signing of Franchise Agreement	Us
Initial Training Fee (see Note 1)	\$5,000	\$5,000	Lump sum	Upon signing of Franchise Agreement	Us
Travel Expenses to Corporate Training (see Note 10)	\$0	\$2,200	As Incurred	As Incurred	Transportation, Hotels, Food
Utility and Lease Deposits (see Note 2)	\$2,567	\$10,000	As Arranged	As Arranged	Landlord
Rent – 3 Months (see Note 2)	\$0	\$15,060	As Arranged	As Arranged	Landlord
Design, Architecture and Engineering	\$1,890	\$8,000	As Arranged	As Arranged	Architect & Suggested Suppliers
Leasehold Improvements (see Note 3)	\$54,066	\$166,000	As Arranged	As Arranged	Contractor & Other Suppliers
Furniture, Fixtures, and Equipment (see Note 6)	\$5,000	\$50,000	As Arranged	As Arranged	Approved Suppliers
Permits and Permit Management	\$0	\$2,500	As Incurred	As Incurred	Local City and State Agencies & Suppliers
Signage (see Note 5)	\$4,320	\$13,652	As Arranged	As Arranged	Suggested Suppliers
Business Management (Computer) Systems (see Note 7)	\$758	\$5,000	As Arranged	As Arranged	Approved Suppliers
Initial Marketing Fee (see Note 4)	\$10,000	\$10,000	As Incurred	Upon signing a lease for your franchise premises	Us

<b>Type of Expenditure</b>	<b>Amount (Low)</b>	<b>Amount (High)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Marketing Expenditure (see Note 4)	\$5,000	\$5,000	As Incurred	As Incurred	Approved Suppliers
Initial Inventory (see Note 9)	\$5,000	\$12,000	As Incurred	As Incurred	Approved Suppliers
Professional Fees + Licenses	\$500	\$1,577	As Incurred	As Incurred	Suppliers
Insurance - 3 Months (see Note 8)	\$431	\$2,200	As Arranged	As Arranged	Suppliers
Additional Funds – 3 Months (see Note 11)	\$10,000	\$47,500	As Arranged	As Arranged	Suppliers
<b>TOTAL</b> (see Notes 12 and 13)	<b>\$124,532</b>	<b>\$400,689</b>			

### Explanatory Notes

1. The standard initial franchise fee is \$45,000. If you sign a MUDA, the initial franchise fee is reduced to \$35,000 for the second franchise and \$20,000 for the third and each additional franchise to be developed, payable as a development fee equal to 100% of the initial franchise fee for each franchise you commit to open under the MUDA. If (1) you fail to complete the initial training program to our satisfaction, or (2) we conclude, no more than 10 days after you complete the initial training program, that based on our evaluation criteria you do not have the ability to satisfactorily operate your franchise, then we have the right to terminate your franchise agreement (and MUDA, if applicable). If we do so, we will refund your franchise fee (or development fee) less \$5,000 or, if greater, the out-of-pocket costs we have incurred (including any broker commissions), subject to your signing a general release of our liability and confirmation of your post-termination obligations, including non-disclosure, non-competition, and indemnity.

When you sign your franchise agreement, you must pay us a lump sum of \$5,000 as the initial training fee. You will pay the initial training fee and we will provide the initial training program only for the first franchise you purchase. However, we may require you and/or your designated manager to complete additional training for your second and additional franchises if we determine that such additional training is needed or desirable at our discretion, in which case you must pay our then-current training fees.

We do not refund the initial franchise fee or development fee for any other reason, and we do not refund other payments to us.

2. Landlords may require first month's rent in advance and security deposit, and utility companies may require that you place a deposit prior to installing telephone, gas, and electricity and related utility services. A typical lease security deposit will be an amount

equal to one month's rent. The rental expense may vary widely based on geographic location, size of the premises, local rental rates and other factors. A typical premises occupies from 850 to 1,400 square feet in a retail strip center of class "A" or higher. The high-end of our estimate assumes that you begin paying rent when (or shortly before) you open for business. For this to occur, you would need to negotiate a "free rent" period for the time it takes to build out your business. You may be able to negotiate additional free rent or reduced rent periods after opening as well. The low-end of our estimate assumes that you begin paying rent three months after you open for business. Some of our franchisees have successfully negotiated this type of "free rent" period. A typical utility security deposit is one month's expense. These deposits may or may not be refundable according to the conditions of the agreements made with the utility companies and landlord.

3. The costs of construction and leasehold improvements depend upon the size and condition of the premises, the nature and extent of required leasehold improvements, the local cost of contract work and your location. We must approve your location, but the selection and lease negotiation of the premises are your sole responsibility. We require a number of mandatory provisions in your lease agreement, and you and your lessor must sign an addendum to your lease in the form attached as Exhibit D, or other form that we approve. You may choose to spend more for leasehold improvements, but this is not normally recommended. These sums do not include any sums for purchase of real property, as it is not anticipated that you will purchase real property.
4. You must pay us \$10,000 upon signing a lease for your franchise premises for a grand opening promotional campaign that we will manage on your behalf with your cooperation. In addition, you must spend at least \$5,000 on a grand opening promotional campaign in compliance with our specifications and subject to our approval.
5. The cost of signage, graphics, and decorating varies depending on various factors, including number of exterior signs, size of exterior signage, illumination requirements, internal wall heights, size of premises, floor plan and configuration, and landlord design criteria.
6. The total for Furniture, Fixtures, and Equipment will vary depending upon the size and configuration of the salon and the services offered.
7. You must acquire certain computers, computer peripheral equipment, mobile smart devices, point of sale devices, software and related hardware, cloud and Internet-based hardware and software, accounting and back-office systems, information management systems, security systems, communications systems, payment acceptance systems, and Internet access, all as we specify.
8. This estimates three-months' premiums for insurance that we specify, including liability, errors and omissions, and property damage, with us as additional named insured, with limits that we set, and with an insurer meeting our requirements. It is not possible to state all of the insurance policies required and amount of coverage for each type of policy, but Section 7.15 of the Franchise Agreement lists the current minimum coverage types and

amounts, which we may reasonably change. Third parties, such as landlords and governments, will have their own requirements. Their requirements and ours will change over time.

9. The initial inventory category includes clothing, gifts, hair accessories, and hair products. You must purchase all inventory items from our designated suppliers.
10. You must make arrangements and pay the expenses for you and your staff to attend our training program, including transportation, lodging and meals. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose. The high figure represents the estimated cost of airfare travel to and from the training locale, lodging expenses (assuming double occupancy for five nights), and dining expenses for two people attending four days of training. The low figure assumes the two individuals will carpool from home to the training locale in the same vehicle, and includes fuel costs, lodging expenses (assuming double occupancy for four nights), and dining expenses. Your designated owner and any designated full-time manager must complete the initial training program to our satisfaction.
11. This item estimates your other initial start-up expenses for your salon's first 3 months of operation, less income earned, and not including any salary or other payments to the franchisee owner, nor any interest or other finance costs or debt service. If you are not profitable or have low net cash flow (for example, because of low sales, high costs, or high debt service), you will need additional funds. This category normally includes: up to three months' rent; initial employee recruitment, training, and wages; additional and miscellaneous supplies, inventory, services, and equipment; taxes; other variable costs (e.g. electricity, telephone, heat, etc.); and other operating expenses in excess of income generated by the business. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of a Sit Still salon by our affiliate, and our general knowledge of the industry.
12. Multi-Unit Development Agreement. There are no incremental initial investment costs initially if you become a multi-unit developer, but you will pay us a development fee equal to 100% of the initial franchise fee for each franchise you commit to open under the MUDA in lump sum upon signing the MUDA.  
  
If you develop multiple franchised businesses, you will incur these expenses for each of the businesses.
13. All payments are nonrefundable unless otherwise permitted by a third-party supplier.



## Item 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

#### Generally

To provide for uniformity in the primary products and services sold at Sit Still salons, you cannot purchase these items from other sources. We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, marketing programs, computer hardware and software, real estate, and similar items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications. To provide for uniformity in the primary products and services sold at Sit Still salons, you cannot purchase these items from other sources or using other specifications.

#### (1) Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Real Estate. Your business location is subject to our approval and must meet our specifications. You must have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit D).

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Manual, which currently includes (i) Professional Liability coverage in an amount of not less than \$1,000,000 single limit per occurrence; (ii) Employment Practices Liability coverage in an amount of not less than \$1,000,000 single limit per occurrence; (iii) Cyber Liability/Data Breach coverage in an amount of not less than \$1,000,000 single limit per occurrence; (iv) Sexual Abuse and Molestation coverage in an amount of not less than \$1,000,000 single limit per occurrence; (v) Business Personal Property coverage in an amount of not less than \$70,000; (vi) Umbrella/ Excess Liability coverage in an amount of not less than \$1,000,000; and (vii) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days' prior written notice of cancellation. We may require you to obtain insurance coverage from a designated supplier, to the extent permitted by law.

C. Point-of-sale software and hardware, and related software and hardware. You must acquire computers, computer peripheral equipment, mobile smart devices, smart processors in hardware including point of sale devices, software and related hardware, cloud and Internet-based hardware and software, accounting and back-office systems, information management systems, security systems, video monitors, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and Internet access, as well as upgrades, supplements, and modifications thereto (collectively, "Computer Systems"), all as we specify. You may only use the Computer Systems and technology that we specify, and no other. We or our affiliates or designees may be the only approved supplier of all or any part of the Computer Systems.

As used in this disclosure document, the term “Internet” means any present or future interactive system for electronic communications or e-commerce, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites, cloud-based software or data or storage media, or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use our trademarks; internet phone services; cellular or similar messaging; mobile applications; social networks or social media; or wikis, podcasts, online content sharing communities, or blogging.

D. Products and Supplies. You must purchase chairs, clothing, gifts, hair accessories, and hair products for resale, as well as your hair care supplies, from our designated suppliers.

E. Payroll. You must use a professional payroll company and/or payroll software system. We reserve the right to require you to use one or the other or both. We reserve the right to designate a specific payroll software system that you must use.

## (2) Us and our Affiliates as Supplier

We and our affiliates may become approved suppliers or the only approved suppliers for goods and services. As of the issuance date of this disclosure document, we and our affiliates are the only approved suppliers for certain proprietary and branded merchandise and certain multi-area marketing programs, such as Internet marketing, national accounts, co-branding programs, and loyalty programs.

## (3) Ownership of Suppliers

Currently there are no suppliers in which we, our affiliates, or any of our or our affiliates’ officers or managers, own an interest.

## (4) Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier’s capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. If you want to purchase any product of an unapproved brand, you must notify us, and we may charge you a processing and testing fee of \$500 and/or may require you to reimburse any of our evaluation costs, including third party testing. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

(5) Issuing Specifications and Standards

To maintain uniform standards of quality, appearance, communications, and marketing, it is essential that you conform to our standards and specifications. Our specifications are in our Manual and in written directives (including emails and newsletters), with which you must comply. Therefore, you must conform all of your leases, fixtures, goods, services, inventory, equipment, Computer Systems, advertising, marketing, trademark usage, trade dress, suppliers, and materials required for the operation of the franchised business, to our standards and specifications. We expect that changes to technology, laws and markets will result in changes that we will make to our standards and specifications, and to our System. We may issue new specifications and standards for any aspect of our System, or modify existing specifications and standards, at any time by revising our Manual or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, or a limited market test in multiple units.

(6) Revenue To Us and Our Affiliates

We and our affiliates may derive revenue, profit, markups from the required purchases and leases of our franchisees, including for goods or services that we or our affiliates supply, and payments or other benefits to us from our suppliers related to franchisee purchases or leases.

For the fiscal year ending December 31, 2023, our revenue from Franchisees' required purchases or leases of equipment, supplies, etc. was \$0, which was 0% of our total revenue. For the fiscal year ending December 31, 2023, our affiliate's revenue from Franchisees' required purchase was \$0, which was 0% of its total revenue.

(7) Proportion of Required Purchases and Leases

We estimate that of the total initial purchases and leases of goods and services that you must make to establish your business, approximately 95% of those purchases and leases are required to be made from us or our affiliates, or in another form that we specify or approve.

We estimate that of the total ongoing purchases and leases of goods and services that you must make to operate your business, approximately 95% of those purchases and leases are required to be made from us or our affiliates, or in another form that we specify or approve.

(8) Payments by Designated Suppliers to Us

We and our affiliates may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers. As of the issuance date of this disclosure document, we receive rebates from approved suppliers of the following goods and/or services: millwork and national printer. These rebates are 10% of the price paid by our franchisees.

(9) Purchasing or Distribution Cooperatives

There are currently no purchasing or distribution cooperatives.

(10) Negotiated Arrangements

We attempt to negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

(11) Benefits Provided To You For Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

**Item 9  
FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document. References are to the franchise agreement (FA) and Multi-Unit Development Agreement (MUDA).**

Obligation	Section in franchise or other agreement		Disclosure document item
	FA	MUDA	
a. Site selection and acquisition/lease	6,1, 6.2	7(b)(i)	Item 11
b. Pre-opening purchase/leases	6.2, 6.3	Not applicable	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	7(b)(i)	Items 5, 7, 8 and 11
d. Initial and ongoing training	5.4, 6.4, 7.6	7(b)(ii)	Items 5, 6, 8 and 11
e. Opening	6.5, 6.6	3	Items 7, 8 and 11
f. Fees	Article 4, 5.5, 7.8, 10.5, 11.2, 11.3, 14.5, 15.2, 16.1, 17.6	5	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	6.3, 7.1, 7.3, 7.5, 7.9 – 7.13, 7.15, 10.1, 10.4, 11.1	4	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, 13.1	1	Items 13 and 14

i. Restrictions on products/services offered	7.3	Not applicable	Items 8, 11 and 16
j. Warranty and customer service requirements	7.7, 7.8, 7.9	Not applicable	Item 8
k. Territorial development and sales quotas	N/A	3	Item 12
l. Ongoing product/service purchases	Article 8	Not applicable	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	7.12, 7.13	Not applicable	Items 6, 7 and 8
n. Insurance	7.15	Not applicable	Items 6, 7 and 8
o. Advertising	Article 9	Not applicable	Items 6, 7, 8 and 11
p. Indemnification	Article 16	11	Items 6 and 8
q. Owner's participation/management/staffing	2.4	Not applicable	Items 15
r. Records and reports	Article 10	Not applicable	Item 11
s. Inspections and audits	10.5, 11.2	Not applicable	Items 6 and 11
t. Transfer	Article 15	8	Items 6 and 17
u. Renewal	3.2	Not applicable	Item 17
v. Post-termination obligations	Article 13, 14.3	Not applicable	Item 17
w. Non-competition covenants	13.2	Not applicable	Item 17
x. Dispute resolution	Article 17	11	Items 6 and 17

**Item 10  
FINANCING**

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

**Item 11**  
**FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

Section references are to the franchise agreement unless otherwise specified. References to the Multi-Unit Development Agreement are noted by “MUDA.”

(1) Our Pre-Opening Obligations

Before you open your business:

A. *Your Site.* We will review and advise you regarding potential locations that you submit to us. (Section 5.4). We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

(i) We generally do not own your premises and lease it to you.

(ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site (Franchise Agreement, Summary Page). We do not select your site. Your site is subject to our approval. To obtain our approval, you must provide all information and documents about the site that we require. If you sign an MUDA with us, we will approve or disapprove of future sites and determine your protected territories for your sites consistent with our then-current criteria.

(iii) We will base our approval on factors such as general location and neighborhood, competition, parking, size, physical characteristics of existing buildings, cost, distance between locations, population and demographics of the surrounding area, traffic patterns, accessibility, visibility, nearby tenants, lease terms, and similar factors which we analyze based on our experience and our own subjective judgment. We cannot predict, represent, or warrant success, suitability, or income levels for any location. You must have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit D)

(iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). You must commence operation of your business within twelve months after you sign the franchise agreement. If we and you cannot agree on a site, you may be unable to comply with your obligation to develop and open the franchise by this deadline. Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement without a refund.

(v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.

B. *Constructing, remodeling, or decorating the premises.* We will provide you with a set of our standard building plans and specifications and/or standard recommended floor plans, and our specifications for required decor (Section 5.4).

C. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. Our opening support (as described below) includes assisting you in training your employees. All hiring decisions and conditions of employment are solely your responsibility.

D. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, supplies, Computer Systems, and other goods and services necessary to open your business. (Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

E. *Operating Manual.* Lend you or allow you electronic access to a copy of our confidential manuals (collectively “Manual”) - in one or more volumes, or in electronic media, or on an Intranet or password protected portion or the Internet – which embodies our systems, and which may be amended, supplemented, or replaced by us at any time. (Section 5.1) This Manual is confidential and remains our property, and we may modify it at any time. The table of contents of the Manual with the number of pages for each section as of our latest fiscal year-end (unless another date is stated) is attached as Exhibit G.

F. *Initial Training Program.* We will conduct our initial training program. (Section 5.4). The current initial training program is described below.

H. *Grand opening promotional campaign.* We will manage your grand opening promotional campaign on your behalf with your cooperation. (Section 5.4).

I. *On-site opening support.* We will provide on-site support for at least two days in connection with your business opening. (Section 5.4).

## (2) Length of Time To Open

The typical length of time between signing the franchise agreement and the opening of your business is six to nine months. The factors that affect this length of time are the time it takes to select a site, negotiate a lease, perform the build out, order and install initial equipment, signs, and supplies, and to mutually schedule and satisfactorily train you before the opening of business, and the length of time of your pre-opening preparations. You must open your Location within twelve months. If you do not open your location by twelve months, then we may terminate your franchise agreement.

## (3) Our Post-Opening Obligations

After you open your business:

A. *Developing products or services you will offer to your customers.* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter.* We will continue efforts to develop our systems, and lend you any amendments, supplements or replacements to the Manual. We will notify you if there are any changes made to policies or procedures. All changes that do not require expenditures by you must be adopted immediately upon notification. Those changes requiring expenditures must be adopted within 90 days of notification. (Section 7.1). If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we will charge a fee (currently \$600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5).

D. *Establishing prices.* We will provide recommended prices for products and services. (Section 5.5). We have the right to require you to offer products and services at specific prices we determine if we are promoting such products and services on a national, regional, or local market basis, for the duration of the promotion (but only to the extent permitted by applicable law).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control. (Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our system.

F. *Marketing.* We will administer the Marketing Fund, and review and approve advertising and marketing materials submitted to us by you. (Section 5.5).

G. *Website.* We will maintain a website for the Sit Still brand, which will include your business information and telephone number. (Section 5.5).

H. *Post-Opening Training.* We may provide additional, advanced, supplemental, and group training programs for you and your employees, at your cost. (Section 7.6). Post-opening training programs are described below.

#### (4) Advertising

(i) *Marketing Fund.* You must contribute to our Marketing Fund an amount equal to 1% of gross sales per month. We will administer and use the Marketing Fund for marketing and related purposes and costs. We may start, discontinue, resume or reduce the Marketing Fund and related expenditures during the term of the franchise agreement. You pay the Marketing Fund



contribution at the same time and under the same terms as the royalty. We will place the Marketing Fund contributions in a separate bank account. (Section 9.3).

We may use the Marketing Fund for marketing, promotion, and advertising; branding initiatives; marketing research and development; content creation; design services; marketing analytics; franchisee individual or group advertising or marketing; local, regional, national, and international marketing; multi-area marketing programs including development and maintenance of any Internet (defined in Item 8) or e-commerce programs; administration of marketing and the Marketing Fund (including accounting, collection, legal, and other direct and indirect costs); miscellaneous marketing; related expenses; and any media or agency costs. We will use the Marketing Fund to develop and maintain the brand website. The Marketing Fund may be used to compensate us and our affiliates for providing any of the foregoing items or services, including covering the related portion of salaries of marketing and other personnel. (Section 9.3).

The media where Marketing Fund advertising may be disseminated may be print, mail, telephone, radio, television, computer, Internet, or any other media. Media coverage currently is primarily local, but it may also be regional or national. An in-house advertising department or a national or local advertising agency may produce the advertising. Expenditures may or may not be proportionate to contributions or provide any direct benefit to any franchisee. We have the discretion how to spend the Marketing Fund, and have no fiduciary duty with regard to the Marketing Fund. We make no representations that any particular expenditure made or benefit given for particular programs, particular franchisees, or particular locations or regions.

All franchisees contribute the same percentage. Outlets that we or our affiliates own will contribute to the Marketing Fund in the same manner as franchisees. We administer the Marketing Fund, which is not audited, but upon reasonable request, an annual unaudited financial statement summarizing the use of the funds will be available for your review 120 days after the end of our fiscal year.

<u>Summary of Advertising Fee Contributions and Expenses</u> <u>for Fiscal Year Ended December 31, 2023</u>			
		Dollar Amount	Percentage
Expenses:	Administrative Expenses	\$79,740.00	75.72%
	Production	\$19,375.52	18.40%
	Media Placement	\$6,196.59	5.88%
Total Expenses:		\$105,312.11	100%
Advertising Fund Contributions:		\$23,910.85	
Excess of Expenses Over Contributions:		\$81,401.26	

Our advertising and marketing expenditures may be limited to the amount of contributions to the Marketing Fund made by you and other franchisees. We may accumulate such funds, and

the balance in the Marketing Fund may be carried over to subsequent years and used for the purposes described above.

No money from the Marketing Fund is spent principally to solicit new franchise sales, except that we may have franchisee recruitment webpages on the brand website (which will be paid for by the Marketing Fund).

(ii) *Your own advertising material.* You may not market with or use our trademarks in any media (including the Internet or other electronic media) without our prior review and written approval, except when using materials approved by us. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. All expenses of this independent marketing will be yours. You must follow our trademark and copyright usage directions. We control all Internet access, marketing, and usage related to the franchised business. You may not advertise on the Internet without our prior consent, and only while following our policies. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you. (Article 9).

(iii) *Advertising council.* There is no franchisee advertising council yet formed to advise us on marketing policies. If one is formed, we will have the power to select and approve the members and to form, change, dissolve or merge the council.

(iv) *Local or Regional Advertising Cooperatives; Multi-Area Marketing Programs.* We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. The amount you must contribute to the cooperative will be determined by vote of the members, and is subject to our approval, but will not exceed 1% of your gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged. (Section 9.4).

We may also require you to join, participate in, and pay into multi-area marketing programs that we develop in the future, which may include marketing to multi-area customers, Internet marketing, events, directories, affinity marketing, vendor programs, membership, loyalty and gift card programs; daily deal sites; online sales initiatives; and co-branding programs. Such programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to pricing to the extent permitted by law. The cost of such programs will not exceed 2% of your gross sales. (Section 9.5).

You must make reasonable efforts to participate in and cooperate with all advertising and marketing programs selected by us or any approved group of franchisees (including Internet marketing programs).

(vi) *Grand opening promotional campaign.* You must pay us \$10,000 upon signing a lease for your franchise premises for a grand opening promotional campaign that we will manage on your behalf with your cooperation. In addition, you must spend at least \$5,000 on a grand opening promotional campaign in compliance with our specifications and subject to our approval.. (Section 9.7).

(vii) *Required spending.* After you open, you must spend at least 2% of gross sales (or \$300 if greater) each month on marketing and promotion in such media and such times as we approve. We may, in our discretion, allow you to receive credit against this minimum for amounts we require you to contribute to market cooperatives or multi-area marketing programs. All such expenditures will be reported to us at such times, form and manner as we specify, including by electronic means. (Section 9.6).

#### (5) Point of Sale and Computer Systems

You must acquire, maintain, and upgrade the Computer Systems (defined in Item 8) that we specify, which currently includes one desktop or laptop computer system, one Apple® iPad, credit card processing hardware we require, and the software programs we mandate for services such as marketing, scheduling, appointment management, point of sale, communications, calendaring, reporting, and client relationship management. The estimated initial cost of purchasing your Computer Systems is \$800 to \$3,200. You must maintain, upgrade and update your Computer Systems during the term of the franchise, as we periodically determine, at your expense. There are no limits on the cost or frequency of your obligation to do so. We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. The estimated ongoing cost for your Computer Systems is approximately \$300 to \$500 per year.

We reserve the right to charge a reasonable technology fee, as periodically determined and revised by us, for access to technologies we develop or source for and used in the operation of your Sit Still salon, which may include monthly maintenance and support of any proprietary or specified Computer Systems or technology.

Your Computer Systems will provide day to day tools and systems to manage the business, keep customer data, schedule appointments with customers, report to and communicate with us, and with your customers, for your accounting, and for other tasks that we may designate. These systems will generate or store data such as customer contact information, financial information and transaction details. We may have independent access to the information required in our reports, and to information generated and stored in your Computer Systems, without limitation. You must transmit information to us in real time or at intervals that we specify in the form and manner that we specify. In order to access your Computer Systems for the purposes permitted by the franchise agreement, you must give us any passwords, permissions, or other means to achieve our ongoing access.

(6) Operating Manual

See Exhibit G for the table of contents of our Operating Manual as of the date this disclosure document, with the number of pages devoted to each subject and the total number of pages in the Operating Manual. We will manage digital strategy and media buying on your behalf.

(7) Training Program

(i) *Initial Training.* The initial mandatory training program will be included in the initial training fee for up to two persons, one of which must be you (or your Designated Owner), and another of which must be your full-time designated manager, if different. You must pay us \$2,000 for each additional person who attends the initial training. Additional trainees may be other owners or employees. You must pay the cost of travel, food, and accommodations for training for all your attendees. The training program is conducted after the signing of the franchise agreement and payment of the initial franchise fee and initial training fee.

Your Designated Owner and any designated full-time manager must complete the initial training program to our satisfaction, and at least eight weeks before opening your business. If you do not complete the initial training program to our satisfaction, then we will have the right to terminate your franchise agreement, in which case all post-termination covenants will remain in effect. We offer our initial training program at such frequency as needed based on the number of franchisees requesting training in a particular timeframe and our training personnel's availability.

Our initial training program as of the date of this disclosure document is described in the chart below, certain portions of which may be provided via online, remote instruction via webinar or similar learning management system. (Section 6.4). The chart also reflects on-site training and assistance, which is further described in Section 7.G.ii below.

If you sign an MUDA, you will pay the initial training fee only for your first franchise and we will only provide the initial training program for the first salon that you open under the MUDA. We may allow you to train any designated manager that you hire for subsequent locations that you open under the MUDA, but we reserve the right to require that the designated manager attend and complete our initial training program at our then-current fee. (MUDA Section 7(b)(ii)).

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Sit Still Process & Procedures	3		<u>Classroom Training:</u> In-person in Portland, Oregon or Austin, Texas, and by virtual means
Haircut Standard	4		
Operations	8		
Merchandising	3		

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Inventory	2		
Market/Advertising	6		
Community Outreach	8		
Customer Service	4		
Mission Statement	1		
Misc.	6		
On-site Assistance and Training		20	On-site at your franchise location
<b>TOTALS:</b>	45	20	

Leslie Reeves, Caroline Weiner, and Jessa Lowe will oversee the initial training program. Ms. Weiner has been our CEO since 2020 and our Compliance and Salon Development Manager since 2018. Her experience in the subjects she teaches at training dates back to at least 2010. Ms. Reeves has been our Franchisee Development and Operations Manager since 2022. Her experience in the subjects she teaches at training dates back to at least 2019. Ms. Lowe has been our Master Stylist since 2019. Her experience in the subjects she teaches at training dates back to at least 2016.

The instructional materials are our Manual, and its table of contents is attached as Exhibit G.

(ii) *On-site start-up assistance and training.* We will provide a representative on-site at your franchise premises to assist you with the startup of your Sit Still salon for at least two days. You must pay us up to \$600 per day for any on-site training exceeding the two days, plus travel, food, and accommodations and all other necessary expenses, subject to reasonable increase by us. (Section 5.4.e).

(iii) *Post-opening training.* You (or your Designated Owner) and any full-time designated manager you hire must complete to our satisfaction any additional or advanced training we may at any time reasonably require. We may require such training if we develop new aspects of our systems, if you are underperforming in any way, or you are in default under the franchise agreement, in addition to our other remedies on default. Upon your request, and depending on availability, we also will provide initial training to any new designated manager. The current cost for all such training is \$2,000 per session, plus travel, food, and accommodations and all other necessary expenses, subject to reasonable increase by us.

We may also, in our discretion, prescribe optional and mandatory group training programs, courses, or conferences, with or without charge, for all franchisees. Whether there is a charge will

depend on the amount of our costs to provide the training and whether the training is optional or mandatory, but any charge for group courses will not exceed \$500 per day. These programs may be held at our training facilities or such other locations as we may designate, and may be given by us or by designated vendors. The programs may last from 1 to 15 days per year. You must pay all transportation, lodging, meals and other expenses for those attending a mandatory or optional program, course, or conference. (Section 7.6).

## **Item 12 TERRITORY**

### **(1) Your Location**

Your franchise is for a specific location. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

### **(2) Grant of Territory**

Your franchise agreement will specify a protected territory, which will be determined by us at the time we approve your site. We do not grant a minimum territory size. The radius, size, and/or shape of your territory may be based on specific market variables of your location, including population, growth trends, affluence of nearby population, topography, geography, density, demographics, and number of qualified households and age range of core customers. Your territory may not be in the shape of a circle, and may be described by street map landmarks, compass directions, or other boundaries. As an example, if your premises is located in a major metropolitan downtown area or similarly situated and populated central business district, your territory may be limited to a one block radius around the premises or the larger building in which the premises is located. We will determine and designate your territory as we deem appropriate, in our sole discretion.

If your location and territory are not determined at the time you sign the franchise agreement, we will designate a search area within which you must find your potential location. You have no exclusivity or protection within this search area. When we accept your location, we will determine the protected territory around that location, which includes the protected rights described below in this Item 12.

We will describe the protected territory, or attach a map, in Attachment 2 to the franchise agreement. Your protected territory may not be in the shape of a circle, and may be described by street map landmarks and compass directions. The size of your protected territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your salon. The protected territories we grant to our franchisees may overlap, as long as a franchisee's location for its salon is not located within the boundaries of another franchisee's protected territory.

If you sign a Multi-Unit Development Agreement ("MUDA") in the form attached as Exhibit C to this disclosure document, you will receive a protected development area in which to develop an agreed number of salons. The size of the development area will be determined on a case-by-case basis and will depend on the number of salons to be developed under the MUDA and the location and demographics of the general area where we mutually agree you will be opening

these locations. As the location of each salon to be opened under a MUDA is identified, accepted, and secured, we will specify a protected territory for that location. We will approve or disapprove of future sites and determine your protected territories for your sites consistent with our then-current criteria.

### (3) Relocation; Establishment of Additional Outlets

You may not relocate your existing franchise premises without our prior written consent. You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control. You must pay our relocation fee, which is 10% of our then-current standard initial franchise fee for new franchisees, and sign a general release of claims.

You do not have the right to establish additional franchised outlets unless you sign a MUDA. If you and we sign a MUDA, then you will have the right to establish a mutually-agreed number of additional outlets in a protected development area. Under the MUDA, your right to develop additional outlets is subject to the following: (1) you must comply with the mutually-agreed development schedule, (2) you must have sufficient financial and organizational capacity to develop, open, operate, and manage each additional salon, (3) you must be in compliance with all brand requirements at your open salon(s), and (4) you must not be in default under any other agreement with us.

### (4) Options to Acquire Additional Franchises

You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises.

### (5) Territory Protection

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands we control. Although you will receive certain territorial protection, protected territories may overlap under the conditions summarized below.

Neither we nor our affiliates will own, operate, or franchise a fixed location for a business using our trademarks and providing similar goods or services in your protected territory or protected development area, except as described in the franchise agreement or MUDA and summarized below.

Rights that we and our affiliates reserve within your territory (includes protected territory and development area, if applicable) are as follows:

(a) Purchase, or be purchased by, or merge or combine with, competing businesses, wherever located.

(b) Establish, own, franchise, license or operate any business, including competitive businesses, at any location outside your territory, including adjacent to your territory. We have no current plans to operate or franchise businesses under a different trademark that will sell goods or services that are the same as or similar to those the franchisee will sell.

(c) Provide dissimilar goods or services anywhere.

(d) Provide services to regional or national accounts and implement other multi-area marketing programs in and outside of your territory, and solicit customers anywhere, but you will have the option to deliver the services within your territory under terms that we determine. If you do not service a customer developed by a multi-area marketing program, we may make other arrangements to do so.

(e) Sell products and services using the Internet, and sell any product or service anywhere (including within your territory) through channels of distribution other than the type of business currently reserved to you in your territory. The Internet is a channel of distribution reserved exclusively to us.

(f) We may solicit, sell, and service anywhere (including in your territory) in large destinations or complexes with “captive markets”, including: hospitals and health care facilities, fitness clubs and centers, hotels and spas, schools and colleges, entertainment and sports complexes, convention centers, airports, train and bus stations, military bases and government facilities, trade shows, shops within large shops within large premium retailers; and

(g) All rights not otherwise allocated to you under the franchise agreement or MUDA to the territory.

While the continuation of your territorial protection for a single franchise does not depend on achieving a certain sales volume or market penetration, we can modify your territorial rights for failure to pay the minimum royalty of \$500 per month (“Minimum Payments”). If you fail to make the Minimum Payments for any period, we may, at our option, in addition to our other remedies, and regardless of a later cure of the nonpayment: (a) terminate your territorial protection and thereafter own, operate, or franchise additional fixed locations for businesses providing haircare products and services in your territory; or (2) reduce the geographic scope of your territory.

Continuation of the protected development area for a MUDA is dependent upon achievement of a minimum performance schedule as stated in Section 3 of the MUDA. An area developer must develop and operate a minimum number of salons within the time determined between you and us and described in a development schedule in the MUDA. Unless earlier terminated according to its terms, the MUDA is effective until the first to occur of the following: (1) the date that the last Sit Still business to be developed under the MUDA is opened for business; or (2) the deadline for opening your last franchise under your development schedule. We will have the right to terminate the MUDA if we have the right to terminate any of your Franchise Agreements or any other agreement between you and us (or our affiliate). If you do not comply with the MUDA, including but not limited to the development schedule, we will have the right to reduce the size of (or change) your development area or terminate the MUDA and any of your



Franchise Agreements representing franchises that have not yet opened for business at that time. However, your Franchise Agreement(s) and Territory(ies) for each of your operating franchises will remain in force.

**(6) Customer Restrictions**

There are no limits on the area in which you or we may solicit customers, except that you may not solicit, accept orders, or sell goods to the extent limited by any multi-area marketing program, or by our reservation of rights contained in the franchise agreement. All Internet marketing is a part of multi-area marketing programs, and you may not market independently on the Internet, conduct e-commerce, or acquire a domain name or website, unless approved by us in writing, and under our conditions and format.

We reserve the right to use other channels of distribution within your territory as noted above. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

**Item 13  
TRADEMARKS**

**Principal Trademark**

We grant our franchisees a limited, non-exclusive license to use our principal trademarks and other trademarks in connection with the operation of your franchised business only at your premises and within your designated territory, provided you use these trademarks as outlined in the franchise agreement and our manual. By trademark we mean trade names, trademarks, service marks, logos, trade dress, and other commercial symbols used to identify the business.

Our parent, Sit Still, Inc., owns and licenses to us, and grants us the right to sub-license to you the trademark SIT STILL® and Sit Still Kids Salon™, and other future trademarks.

Our primary trademark is registered with the U.S. Patent and Trademark Office (“PTO”) on the Principal Register, as described below. Sit Still, Inc. also claims common law rights in the trademarks based on its, our, and our affiliates’ prior usage. You may not use any of our trademarks as part of your business entity name, or your Internet domain name or any similar Internet identifier or account name, or on any employee forms. We control all Internet access, marketing, and usage related to the franchised business.

<b>Trademark</b>	<b>Registration Date</b>	<b>Registration Number</b>
SIT STILL	February 27, 2018	5412571

Our parent has applied to register the following trademarks on the Principal Register of the PTO:

<b>Trademark</b>	<b>International Classification</b>	<b>Application Date</b>	<b>Serial Number</b>
SIT STILL. KIDS SALON	44	February 2, 2024	98388386

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

We have filed (or anticipate filing when due) all required affidavits in respect to registrations of our principal marks with the USPTO. We have filed (or anticipate filing when due) all required registration renewals in respect to such registrations.

#### Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

#### Litigation

We do not know of any pending material federal or state court litigation regarding our use or ownership rights in a trademark.

#### Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise, except for the Intercompany License Agreement between us and Sit Still, Inc., which grants us the exclusive right to sublicense the trademarks to franchisees throughout the United States. The agreement is of perpetual duration. It may be modified only by mutual consent of the parties. It may be canceled by our affiliate only if (1) we materially misuse the trademarks and fail to correct the misuse, or (2) we discontinue commercial use of the trademarks for a continuous period of more than one year. The Intercompany License Agreement specifies that if it is ever terminated, your franchise rights will remain unaffected.

#### Protection of Rights

You must notify us immediately of any infringement of, or challenge to, your use of our trademarks. We are not obligated by the franchise agreement to protect your rights to use these trademarks or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving our trademark or if the proceeding is resolved unfavorably to you, but may defend, prosecute or settle these claims or litigation. You must modify or discontinue the use of any trademarks or use one or more substitute trademarks if we request you to. Our only obligation will be to reimburse you for the tangible costs of new

signage and stationery. You may not contest our ownership, title, right or interest in our trademarks that are part of the business. Upon termination of the franchise agreement for any reason, you must cease using these trademarks in any manner.

### Superior Prior Rights and Infringing Uses

We do not know of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks in the state where the franchised business is to be located.

## **Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

### Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operating Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights.

We do not know of any copyright infringement that could materially affect you.

### Proprietary Information

We have a proprietary, confidential Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for

developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Manual and other proprietary information, and use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

### **Item 15**

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

You must designate one person as your “Designated Owner”. The Designated Owner is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Designated Owner must own at least 50% of the business. While we recommend that the Designated Owner personally participate and manage the day-to-day operations of your Franchised Business, you may hire a designated manager to manage daily operations with our approval. If the franchise business is owned by an entity, we do not require that the designated manager own any equity in the entity.

Both the Designated Owner and your designated manager (if any) will be required to complete the initial training program to our satisfaction (prior to undertaking any management responsibilities), and must complete any post-opening training programs that we develop in the future. We will not unreasonably withhold our approval of any designated manager you propose, provided the designated manager has completed our initial training program and otherwise demonstrated that he or she has a good handle on our System standards and specifications for daily operations of a Sit Still salon. If the franchisee is a business entity, we do not require the designated manager to own an interest in the entity, but the designated manager must sign an approved form of confidentiality and non-competition agreement.

Your Sit Still salon must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our initial training program. In the event that you operate more than one Sit Still salon, you must have a properly trained designated manager at each salon you own and operate. You must keep us informed at all times of the identity of any personnel acting as designated manager, and obtain our approval before substituting a new designated manager at any of your locations.

It is important to note that we are not your employer (nor the joint-employer of your employees) and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel, including any stylists or other specialized or licensed personnel that must be independently licensed to perform certain of the approved services at your salon. Please note that nothing in this disclosure document or any agreement you enter into with us will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

If you are an individual and are in a community property state, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, the form of Guaranty, Confidentiality, and Non-Compete Agreement attached to the Franchise Agreement as Attachment 3 (the “Guaranty”). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the “Owners”), as applicable, must sign the Guaranty, and (b) at our option if you are in a community property state, the spouses of each such Owner must sign the Guaranty.

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

To maintain uniform quality standards, you must follow our directions concerning the services and products you provide. You are not limited in the customers to whom you may sell, except that all sales must be made at or from your premises. You may sell only those approved services and products consistent with the image and product line as have been expressly approved by us. You must sell all products and services we authorize.

We may recommend the prices you charge to your customers, set your maximum and minimum prices to customers, require promotional pricing, and determine pricing strategy of multi-area marketing programs, and set you prices for certain products and services, each to the extent permitted by law.

We may change the types of goods or services we authorize. There are no limits on our right to do so.

**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. References are to the franchise agreement (FA) and the Multi-Unit Development Agreement (MUDA).**

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	FA § 3.1	10 years from the date of franchise agreement.
	MUDA	Not applicable
b. Renewal or extension of the term	FA § 3.2	You may obtain a successor franchise agreement for up to two additional 5-year terms.

	MUDA §§ 3(b), 9(a)	If you fail to meet the development timeline in any calendar year, we will meet and attempt in good faith for 60 days to negotiate a reasonable revised development schedule; otherwise no right to renew or extend without mutual agreement.
c. Requirements for franchisee to renew or extend	FA § 3.2	For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.  To renew, you must give advance notice to us; pay a fee; be in compliance; renovate to then-current standard; sign then-current form of franchise agreement; sign general release (unless prohibited by applicable law).
	MUDA	Not applicable
d. Termination by franchisee	FA § 14.1	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.
	MUDA	May be terminated by franchisee under any grounds permitted by state law.
e. Termination by franchisor without cause	FA	Not applicable
	MUDA	Not applicable
f. Termination by franchisor with cause	FA § 14.2	You can be terminated if you default or other good cause. The franchise agreement defines your obligations
	MUDA § 9	You can be terminated if you default or other good cause. The MUDA defines your obligations
g. “Cause–defined--curable defaults	FA § 14.2	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).
	MUDA § 9	You fail to fully perform your obligations, including the development schedule; you fail to

		comply with any terms, conditions, or provisions of any agreement between us and you, including any franchise agreement
h. “Cause–defined--non-curable defaults	FA § 14.2	Misrepresentation when applying to be a franchisee; intentionally submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; libel or defamation of us; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of a felony, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.
	MUDA	Not applicable
i. Franchisee’s obligations on termination/non-renewal	FA §§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.
	MUDA § 9(d)	No right to establish or operate any salon for which a franchise agreement has not been signed
j. Assignment of agreement by franchisor	FA § 15.1	Unlimited
	MUDA § 8	Same as franchise agreement
k. “Transfer” by franchisee - defined	FA - Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) direct or indirect ownership interest of more than 25% of the business, or (iv) control of the business–
	MUDA - Recital	Same as franchise agreement
l. Franchisor’s approval of transfer by franchisee	FA § 15.2	No transfers without our approval.
	MUDA § 8	Same as franchise agreement

m. Conditions for franchisor’s approval of transfer	FA § 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer signs our then-current franchise agreement; you’ve made all payments to us and are in compliance with the franchise agreement; buyer completes training program; you sign a general release; business complies with then-current system specifications.
	MUDA § 8	Same as franchise agreement
n. Franchisor’s right of first refusal to acquire franchisee’s business	FA § 15.5	If you want to transfer your business, we have a right of first refusal.
	MUDA § 8	Same as franchise agreement
o. Franchisor’s option to purchase franchisee’s business	FA § 14.6	Upon termination or expiration, we have an option to buy all of the assets of your business, by giving you written notice before or within 30 days after the effective date of any expiration or termination. The option price is the fair market value of all of the tangible assets of the business (not including any goodwill or intellectual property), less any amounts owed to us, and less any secured indebtedness and taxes owed by you to any third parties. We may exclude from our purchase your liabilities and certain non-compliant or unusable assets.
	MUDA	Not applicable
p. Death or disability of franchisee	FA § 15.4	If you die or become incapacitated, your executor must transfer the business to a third party within nine months.
	MUDA § 8	Same as franchise agreement
q. Non-competition covenants during the term of the franchise	FA § 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, or be engaged or employed by, any competitor. Subject to state law.
	MUDA	Not applicable
r. Non-competition covenants after the	FA § 13.2	For two years, no ownership or employment by a competitor located within 20 miles of your former territory or the territory of any other Sit Still



franchise is terminated or expires		business operating on the date of termination. Subject to state law.
	MUDA	Not applicable
s. Modification of the agreement	FA § 18.4	No modification or amendment of the franchise agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
	MUDA § 11	Same as franchise agreement
t. Integration/merger clause	FA § 19.3	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this disclosure document.
	MUDA § 11	Same as franchise agreement
u. Dispute resolution by arbitration or mediation	FA § 17.1	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
	MUDA § 11	Same as franchise agreement
v. Choice of forum	FA §§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Sarasota County, Florida) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
	MUDA § 11	Same as franchise agreement
w. Choice of law	FA § 19.8	Florida (subject to applicable state law).
	MUDA § 11	Florida (subject to applicable state law).

**For additional disclosures required by certain states, refer to Exhibit I - State Addenda to Franchise Agreement and Disclosure Document.**

**Item 18  
PUBLIC FIGURES**

We do not use any 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.

The following disclosures are historical financial performance representations for our franchisee-owned outlets in operation for at least 12 months as of December 31, 2023. The representations reflect Gross Revenue (defined in the notes below) for calendar years 2021, 2022 and 2023. The representations also include total number of clients serviced for calendar years 2022 and 2023 and the average Spend Per Client (defined in the notes below) by each Client (defined in the notes below). The representations include data for a given calendar year only if the outlet was open during the entire calendar year.

The disclosures are based on information reported to us by our franchisees. The information has not been audited.

<b>Location #1*</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	March 2019	Gross Revenue:	\$326,366	\$379,001	\$390,459
		Total Number of Clients:		7,051	7,362
		Average Spend Per Client:		\$53.75	\$53.04
<b>Location #2*</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	August 2019	Gross Revenue:	\$206,700	\$264,803	\$348,731
		Total Number of Clients:		5,021	6,222
		Average Spend Per Client:		\$52.74	\$56.05

<b>Location #3</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	March 2020	Gross Revenue:	\$142,217	\$243,039	\$270,863
		Total Number of Clients:		4,915	5,507
		Average Spend Per Client:		\$49.45	\$49.19
<b>Location #4</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	December 2021	Gross Revenue:		\$215,580	\$279,002
		Total Number of Clients:		3,346	4,455
		Average Spend Per Client:		\$64.43	\$62.63
<b>Location #5</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	June 2022	Gross Revenue:			\$307,083
		Total Number of Clients:			6,699
		Average Spend Per Client:			\$45.84
<b>Location #6</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	June 2022	Gross Revenue:			\$130,038
		Total Number of Clients:			2,322
		Average Spend Per Client:			\$56
<b>Location #7</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	July 2022	Gross Revenue:			\$152,206
		Total Number of Clients:			3,223

		Average Spend Per Client:			\$47.22
<b>Location #8</b>			<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Date:</b>	November 2022	Gross Revenue:			\$345,986
		Total Number of Clients:			7,089
		Average Spend Per Client:			\$48.81

*\* These two outlets were transferred by us (or an affiliate) to a franchisee August 2023.*

<b>Gross Revenue Summary:</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Units in operation for full calendar year:	3	4	8
Average Gross Revenue:	\$225,094	\$275,606	\$278,046
Median:	\$206,700	\$253,921	\$293,043
# Above Average:	1 (33%)	1 (25%)	5 (62.5%)
# Below Average:	2 (66%)	3 (75%)	3 (37.5%)
Total Gross Revenue for all included units:		\$1,102,423	\$2,224,367

<b>Clients and Spend Per Client Summary:</b>	<b>2022</b>	<b>2023</b>
Units in operation for full calendar year:	4	8
Total Clients for all included units:	20,333	42,879
Average # of Clients per year per unit:	5,083	5,360
Median:	4,968	5,864.50
# Above Average:	1 (25%)	5 (62.5%)
# Below Average:	3 (75%)	3 (37.5%)
Average # of Clients Per Month Per Unit:	423.6	446.7
Average Spend Per Client:	\$54.22	\$51.88

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

2. As of December 31, 2023, we had zero affiliate-owned outlets in operation and eight franchisees in operation. Of those franchisee outlets, all had been in operation for at least 12 months as of December 31, 2023. All reported sufficient information to be included in this financial performance representation.

3. For purposes of this Item 19, the following definitions shall apply:

“Gross Revenue” means all receipts generated by the outlet from any source, but it excludes refunds, adjustments, discounts, credits, tips, and sales and service taxes.

“Client” means a booking party, which may include more than one service and/or multiple children booked under one unique Client.

“Spend Per Client” includes Gross Revenue from the sale of services and retail products.

4. Some characteristics of the included outlets may differ materially for those of the outlet you will operate. For example, the included outlets have been in operation for at least 12 months as of December 31, 2023, whereas your outlet may be a new operation.

5. These financial performance representations do not reflect any of the costs of sales, operating expenses or other costs or expenses that must be deducted from the Gross Revenue 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 Franchise.

7. Written substantiation of this financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Sit Still Franchising, LLC does not make any financial performance representations. We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Amy Leclerc, PO Box 5994, Sarasota, FL 34277, and 503-703-2779, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
Systemwide Outlet Summary  
For years 2021, 2022 and 2023**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2021	1	2	+1
	2022	2	6	+4

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
	2023	6	17	+11
Company-Owned	2021	2	2	0
	2022	2	2	0
	2023	2	0	-2
Total Outlets	2021	3	4	+1
	2022	4	8	+4
	2023	8	17	+9

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021, 2022 and 2023**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2021	0
	2022	0
	2023	0

**Table 3**  
**Status of Franchised Outlets**  
**For years 2021, 2022 and 2023**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquire d by Franchisor	Column 8 Ceased Operation s – Other Reasons	Column 9 Outlets at End of the Year
Arizona	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Idaho	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
New York	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Ohio	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
	2023	1	1	0	0	0	0	2
Oklahoma	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Oregon	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	3	0	0	0	0	4
Tennessee	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Texas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Washington	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
<b>Totals</b>	<b>2021</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2022</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>
	<b>2023</b>	<b>6</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>

**Table 4  
Status of Company-Owned Outlets  
For years 2021, 2022 and 2023**

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

**Table 5**  
**Projected Openings As Of December 31, 2023 (Through December 31, 2024)**

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlets In The Next Fiscal Year</b>	<b>Column 4 Projected New Company-Owned Outlets In the Next Fiscal Year</b>
Arizona	3	1	0
Florida	6	1	0
Idaho	1	1	0
Illinois	0	1	0
Indiana	3	1	0
Kentucky	2	1	0
New York	1	1	0
Ohio	0	1	0
Oklahoma	2	1	0
Rhode Island	2	1	0
Tennessee	2	2	0
Texas	2	1	0
Washington	1	1	0
<b>Totals</b>	<b>25</b>	<b>14</b>	<b>0</b>

\* Some of these relate to area developers who have signed multiple franchise purchase addenda but will not sign unit franchise agreements until later.

Current Franchisees

Exhibit H contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Former Franchisees

Exhibit H contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

If you buy this franchise, your and your owners' and any guarantors' contact information may be disclosed to other buyers when you leave the franchise system. Your and your owners' contact information is also disclosed to prospective buyers while you are a franchisee. Your and your owners' and any guarantors' personal information is also used by us in connection with purposes specifically authorized by the franchise agreements.



### Sale of Previously Owned Outlet

If we sell a previously franchised business that we now control, detailed five-year ownership and transfer information will be provided separately from this disclosure document.

### Confidentiality Clauses

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

### Franchisee Organizations

No trademark-specific franchisee organizations associated with the franchise system have been created, sponsored, or endorsed by us. No independent franchisee organizations have asked to be included in this disclosure document.

## **Item 21 FINANCIAL STATEMENTS**

Exhibit F contains our audited financial statements as of December 31, 2021, December 31, 2022, December 31, 2023. Our fiscal year end is December 31.

## **Item 22 CONTRACTS**

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement
- E. Form of General Release
- I. State Addenda to Franchise Agreement and Disclosure Document

## **Item 23 RECEIPTS**

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document as Exhibit K.

EXHIBIT A

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	<p>California Commissioner of Financial Protection and Innovation</p> <p>Los Angeles: 320 West 4<sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344</p> <p>Sacramento: 2101 Arena Boulevard Sacramento, California 95834-2036</p> <p>San Diego: 1455 Frazee Road, Suite 315 San Diego, CA 92108</p> <p>San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94105-2980</p> <p><u>Toll-Free Number: 1-866-275-2677</u></p>	<p>Commissioner of Financial Protection and Innovation 320 West 4<sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-1105</p> <p><u>Toll-Free Number: 1-866-275-2677</u></p>
Hawaii	<p>Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722</p>	<p>Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813</p>
Illinois	<p>Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	
Indiana	<p>Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street</p>	

	Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st FL New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Department of Labor and Regulation Division of Securities 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-4823	

Virginia	State Corporation Commission 1300 East Main Street 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Securities And Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, WI 53703

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

EXHIBIT B  
FRANCHISE AGREEMENT

**FRANCHISE AGREEMENT**

<b>SUMMARY PAGE</b>	
<b>1. Franchisee</b>	_____
	For individuals: full legal name(s)
	For entity: name, type and jurisdiction of formation
<b>2. Effective Date</b>	_____
<b>3. Initial Franchise Fee</b>	\$_____
<b>4. Search Area</b>	_____
<b>5. Business Location</b>	_____
<b>6. Territory</b>	_____
<b>7. Designated Owner</b>	_____
<b>8. Franchisee's Address</b>	_____

## FRANCHISE AGREEMENT

This Agreement is made on the Effective Date between Sit Still Franchising, LLC, an Oregon limited liability company (“SSF”, “Franchisor”, or “we/us”), and the person or entity listed as “Franchisee” on the Summary Page. The Franchisee is sometimes referred to as “you” in this Agreement.

### Background Statement:

A. SSF and its affiliate Sit Still, Inc. have created and own a system (the “System”) for developing and operating an upscale children’s salon offering a specific standard of quality and using the Marks (a “Sit Still business”).

B. The System includes (1) methods, procedures, and standards for developing and operating a Sit Still business, (2) plans, specifications, equipment, signage and trade dress for Sit Still businesses, (3) particular products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by SSF from time to time.

C. The parties desire that SSF license the Marks and the System to Franchisee for Franchisee to develop and operate a Sit Still business on the terms and conditions of this Agreement.

### ARTICLE 1: DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by SSF.

“**Business**” means the Sit Still business owned by Franchisee and operated under this Agreement.

“**Competitor**” means any business (other than a Sit Still business) that (i) derives 10% or more of its annual gross sales from children’s haircuts and salon services; or (ii) has as its primary purpose providing any of the following: (x) children’s haircare services or products; (y) services or products competitive with those offered by the Business; or (z) products or services that use any of the System.

“**Computer Systems**” means computers, computer peripheral equipment, mobile smart devices, smart processors in hardware including point of sale devices, software and related hardware, cloud and Internet-based hardware and software, accounting and back-office systems, information management systems, security systems, video monitors, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and Internet access, as well as upgrades, supplements, and modifications thereto.

**“Confidential Information”** means all non-public information of or about the System, SSF, and any Sit Still business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

**“Gross Sales”** means “the gross amount, whether in money or other form of consideration, earned or received by Franchisee from any source in connection with the operation of the Business or with this franchise, or with any similar or related activity, and whether for goods or services or promotions, including all amounts received from memberships, gift cards, and revenue to Franchisee from product, service, or e-commerce sales by SSF; subject to the following exclusions. “Gross Sales” shall exclude only: (i) sales tax receipts that Franchisee must by law collect from customers and that Franchisee pays to the government; (ii) any customer refunds, allowances or discounts actually paid or credited by Franchisee according to SSF’s policies; (iii) products or services paid for through the redemption of membership or gift cards; (iv) tips and gratuities paid by customers to stylists; and (v) the Transfer of substantially all assets of the Business not in the ordinary course of business made in accordance with this Agreement.”

**“Input”** means any goods, services, supplies, fixtures, equipment, inventory, Computer Systems, real estate, or comparable items related to establishing or operating the Business.

**“Internet”** means any present or future interactive system for electronic communications or e-commerce, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites, cloud-based software or data or storage media, or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use the Marks; internet phone services; cellular or similar messaging; mobile applications; social networks or social media; or wikis, podcasts, online content sharing communities, or blogging.

**“Location”** means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

**“Losses”** includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of SSF’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

**“Manual”** means SSF’s confidential operating manual(s), and any other embodiment of the System, including notices of new standards and techniques; and any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

**“Marketing Fund”** means the fund established (or which may be established) by SSF into which Marketing Fund Contributions are deposited.



“**Marks**” means the trademark, trade name, and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by SSF from time to time for use in a Sit Still business.

“**Owner**” means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

“**Remodel**” means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Sit Still business.

“**Required Vendor**” means a supplier, vendor, or distributor of Inputs which SSF requires franchisees to use.

“**System Standards**” means, as of any given time, the then-current mandatory procedures, requirements, and standards of the System as determined by SSF, which may include any procedures, requirements or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, Computer Systems, uniforms, and vehicles.

“**Territory**” means the territory stated on the Summary Page. If no territory is stated on the Summary Page, then the Territory is determined in accordance with Section 6.1.

“**Transfer**” means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, encumber or grant a lien or security interest in, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) direct or indirect ownership interest of more than 25% of the Business, (iv) the Location or the lease for the Location, or (v) control of the Business.

## ARTICLE 2: GRANT OF LICENSE

**2.1 Grant.** SSF grants to Franchisee the right to operate a Sit Still business solely at the Location. If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate a Sit Still business at the Location for the entire term of this Agreement. The parties acknowledge that Franchisee must operate the Business to meet SSF’s minimum System Standards, but that the means of satisfying the System Standards are left to the control and discretion of Franchisee.

**2.2 Protected Territory.** SSF shall not establish, nor license the establishment of, another fixed location for a business using the Marks and providing similar goods and services within the Territory, except as described in this Agreement. Exceptions to Franchisee’s Territory rights, and rights that SSF reserves, are as follows—SSF or its affiliates may:

- (i) Purchase, or be purchased by, or merge or combine with, competing businesses, wherever located.
- (ii) Establish, own, franchise, license or operate any business, including competitive businesses, at any location outside the Territory, including adjacent to the Territory.
- (iii) Provide dissimilar goods or services anywhere.
- (iv) Provide services to regional or national accounts and implement other Multi-Area Marketing Programs in and outside of the Territory, and solicit customers anywhere, but Franchisee will have the option to deliver the services within the Territory under terms that SSF determines. If Franchisee does not service a customer developed by a Multi-Area Marketing Program, SSF may make other arrangements to do so.
- (v) Sell products and services using the Internet, and sell any product or service anywhere (including within the Territory) through channels of distribution other than the type of business currently reserved to Franchisee in the Territory. The Internet is a channel of distribution reserved exclusively to SSF.
- (vi) Solicit, sell, and service anywhere (including in the Territory) in large destinations or complexes with “captive markets”, including: hospitals and health care facilities, fitness clubs and centers, hotels and spas, schools and colleges, entertainment and sports complexes, convention centers, airports, train and bus stations, military bases and government facilities, trade shows, shops within large shops within large premium retailers.

All rights not otherwise allocated to Franchisee under this Agreement to the Territory remain with SSF or its affiliates.

If Franchisee fails to make the minimum Royalty Payment described in Section 4.2 for any period, SSF may, at its option, in addition to its other remedies, and regardless of a later cure of the nonpayment: (a) terminate Franchisee’s territorial protection under this Section, and thereafter own, operate, or franchise additional fixed locations for businesses providing similar goods and services within the Territory; or (2) reduce the geographic scope of the Territory.

**2.3 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner’s interest in Franchisee. If any information on Attachment 1 changes (and which is not a Transfer), Franchisee shall notify SSF within 10 days.

**2.4 Designated Owner.** Franchisee agrees that the person designated as the “Designated Owner” on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Designated Owner must have at least 50% ownership interest in Franchisee. The Designated Owner does not have to serve as a day- to-day general manager of the Business, but the Designated Owner must devote substantial time and attention to the Business. If the Designated Owner dies, becomes

incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Designated Owner, subject to SSF's reasonable approval.

**2.5 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to SSF, in the form of Attachment 3.

**2.6 No Conflict.** Franchisee represents to SSF that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

### ARTICLE 3: TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for ten years.

**3.2 Renewal; Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for up to two additional periods of five years each, subject to the satisfaction of the following conditions prior to each renewal:

- (i) Franchisee notifies SSF of the election to renew at least 180 days, but not more than 365 days, before the end of the current term (Franchisee's failure to provide timely notice shall be deemed a waiver of the right to enter into a successor agreement);
- (ii) Franchisee (and each of its affiliates) is not in default under this Agreement or any other agreements with SSF (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee has made or agrees to Remodel the Business as SSF requires to conform to the then-current System Standards, pursuant to Section 7.13;
- (iv) Franchisee executes SSF's then-current standard form of franchise agreement, which may be materially different than this form (including higher and different fees), except that Franchisee will not pay another initial franchise fee and will not receive more renewal or successor terms than described in this Section;
- (v) Franchisee pays SSF a renewal fee for the first renewal equal to 15% of SSF's then-current standard initial franchise fee for new franchisees, payable at least six months before the end of the initial or any renewal term (the fee for each subsequent renewal will be determined by the successor agreement); and
- (vi) Franchisee and each Owner executes a general release (on SSF's then-standard form) of any and all claims against SSF, its affiliates, and their respective owners, officers, directors, agents and employees.

There will be no further renewal rights after the renewal terms set forth above, but the parties may mutually agree to enter into a new franchise agreement with new terms, in their sole discretion.

**3.3 Non-Renewal.** Franchisee's right to renew is contingent on satisfactory performance of this Agreement and of any successor agreement. SSF may refuse to renew or extend the franchise if:

- (i) the franchise is terminable by law or under this Agreement;
- (ii) any of the conditions in Section 3.2 is not satisfied by Franchisee;
- (iii) SSF is withdrawing from, or not offering franchises in, the market area Franchisee serves and SSF waive Franchisee's post-termination non-competition covenant;
- (iv) Franchisee fails to satisfy SSF's then-current standards for new franchisees;
- (v) Franchisee has failed to use reasonable efforts to operate the Business to SSF's reasonable satisfaction; or
- (vi) SSF permits Franchisee to continue to operate under a different trade name in the same trade area or otherwise to realize the value of the Business.

#### ARTICLE 4: FEES

**4.1 Initial Franchise Fee and Initial Training Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page in consideration of the grant of the franchise. This initial franchise fee is not refundable, except as provided in Section 6.4.

Upon signing this Agreement, you shall pay us an initial training fee in the amount of \$5,000. You will pay the initial training fee and we will provide the initial training program only for the first franchise you purchase. However, we may require you and/or your designated manager to complete additional training for your second and additional franchises if we determine that such additional training is needed or desirable at our discretion, in which case you must pay our then-current training fees. The initial training fee is non-refundable.

**4.2 Royalty Fee.** Beginning on the date the Business begins generating revenue from its business operations, Franchisee shall pay SSF a periodic royalty fee (the "Royalty Fee") equal to the greater of (i) 6% of the Gross Sales generated by the Business over the applicable period, and (ii) \$500.00 per month. The Royalty Fee will be reported and paid to SSF as provided in this Agreement, in the form, time, and manner that SSF prescribes.

#### **4.3 Marketing Contributions.**

(a) Marketing Fund Contribution. Franchisee shall pay SSF a contribution to the Marketing Fund (the "Marketing Fund Contribution") equal to 1% of Franchisee's Gross Sales (or such lesser amount as SSF determines), at the same time as the Royalty Fee.

(b) Marketing Cooperative Contribution. If the Business participates in a Marketing Cooperative, then Franchisee shall contribute to the Marketing Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative.

**4.4 Technology Fee.** SSF reserves the right to charge a reasonable technology fee to cover technologies it develops or sources for and used in the operation of Sit Still businesses, which may include monthly maintenance and support of any proprietary Computer Systems, software services, or other technology.

**4.5 Replacement / Additional Training Fees.** If Franchisee sends an employee to SSF's training program after opening, SSF may charge its then-current training fee. SSF may also, in its discretion, prescribe optional and mandatory group training programs, courses, or conferences, with or without charge, for all franchisees, the charge for which will not exceed \$500 per person per day.

**4.6 Third Party Vendors.** If SSF requires Franchisee to use a designated third-party vendor, SSF has the right (but not the obligation) to collect payment on behalf of the vendor and remit the payment to the vendor. If SSF does so, it may impose a reasonable markup or charge for administering the payment program.

**4.7 Non-Compliance Fee.** SSF may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee's non-payment of a fee owed to SSF) which Franchisee fails to cure after 30 days' notice. Thereafter, SSF may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of SSF's internal cost of personnel time attributable to addressing the non-compliance, and is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of SSF's other rights and remedies.

**4.8 Reimbursement.** SSF may (but is never obligated to) pay on Franchisee's behalf any amount that Franchisee owes to a supplier or other third party. If SSF does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to SSF within 15 days after invoice by SSF accompanied by reasonable documentation.

**4.9 Supplier Review Fee.** If Franchisee wants to purchase any Input of an unapproved brand, Franchisee must follow the procedures in Section 8.2. SSF may charge you a processing and testing fee of \$500 and/or may require you to reimburse any of SSF's evaluation costs, including third party testing.

#### **4.10 Payment Terms.**

(a) Method of Payment. Franchisee must make all payments to SSF by the time specified in this Agreement, or if not specified, by the time SSF requests, and by any method SSF specifies, including check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer, ACH (automated clearing house) or the Internet. All payments to SSF and dollar amounts stated in this Agreement are in United States dollars unless otherwise expressed. All references to fees or other charges are per location, regardless of whether Franchisee or an affiliate operate multiple Businesses.

- (b) Calculation of Fees. Franchisee shall report Gross Sales to SSF in the form, manner, and time that SSF prescribes. If Franchisee fails to report Gross Sales, then SSF may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales reported to SSF, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that SSF has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.
- (c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).
- (d) Insufficient Funds. SSF may charge \$50 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).
- (e) Costs of Collection. Franchisee shall repay any costs incurred by SSF (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.
- (f) Application. SSF may apply any payment received from Franchisee to any obligation and in any order as SSF may determine, regardless of any designation by Franchisee.
- (g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to SSF any fees or amounts described in this Agreement are not dependent on SSF's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

## ARTICLE 5: ASSISTANCE

**5.1 Manual.** SSF shall make its Manual available to Franchisee.

**5.2 Assistance in Staffing Levels.** SSF shall provide its suggested staffing levels to Franchisee. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

**5.3 Assistance in Training Employees.** SSF shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of Franchisee's own employees on brand standards, and recommendations for other employee training.

**5.4 Pre-Opening Assistance.**

(a) Selecting Location. SSF shall provide its criteria for Sit Still locations to Franchisee. SSF will review and advise Franchisee regarding potential locations submitted by Franchisee.

(b) Pre-Opening Plans, Specifications, and Vendors. Within a reasonable period of time after the Effective Date, SSF shall provide Franchisee with (i) SSF's sample set of standard building plans and specifications and/or standard recommended floor plans; (ii) the applicable System Standards, (iii) other specifications as SSF deems appropriate (which may include

specifications regarding inventory, supplies, materials, and other matters), and (iv) SSF's lists of Approved Vendors and/or Required Vendors.

(c) Pre-Opening Training. SSF shall make available its standard pre-opening training to the Designated Owner and Franchisee's full-time general manager, if different (otherwise any other employee), at SSF's headquarters and/or at a Sit Still business designated by SSF. Franchisee shall pay an initial training fee as described in Section 4.1 above. Franchisee is responsible for its and its employees' travel, lodging, meal, and other out-of-pocket expenses related to attending the pre-opening training. Franchisee shall complete this training at least eight weeks before opening the franchise for business. A portion of this training may be conducted at another Sit Still franchisee's business premises. Franchisee agrees to release and hold harmless SSF for any claim or loss related to training at another Sit Still franchisee's premises unless caused by the gross negligence or intentional misconduct of Franchisor.

(d) Grand Opening Promotional Campaign. We will manage a grand opening promotional campaign on your behalf with your cooperation.

(e) On-Site Opening Assistance. SSF shall have a representative support Franchisee's business opening with at least two days of onsite opening training and assistance.

## **5.5 Post-Opening Assistance.**

(a) Advice, Consulting, and Support. If Franchisee requests, SSF will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent SSF deems reasonable. If SSF provides in-person support in response to Franchisee's request, SSF may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, SSF will provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. SSF will provide Franchisee with SSF's recommended administrative, bookkeeping, accounting, and inventory control procedures. SSF may make any such procedures part of required (and not merely recommended) System Standards.

(d) Marketing. SSF shall manage the Marketing Fund, and review and approve advertising and marketing materials submitted to SSF by Franchisee.

(e) Website. SSF shall maintain a website for Sit Still, which will include Franchisee's location (or territory) and telephone number.

## **ARTICLE 6: LOCATION, DEVELOPMENT, AND OPENING**

**6.1 Determining Location and Territory.** If the Location and Territory are not stated on the Summary Page:

- (i) Franchisee shall find a potential Location within the Search Area described on the Summary Page, and submit its proposed Location to SSF for acceptance, with all related information SSF may request. Franchisee has no exclusive rights to find a potential Location in the Search Area and SSF may allow one or more other franchisees to search for a location for a Sit Still business within the Search Area. If SSF does not accept the proposed Location in writing within 30 days, then it is deemed rejected.
- (ii) When SSF accepts the Location, it shall issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Territory. SSF shall determine the Territory in its good faith discretion, substantially in accordance with Item 12 of the Franchise Disclosure Document.
- (iii) **SSF makes no representation or warranty regarding any location selected by Franchisee or any lease signed by Franchisee. SSF shall have no liability to Franchisee with respect to the location of the Business.**

**6.2 Lease.** In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by SSF, Franchisee must submit the proposed lease to SSF for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by SSF.

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with SSF's System Standards. If required by SSF, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining SSF's approval of Franchisee's plans. SSF may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by SSF or its representatives regarding any architectural, engineering or legal matters in the development and construction of the Business, and SSF assumes no liability with respect thereto. SSF's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering or legal standards.

**6.4 New Franchisee Training.** Franchisee's Designated Owner and full-time general manager, if different, must complete SSF's training program for new franchisees. If the Designated Owner or full-time general manager, if applicable, (i) fails to complete the initial training program to SSF's satisfaction, or (ii) SSF concludes, no more than 10 days after the Designated Owner or general manager completes the initial training program, that the Designated Owner or general manager does not have the ability to satisfactorily operate the Business, then SSF may terminate this Agreement. In such event, SSF shall refund the initial franchise fee to Franchisee (less \$5,000 or, if greater, the out-of-pocket costs SSF has incurred related to Franchisee, including any broker commissions), subject to Franchisee's prior execution of a general release of liability of SSF and its affiliates, and confirmation of Franchisee's post-termination obligations, including non-disclosure, non-competition, and indemnity, in a form prescribed by SSF.



**6.5 Conditions To Opening.** Franchisee shall notify SSF at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) SSF has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's Designated Owner and general manager, if applicable, have completed all of SSF's required pre-opening training; (7) SSF has given its written approval to open, which will not be unreasonably withheld.

**6.6 Opening Date.** Franchisee shall open the Business to the public within 12 months of the Effective Date.

**6.7 Relocation.** You shall not relocate your Location without our prior written consent. You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control. As pre-conditions to relocating, you must pay our then-current relocation fee and sign a general release of claims against us and our parent entities, subsidiaries and affiliates, and our respective owners, directors, officers, employees, agents, successors and assignees.

## ARTICLE 7: OPERATIONS

**7.1 Compliance With Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all System Standards and with all other mandatory obligations contained in the Manual, as amended by SSF in its discretion. All changes that do not require expenditures by Franchisee must be adopted immediately upon notification. Those changes requiring expenditures must be adopted within 90 days of notification.

**7.2 Compliance With Law.** Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business. If SSF provides Franchisee with sample forms or practices, Franchisee is solely responsible for ensuring that its forms and practices comply with local laws or other laws applicable to the Business. Any changes made by Franchisee to the System must be pre-approved by SSF in writing, and will generally only be approved to the extent necessary to comply with applicable law.

**7.3 Products, Services, and Methods of Sale.** Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by SSF in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, and only at the Location. Unless otherwise approved or required by SSF, Franchisee shall not make sales by any other means, including by wholesale, by delivery, by mail order or over the Internet, or at temporary or satellite locations.

**7.4 Prices.** SSF may require Franchisee to offer products and services at specific prices determined by SSF if SSF is promoting such products and services on a national, regional,

or local market basis, for the duration of the promotion (but only to the extent permitted by applicable law).

## **7.5 Personnel.**

- (a) **Management.** The Business must at all times be under the on-site supervision of the Designated Owner or a general manager who has completed SSF's training program.
- (b) **Service.** Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.
- (c) **Appearance.** Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.
- (d) **Qualifications.** SSF may set minimum qualifications for categories of employees employed by Franchisee.
- (e) **Sole Responsibility.** Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for monitoring and enforcing the System Standards within the Business, including all communications with its personnel. Franchisee is solely responsible for all actions of its personnel. Franchisee and SSF are not joint employers, and no employee of Franchisee will be an agent or employee of SSF. Franchisee will notify its employees in writing that Franchisee is their employer, and that SSF is not their employer or a joint employer, and will provide SSF with a signed acknowledgment in a form that SSF approves from each employee before that employee starts to work for Franchisee.

**7.6 Post-Opening Training.** SSF may at any time require that the Designated Owner and any full-time general manager complete to SSF's satisfaction any additional or advanced training SSF may at any time reasonably require. SSF may require such training if SSF develops new aspects of the System, if Franchisee is underperforming in any way, or Franchisee is in default under this Agreement, in addition to SSF's other remedies on default. Upon Franchisee's request, and depending on availability, SSF also will provide initial training to any new Designated Owner or general manager at Franchisor's then-current training fees, plus travel, food, and accommodations and all other necessary expenses, subject to reasonable increase by SSF.

SSF may also, in its discretion, prescribe optional and mandatory group training programs, courses, or conferences, with or without charge, for all franchisees. SSF may require Franchisee to provide training programs to its employees. Any charge for group courses will not exceed \$500 per person per day. These programs may be held at SSF's training facilities or such other locations as SSF may designate, and may be given by SSF or by designated vendors. The programs may last from 1 to 15 days per year. Franchisee must pay all transportation, lodging, meals and other expenses for those attending a mandatory or optional program, course, or conference.

**7.7 Guaranties and Warranties.** Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that SSF may require.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. SSF may take any action it deems appropriate to resolve a customer complaint regarding the Business, and SSF may require Franchisee to reimburse SSF for any expenses.

**7.9 Customer Evaluation and System Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by SSF for obtaining customer evaluations and/or reviewing Franchisee's compliance with the System, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. SSF shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by SSF for such programs.

**7.10 Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by SSF (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by SSF. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

**7.11 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs or customer incentive programs, designated by SSF, in the manner specified by SSF in the Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Sit Still business. Franchisee shall comply with all procedures and specifications of SSF related to gift cards, certificates, and other pre-paid system, or related to customer loyalty or customer incentive programs.

**7.12 Maintenance and Repair.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as SSF may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

**7.13 Remodeling.** In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, SSF may require Franchisee to undertake and complete a Remodel of the Location to SSF's satisfaction. Franchisee must complete the Remodel in the time frame specified by SSF. SSF may require the Franchisee to submit plans for SSF's reasonable approval prior commencing a required Remodel. SSF's right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.

**7.14 Meetings.** The Designated Owner shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that SSF requires, including any national or regional brand conventions. Franchisee shall not permit the Designated Owner to fail to attend more than three consecutive required meetings.

**7.15 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by SSF in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) Professional Liability coverage in an amount of not less than \$1,000,000 single limit per occurrence;
- (ii) Employment Practices Liability coverage in an amount of not less than \$1,000,000 single limit per occurrence;
- (iii) Cyber Liability/Data Breach coverage in an amount of not less than \$1,000,000 single limit per occurrence;
- (iv) Sexual Abuse and Molestation coverage in an amount of not less than \$1,000,000 single limit per occurrence;
- (v) Business Personal Property coverage in an amount of not less than \$70,000;
- (vi) Umbrella/ Excess Liability coverage in an amount of not less than \$1,000,000; and
- (vii) Workers Compensation coverage as required by state law.

(b) Franchisee's policies (other than Workers Compensation) must (1) list SSF and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of SSF and its affiliates, (3) be primary and non-contributing with any insurance carried by SSF or its affiliates, and (4) stipulate that SSF shall receive 30 days' prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to SSF prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of SSF. SSF may require Franchisee to obtain insurance coverage from a Required Vendor, to the extent permitted by law.

**7.16 Suppliers and Landlord.** Franchisee shall pay all vendors and suppliers in a timely manner. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location.

**7.17 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Sit Still, the Business, or any particular incident or occurrence related to the Business, without SSF's prior written approval.

**7.18 Association With Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without SSF's prior written approval.

**7.19 No Other Activity At the Location.** Franchisee shall not engage in any activity at the Location other than operation of the Sit Still Business.

**7.20 No Other Businesses.** If Franchisee is an entity, Franchisee shall not own or operate any other business except Sit Still businesses.

**7.21 No Third Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of SSF, which will not be unreasonably withheld.

**7.22 No Co-Branding.** Franchisee shall not "co-brand" or associate any other business activity with the Sit Still Business in a manner which is likely to cause the public to perceive it to be related to the Sit Still Business.

**7.23 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by SSF. Franchisee must display at the Business signage prescribed by SSF identifying the Location as an independently owned and operated franchise.

**7.24 Business Practices.** Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from SSF. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

## ARTICLE 8: SUPPLIERS AND VENDORS

**8.1 Generally.** Franchisee shall acquire all Inputs required by SSF from time to time in accordance with System Standards. SSF may require Franchisee to purchase or lease any Inputs from SSF, SSF's designee, Required Vendors, Approved Vendors, and/or under SSF's specifications. SSF may require you to purchase specific brands of Inputs. SSF may change any such requirement or change the status of any vendor. To make such requirement or change effective, SSF shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If SSF requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and samples requested by SSF. Franchisee must pay SSF a processing and testing fee of \$500 and reimburse any of SSF's evaluation costs, including third party testing. SSF may condition its approval on such criteria as SSF deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. SSF will provide Franchisee with written notification of the approval or disapproval of any propose new vendor within 30 days after receipt of Franchisee's request.

**8.3 Alternate Input Approval.** If SSF requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by SSF. Franchisee must pay SSF a processing and testing fee of \$500 and reimburse any of SSF's evaluation costs, including third party testing. SSF will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.4 Purchasing.** SSF may implement a centralized purchasing system and negotiate prices and terms with vendors on behalf of the System. SSF may receive rebates or payments from vendors in connection with purchases by franchisees. SSF may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as SSF may determine.

**8.5 No Liability of Franchisor.** SSF shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including defects, delays, or unavailability of products or services.

**8.6 Product Recalls.** If SSF or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from SSF or the vendor, supplier, or manufacturer of such item with respect to the recall, repair, or other remedy of such item.

**8.7 Technology; Cyber-security.** Franchisee must acquire, continually maintain, and annually upgrade those Computer Systems (including for accounting, inventory control, point of sale, Internet, payment processor, customer relationship management, business analytics, video conferencing, and security and video surveillance) as SSF may prescribe. Franchisee must comply with any separate software or other license agreement that SSF or its designee uses in connection with providing these services. Computer Systems are vital to SSF and to Franchisee, and are vulnerable in varying degrees to problems such as viruses, worms, spy-ware, power and access disruptions, Internet content failures, hardware and software failures, and cyber security breaches, and attacks by hackers and other unauthorized intruders. It is Franchisee's responsibility to protect itself from these problems. This may include taking reasonable steps to secure the Computer Systems and its other systems (such as using and continually updating firewalls, access code protection, and anti-virus systems) to use backup systems, and to comply with privacy and data security laws.

## ARTICLE 9: MARKETING

**9.1 Implementation.** Franchisee shall not use any marketing materials or campaigns (including point-of-sale materials, advertising, social media marketing, and sponsorships) that have not been approved by SSF. Franchisee shall implement any marketing plans or campaigns determined by SSF.

**9.2 Use By SSF.** SSF may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, royalty-free license to SSF for such purpose.

**9.3 Marketing Fund.** SSF may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level. SSF's advertising and marketing expenditures may be limited to the amount of contributions to the Marketing Fund made by Franchisee and other franchisees. SSF may start, discontinue, resume, or reduce the Marketing Fund and related expenditures, or may add, delete or change marketing programs during the term of this Agreement. If SSF has established a Marketing Fund:

(a) Separate Account. SSF shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from SSF's other accounts.

(b) Use. SSF may use the Marketing Fund for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as SSF reasonably determines, and may include: development and placement of advertising and promotions, including for individual franchisees; Multi-Area Marketing Programs, sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; Internet activities; e-commerce programs; search engine optimization; market research and analytics; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of SSF's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide a direct or any benefit to Franchisee. The Marketing Fund will be spent at SSF's sole discretion, and SSF has no fiduciary duty with regard to the Marketing Fund.

(d) Surplus or Deficit. SSF may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, SSF may loan such funds to the National Marketing Fund on reasonable terms.

(e) Financial Statement. SSF will prepare an unaudited annual financial statement of the Marketing Fund expenditures and receipts within 120 days of the close of SSF's fiscal year, and will provide the financial statement to Franchisee upon request.

**9.4 Marketing Cooperatives.** SSF may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of

such Market Cooperative within 30 days. SSF shall not require Franchisee to be a member of more than one Market Cooperative. If SSF establishes a Market Cooperative:

- (a) **Governance.** Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by SSF. SSF may require the Market Cooperative to adopt bylaws or regulations prepared by SSF. Unless otherwise specified by SSF, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. SSF will be entitled to attend and participate in any meeting of a Market Cooperative. Any Sit Still business owned by SSF or its affiliate that is a member of the Market Cooperative shall have the same contribution obligations and voting rights as those owned by its franchisees. Each Sit Still business owner will be entitled to cast one vote for each Sit Still business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, SSF may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.
- (b) **Purpose.** Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to SSF's approval), standardized promotional materials for use by the members in local advertising and promotion.
- (c) **Approval.** No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of SSF pursuant to Section 9.1. SSF may designate the national or regional advertising agencies used by the Market Cooperative.
- (d) **Funding.** The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but SSF must also approve the amount, and it shall not be less than 1% of Gross Sales.
- (e) **Enforcement.** Only SSF will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.
- (f) **Termination.** SSF may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

## **9.5 {Reserved}**

**9.6 Required Spending.** Franchisee shall spend at least the greater of (i) 2% of Gross Sales and (ii) \$300, each month on marketing the Business. Upon request of SSF, Franchisee shall furnish proof of its compliance with this Section. SSF has the sole discretion to determine what activities constitute "marketing" under this Section. SSF may, in its discretion, determine that if Franchisee contributes to a Market Cooperative or a Multi-Area Marketing Program, the amount of the contribution will be counted towards Franchisee's required spending under this Section.

**9.7 Grand Opening Promotional Campaign.** You shall pay us \$10,000 upon signing a lease for your Location for a grand opening promotional campaign that we will manage on your behalf with your cooperation. In addition, you must spend at least \$5,000 on a grand



opening promotional campaign in compliance with our specifications and subject to our approval.

**9.8 Internet Marketing.** SSF has the exclusive right to conduct and manage all marketing and commerce on the Internet or other electronic medium. Franchisee shall not conduct such marketing or commerce, nor establish any website, social media, or other Internet presence independently, except as SSF may specify, and only with SSF's consent. SSF retains the right to approve any linking to or other use of SSF's website. Franchisee must comply with any Internet (including online commerce and/or social media) policy that SSF may prescribe.

## ARTICLE 10: RECORDS AND REPORTS

**10.1 Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as SSF may specify in the Manual or otherwise in writing.

### 10.2 Reports.

(a) **Financial Reports.** Franchisee shall provide such periodic financial reports as SSF may require in the Manual or otherwise in writing, including without limitation the following:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each fiscal quarter of SSF's fiscal year, and
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of SSF's fiscal year.

(b) **Legal Actions and Investigations.** Franchisee shall promptly notify SSF of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as SSF may request.

(c) **Government Inspections.** Franchisee shall give SSF copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) **Other Information.** Franchisee shall submit to SSF such other financial statements, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that SSF may reasonably request.

(e) **Disclosure.** Franchisee agrees that Franchisor may disclose Franchisee's financial information in the Franchisor's franchise disclosure documents; to prospective purchasers of Franchisee's Business, ownership interests, or assets; and to others at Franchisor's discretion. Franchisee agrees to provide such information to Franchisor promptly upon request.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to SSF a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of SSF's Franchise Disclosure Document and with such other information as SSF may request.

**10.4 Business Records.** Franchisee shall keep accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as SSF may specify in the Manual or otherwise in writing.

**10.5 Records Audit.** SSF may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. SSF may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by SSF. Franchisee shall also reimburse SSF for all costs and expenses of the examination or audit if (i) SSF conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

**10.6 Remote Access To Point of Sale System.** Franchisee shall give SSF unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by SSF.

## ARTICLE 11: FRANCHISOR RIGHTS

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by SSF. SSF may supplement, revise, or modify the Manual, and SSF may change, add or delete System Standards at any time in its discretion. SSF may inform Franchisee thereof by any method that SSF deems appropriate (which need not qualify as "notice" under Section 18.10). In the event of any dispute as to the contents of the Manual, SSF's master copy will control.

**11.2 Inspections.** SSF may enter the premises of the Business from time to time during normal business hours and conduct an inspection. Franchisee shall cooperate with SSF's inspectors. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. SSF may videotape and/or take photographs of the inspection and the Business. Without limiting SSF's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If SSF conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then SSF may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

**11.3 SSF's Right To Cure.** If Franchisee breaches or defaults under any provision of this Agreement, SSF may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse SSF for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**11.4 Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, SSF may (i) require that Franchisee pay cash on delivery for products or services supplied by SSF, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by SSF shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of SSF are in addition to any other right or remedy available to SSF.

**11.5 Business Data.** All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by SSF. SSF hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

**11.6 Innovations.** Franchisee shall disclose to SSF all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. SSF will automatically own all Innovations, and will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee.

**11.7 Communication Systems.** If SSF provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and authorizes SSF to access such communications.

**11.8 Delegation.** SSF may delegate any duty or obligation of SSF under this Agreement to a third party.

**11.9 System Variations.** SSF may vary or waive any System Standard for any one or more Sit Still franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

**11.10 Temporary Public Safety Closure.** If SSF discovers or becomes aware of any aspect of the Business which, in SSF's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon SSF's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. SSF shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

## ARTICLE 12: MARKS

**12.1 Authorized Marks.** Franchisor hereby grants to Franchisee a limited, non-exclusive license right to use the Marks in the operation of the Business in compliance with this Agreement and Franchisor's standards and specifications as updated and amended from time to time. Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by SSF, and only in the manner as SSF may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of SSF.

**12.2 Change of Marks.** SSF may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after SSF makes any such change, Franchisee must comply with the change, at Franchisee's expense.

### **12.3 Infringement.**

(a) Defense of Franchisee. In any Action by a third party alleging infringement by Franchisee's use of a Mark, SSF is not obligated to protect Franchisee's right to use the Marks and may direct Franchisee not to use the Marks, and to change the Marks at Franchisee's expense. SSF will reimburse Franchisee only for tangible costs of new signage and stationery that SSF requires as a result of changed Marks.

(b) Infringement By Third Party. Franchisee shall promptly notify SSF if Franchisee becomes aware of any possible infringement of a Mark by a third party. SSF may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. SSF shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

## ARTICLE 13: COVENANTS

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by SSF for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by SSF, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by SSF (except for Confidential Information which SSF licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

### **13.2 Covenants Not to Compete.**

- (a) **Restriction – In Term.** During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “**Restricted Parties**”) shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.
- (b) **Restriction – Post Term.** For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor within 20 miles of Franchisee’s Territory or the territory of any other Sit Still business operating on the date of termination or transfer, as applicable.
- (c) **Interpretation.** The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of SSF. Franchisee agrees that the existence of any claim it may have against SSF shall not constitute a defense to the enforcement by SSF of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended for each day of noncompliance.

**13.3 General Manager and Key Employees.** If requested by SSF, Franchisee will cause its general manager and other key employees to sign SSF’s then- current form of confidentiality and non-compete agreement.

#### ARTICLE 14: DEFAULT AND TERMINATION

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if SSF violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after SSF receives written notice of termination.

#### **14.2 Termination by SSF.**

- (a) **Subject to 10-Day Cure Period.** SSF may terminate this Agreement if Franchisee does not make any payment to SSF when due, or if Franchisee does not have sufficient funds in its account when SSF attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after SSF gives notice to Franchisee of such breach.
- (b) **Subject to 30-Day Cure Period.** If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and fails to cure such breach to SSF’s satisfaction within 30 days after SSF gives notice to Franchisee of such breach, then SSF may terminate this Agreement.
- (c) **Without Cure Period.** SSF may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:
- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;

- (ii) Franchisee intentionally submits any false report or intentionally provides any other false information to SSF;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to open for business by the deadline specified in Section 6.5 (opening date);
- (v) Franchisee loses possession of the Location;
- (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vii) Franchisee abandons or ceases operation of the Business for more than five consecutive days;
- (viii) Franchisee or any Owner slanders or libels SSF or any of its employees, directors, or officers;
- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by SSF or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
- (x) the Business is operated in a manner which, in SSF's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from SSF or otherwise);
- (xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xii) SSF (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate);  
or
- (xiii) Franchisee or any Owner is charged with, pleads guilty to, or is convicted of a felony, or is accused by any governmental authority or third party of any act that

in SSF's opinion is reasonably likely to materially and unfavorably affect SSF's brand.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to SSF based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to SSF all copies of the Manual, Confidential Information and any and all other materials provided by SSF to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to SSF or any new franchisee as may be directed by SSF, and Franchisee hereby irrevocably appoints SSF, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) cease doing business under any of the Marks.

**14.4 Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Sit Still business, to the reasonable satisfaction of SSF. Franchisee shall comply with any reasonable instructions and procedures of SSF for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, SSF may enter the Location to remove the Marks and de-identify the Location. In this event, SSF will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by SSF.

**14.5 Other Claims.** Termination of this Agreement by SSF will not affect or discharge any claims, rights, causes of action or remedies (including claims for SSF's lost future income after termination), which SSF may have against Franchisee, whether arising before or after termination.

**14.6 Purchase Option.** When this Agreement expires or is terminated, SSF will have the right (but not the obligation) to purchase any or all of the assets related to the Business at fair market value (excluding any goodwill or intellectual property), and/or to require Franchisee to assign its lease or sublease to SSF. To exercise this option, SSF must notify Franchisee no later than 30 days after this Agreement expires or is terminated. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share

the cost of the appraisal. SSF's purchase will be of assets only (free and clear of all liens), and will not include any liabilities of Franchisee. If SSF exercises the purchase option, SSF may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by SSF to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, SSF may pay a portion of the purchase price directly to the lienholder to pay off such lien. SSF may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. SSF may assign this purchase option to another party.

**14.7 SSF's Right of Entry and Operation.** If SSF terminates this Agreement as provided elsewhere in this Agreement (because Franchisee has not cured a curable default or because no opportunity to cure is required), SSF may operate the Business on Franchisee's behalf, for up to 90 days, renewable by SSF at SSF's option for up to three additional periods. All revenues received by SSF from the operation of the Business will be kept in a separate account, and SSF's expenses plus a \$500 per day management fee shall be charged to such account. If SSF does so after termination or expiration, SSF may buy or sell the business and provide Franchisee with any net proceeds, within six months after the effective date of termination, in addition to SSF's post-termination option to purchase described in this Agreement.

## ARTICLE 15: TRANSFERS

**15.1 By SSF.** SSF may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and SSF may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that SSF entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing SSF at least 60 days prior notice of the proposed Transfer, and without obtaining SSF's consent. In granting any such consent, SSF may impose conditions, including the following:

- i) SSF receives a transfer fee equal to 25% of SSF's then-current standard initial franchise fee for new franchisees;
- ii) the proposed assignee and its owners have completed SSF's franchise application processes, meet SSF's then-applicable standards for new franchisees, and have been approved by SSF as franchisees;
- iii) the proposed assignee is not a Competitor;
- iv) the proposed assignee executes SSF's then-current form of franchise agreement, which form may contain materially different provisions;



- v) Franchisee has paid all monetary obligations to SSF in full, and Franchisee is not otherwise in default or breach of this Agreement;
- vi) the proposed assignee and its owners and employees undergo such training as SSF may require;
- vii) Franchisee, its Owners, and the transferee and its owners execute a general release of SSF in a form satisfactory to SSF; and
- viii) the Business fully complies with all of SSF's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to SSF, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by SSF, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the person with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by SSF within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 SSF's Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3 or Section 15.4), SSF will have a right of first refusal, as set forth in this Section. Franchisee (or its owners) shall provide to SSF a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of SSF's receipt of such copy, SSF will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that SSF may substitute cash for any other form of payment). If SSF does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## ARTICLE 16: INDEMNITY

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to SSF) SSF, its parent entities, subsidiaries and affiliates, and their respective

owners, directors, officers, employees, agents, successors and assignees (collectively, “Indemnitees”) against all Losses in any Action by or against SSF and/or any Indemnatee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnatee from Actions arising as a result of any Indemnatee’s intentional misconduct or gross negligence. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption by SSF.** SSF may elect to assume the defense and/or settlement of any Action subject to this indemnification, at Franchisee’s expense. Such an undertaking shall not diminish Franchisee’s obligation to indemnify the Indemnitees.

## ARTICLE 17: DISPUTE RESOLUTION

### 17.1 Arbitration.

(a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c), any controversy or claim arising out of or relating to this Agreement (including its formation) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where SSF’s headquarters are located.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

(d) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for SSF to comply with laws and regulations applicable to the sale of franchises.

(e) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, SSF and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party’s actual damages, except damages authorized by federal statute. In the event of termination of this Agreement prior the expiration of the term due to Franchisee’s default, SSF’s actual damages will include its lost future income from Royalty Fees and other amounts that Franchisee would have owed to SSF but for the termination.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within one year from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where SSF's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where SSF's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

#### ARTICLE 18: REPRESENTATIONS AND ACKNOWLEDGMENTS

You make the following representations and acknowledgments to us:

**18.1 Receipt of Disclosure Documents.** You have received our franchise disclosure document at the earlier of (1) the first personal meeting with us (if required in your state); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (or 10 business days if required in your state). In addition, you acknowledge either:

- A. Receipt of this Agreement containing all substantive terms at the time of delivery of the franchise disclosure document; or
- B. If we unilaterally and materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the franchise disclosure document (in connection with properly amending our franchise registration in the relevant state(s)), you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than seven calendar days before you signed this Agreement.

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

business of your own.

**18.3 Speculative Success.** The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

**18.4 Independent Investigation, No Projections or Representations.** You have entered this Agreement after conducting an independent investigation of us and of the franchise we offer. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize. Except as outlined in Item 19 of our franchise disclosure document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our franchise disclosure document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

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

**18.6 Health and Full-Time Participation.** You acknowledge that a Sit Still business involves hard work and sometimes long hours, similar to most small businesses that are owner-operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You represent that you or your principals are in good health and able to devote your best efforts in the operations of your Franchise and/or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of your franchise (to the extent permitted by this Agreement).

**18.7 Investigate Applicable Laws.** You have had ample opportunity to investigate laws applicable to your business with your own independent legal counsel before signing this Agreement.

## ARTICLE 19: MISCELLANEOUS

**19.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. SSF is not a fiduciary of Franchisee and does not control Franchisee or its Business. SSF has no liability for Franchisee's obligations to any third party whatsoever.

**19.2 Word Choice.** Any use of the word "including" or synonymous terms, followed by one or more examples, does not limit in any way, the antecedent word or phrase.

**19.3 No Third Party Beneficiaries.** This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, SSF, and SSF's affiliates.

**19.4 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by SSF in its franchise disclosure document.

**19.5 Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit SSF's rights to modify the Manual or System Standards.

**19.6 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

**19.7 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**19.8 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**19.9 Governing Law.** The laws of the state of Florida (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Florida law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 19.9.

**19.10 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to SSF, addressed to PO Box

5994, Sarasota, FL 34277. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier or USPS express mail.

Notwithstanding the foregoing, SSF may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

**19.11 Joint and Several Liability.** If two or more people sign this Agreement as “Franchisee”, each will have joint and several liability.

**19.12 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by SSF does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and SSF.

*[Signatures on next page]*

Agreed to by:

FRANCHISOR:

Sit Still Franchising, LLC

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

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

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

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

FRANCHISEE:

*[if an individual:]*

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

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

*[if an entity:]*

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

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

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

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

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

\_\_\_\_\_ Washington

\_\_\_\_\_ Other

**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

a) **Form of Ownership.** Franchisee is a (check one):

- \_\_\_\_\_ *Sole Proprietorship*
- \_\_\_\_\_ *Partnership*
- \_\_\_\_\_ *Limited Liability Company*
- \_\_\_\_\_ *Corporation*

• State of incorporation / organization / residence: \_\_\_\_\_

b) **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

c) **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title



**Attachment 2 to Franchise Agreement**

**LOCATION ACCEPTANCE LETTER**

To: \_\_\_\_\_

This Location Acceptance Letter is issued by Sit Still Franchising, LLC for your Sit Still franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

• \_\_\_\_\_

2. The Territory of the Business is:

• \_\_\_\_\_

Sit Still Franchising, LLC

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

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

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

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

### Attachment 3 to Franchise Agreement

#### **GUARANTY AND NON-COMPETE AGREEMENT**

This Guaranty and Non-Compete Agreement (this "Guaranty") is executed by the undersigned person(s) (each, a "Guarantor") in favor of Sit Still Franchising, LLC, an Oregon limited liability company ("SSF").

**Background Statement:** \_\_\_\_\_ ("Franchisee") desires to enter into a Franchise Agreement with SSF for the franchise of a Sit Still business (the "Franchise Agreement"; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce SSF to enter into the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to SSF and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to SSF, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and SSF upon demand from SSF. Guarantor waives (a) acceptance and notice of acceptance by SSF of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that SSF make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

**2. Confidential Information.** With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by SSF for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by SSF, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by SSF or its affiliates (except for Confidential Information which SSF licenses from another

person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to SSF. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

**3. Covenants Not to Compete.**

(a) Restriction – In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor located within 20 miles of Franchisee’s Territory or the territory of any other Sit Still business operating on the date of termination or transfer, as applicable.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of SSF. Guarantor agrees that the existence of any claim it or Franchisee may have against SSF shall not constitute a defense to the enforcement by SSF of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended for each day of noncompliance.

**4. Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, any extension of time, credit or other indulgence which SSF may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**5. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of Florida (without giving effect to its principles of conflicts of law). The parties agree that any Florida law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

(signatures on next page)

Agreed to by:

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

## EXHIBIT C

### MULTI-UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement (this "MUDA") is made between Sit Still Franchising, LLC, an Oregon limited liability company ("SSF" or "we/us") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee" or "you") on the Effective Date.

#### **Recital**

Franchisee has asked for the right to own and operate a multiple number of Sit Still businesses. Franchisee is willing to enter into franchise agreements for the operation of franchised businesses ("Franchise Agreements" or individually "Franchise Agreement"). All terms of all Franchise Agreements shall remain in effect, except as expressly modified in this MUDA. In the case of conflict between this MUDA and any Franchise Agreement, this MUDA shall control. All capitalized terms shall have the meaning attributed to them in the relevant Franchise Agreement, except as expressly modified by this MUDA.

The parties agree as follows:

- 1. Grant.** SSF hereby grants to Franchisee the exclusive right to a Development Area (as defined below) in which Franchisee agrees to open [ # ] Sit Still businesses in accordance with the opening schedule set forth below, subject to this MUDA and to the Franchise Agreement entered into for each business. This MUDA does not in itself represent a trademark license or a Franchise Agreement or grant to Franchisee the right to use the Marks. Any such right shall be granted only pursuant to a separate Franchise Agreement executed for each Sit Still business authorized to be developed pursuant to this MUDA. Franchisee shall have no right, under this MUDA or any other agreement, to franchise others, to sub-franchise, or license or sub-license the right the use the Marks or System, or to divide any agreement, franchise or Territory.
- 2. Development Area.** Franchisee shall locate each Sit Still business it develops under this MUDA within the following area: \_\_\_\_\_ (the "Development Area"). Except as provided in this MUDA, and subject to Franchisee's full compliance with this MUDA and any other agreement between SSF and Franchisee, neither SSF nor its affiliates will own, operate, or franchise, other than to Franchisee, a fixed location for a business providing children's hair salon services using the Marks in the Development Area during the term of this MUDA. SSF reserves the right to establish, operate, own, license, or franchise any business, including competitive businesses, at any location in territories outside the Development Area. For example, SSF may open company-owned Sit Still businesses in any such location, and may do so in areas that may be contiguous to or in close proximity with the Development Area. The same exceptions to Franchisee's Territory rights and SSF's same reservations of rights, contained in any Franchise Agreement signed by Franchisee shall apply to Franchisee's Development Area rights under this MUDA.

**3. Development.**

(a) Development Schedule. Recognizing that time is of the essence; Franchisee shall develop and open Sit Still businesses and to keep them open and operating, in accordance with the following opening schedule (“Development Schedule”):

Store #	Deadline for Opening	Total # of Stores to be Open and Operating On Deadline	Initial Franchise Fee
1	No later than ___ months from the date of this MUDA	1	\$45,000
2	No later than ___ months from the date of this MUDA	2	\$35,000
3	No later than ___ months from the date of this MUDA	3	\$20,000
4		4	\$20,000
5		5	\$20,000
Total Initial Franchise Fee:			

(b) Failure to Meet Development Schedule. Franchisee is solely responsible for complying with this opening schedule. If at any time Franchisee fails to meet this schedule for any of the franchised businesses, the parties will meet and attempt in good faith for 60 days after the end of the calendar year in which the required number of businesses are not open for the entire year, to negotiate a reasonable revised development schedule. If the parties cannot so agree within that 60-day period, or if Franchisee fails to meet for any calendar month the revised development schedule, Franchisee will upon written notice from SSF, which may be effective on the day of receipt at SSF’s option, forfeit exclusive rights to the Development Area and this MUDA will terminate. Such termination of this MUDA will not affect the parties’ rights and obligations under any of the signed Franchise Agreements. No Sit Still business shall be considered to be open for the purposes of this Agreement if Franchisee is in material default under any of the provisions of this MUDA, the Franchise Agreement, or other agreements between Franchisee and SSF, or if the location is not operating.

**4. Franchise Agreements.** Upon the execution of this MUDA, Franchisee and SSF shall sign all Franchise Agreements for all franchises to be developed under this MUDA. The Development Area shall be the Search Area for each Franchise Agreement. The Territory for each franchise will be designated by us before you open each relevant Location. The Territory and each Location must be legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

Territories may or may not be contiguous

**5. Development Fee and Training Fee.** Upon execution of this MUDA Franchisee shall pay to SSF a development fee of \$\_\_\_\_\_, which is equal to 100% of the initial franchise fees set forth in Section 3(a) for all Sit Still franchises Franchisee commits to open under this

MUDA. Under no circumstances shall Franchisee be entitled to refund, return or rebate of the development fee except if SSF terminates the first Franchise Agreement pursuant to Section 6.4 of the first Franchise Agreement, in which case the development fee will be refunded to Franchisee under the same terms and conditions as the initial franchise fee.

You will pay the initial training fee only for your first franchise and we will only provide the initial training program for the first salon that you open under this MUDA. You will be responsible for the initial training fee as described in your unit Franchise Agreements.

**6. Conditions.** Franchisee's right to develop each Sit Still business after Store #1 is subject to the following:

- (i) Franchisee must possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Sit Still business, in the reasonable judgment of SSF based on SSF's then-current standards for the approval of new or renewing franchisees, and
- (ii) Franchisee must be in full compliance with all brand requirements at its open Sit Still businesses, and not in default under any Franchise Agreement or any other agreement with SSF.

**7. Covenants.**

- (a) Franchisee. Franchisee shall:
  - (i) Fully comply with all provisions of all applicable Franchise Agreements in the establishment and operation of each Sit Still business;
  - (ii) Obtain SSF's approval of the Locations, leases, and all plans for and improvements to such Locations, of each Sit Still business;
  - (iii) Open each Sit Still business by the date provided in the applicable Franchise Agreement, unless extended by this MUDA, and by the date provided in this MUDA;
  - (iv) Operate each Sit Still business only within the Territory provided in the applicable Franchise Agreement;
  - (v) Diligently commence and operate each Sit Still business; and
  - (vi) During the term of this Agreement, engage only in business covered by this MUDA and Franchise Agreements or other agreements between Franchisee and SSF, except with SSF's written consent.
- (b) SSF. SSF shall provide without additional charge to Franchisee, the following services in the establishment and operation of Sit Still businesses to be developed under this MUDA:

- (i) Review and approve or disapprove the site of the Location of each Site Still business, as provided in each respective Franchise Agreement;
- (ii) Prior to the opening of the first (but not subsequent) Sit Still businesses, provide initial training and assistance, as provided in each respective Franchise Agreement; and
- (iii) Provide ongoing training and assistance for each Sit Still business, as provided in each respective Franchise Agreement.

**8. Transfer.** The provisions of Article 15 (Transfers) of the first Franchise Agreement Franchisee signs apply to this MUDA and the parties' obligations and rights hereunder, to the same extent as those provisions apply to that Franchise Agreement and the parties' obligations and rights thereunder, and are incorporated into this MUDA as if fully set forth herein; except that (i) the transfer fee shall be equal to the transfer fee in SSF's then-current franchise agreement, times the number of Sit Still businesses remaining to be developed under this MUDA, and (ii) the transferee must meet SSF's standards for franchisees and multi-unit developers.

**9. Term; Default and Termination.**

(a) Unless earlier terminated according to its terms, this MUDA is effective until the first to occur of the following: (1) the date that the last Sit Still business to be developed under this MUDA is opened for business; or (2) the deadline for opening your last franchise under your Development Schedule. This MUDA may not be renewed or extended, except by mutual written agreement of the parties.

(b) We will have the right to terminate this MUDA if we have the right to terminate any of the Franchise Agreements or any agreement between you and us (or our affiliate) in the future. If you do not comply with this MUDA, including but not limited to the Development Schedule, we will have the right to reduce the size of (or change) your Development Area or terminate this MUDA and any of your Franchise Agreements representing franchises that have not yet opened for business. Such termination will be effective upon written notice to you. However, your Franchise Agreement(s) and Territory(ies) for each of your operating franchises will remain in force. Any failure to meet the Development Schedule caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control (not including financial circumstances) will be excused for a period of time that we deem reasonable under the circumstances.

(c) SSF's rights and remedies are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**10. Limitation of Liability.** Franchisee's commitment to develop Sit Still businesses is in the nature of an option only. If SSF terminates this MUDA for Franchisee's default, Franchisee shall not be liable to SSF for lost future revenues or profits from the unopened Sit Still businesses.



**11. Incorporated Terms from Franchise Agreement.** The provisions of Article 16 (Indemnity), Article 17 (Dispute Resolution), and Article 18 (Miscellaneous) of the first Franchise Agreement Franchisee signs apply to this MUDA and the parties' obligations and rights hereunder, in the same manner as those provisions apply to that Franchise Agreement and the parties' obligations and rights thereunder, and are incorporated into this MUDA as if fully set forth herein.

Agreed to by:

FRANCHISOR:

Sit Still Franchising, LLC

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

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

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

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

FRANCHISEE:

*[if an individual:]*

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

*[if an entity:]*

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

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

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

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

EXHIBIT D

RIDER TO LEASE AGREEMENT

Landlord: \_\_\_\_\_  
Notice Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_

Franchisor: Sit Still Franchising, LLC  
Notice Address: PO Box 5994  
Sarasota, FL 34277  
Telephone: 503-703-2779

Tenant: \_\_\_\_\_

Leased Premises: \_\_\_\_\_

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Sit Still business (or any name authorized by Franchisor).
2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.
3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.
4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.
5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Lease Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Sit Still brand.
6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant’s business.
7. Right to Enter. Upon the expiration or termination the Franchise Agreement or the Lease, or the termination of Tenant’s right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor’s brand name, trademarks, and commercial

symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Lease Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

\_\_\_\_\_

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

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

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

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

TENANT:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

Sit Still Franchising, LLC

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

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

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

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

## EXHIBIT E

### FORM OF GENERAL RELEASE

[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of Sit Still Franchising, LLC, an Oregon limited liability company (“Sit Still Franchising”).

Background Statement: [describe circumstances of Release]

Releasor agrees as follows:

1. Release. Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases Sit Still Franchising, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).
2. Covenant Not to Sue. Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.
3. Representations and Acknowledgments. Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.

4. Miscellaneous. If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that Sit Still Franchising reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

[This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.]

Agreed to by:

Name:

Date:

EXHIBIT F  
FINANCIAL STATEMENTS

# **sit still.**

KIDS SALON

## **SIT STILL FRANCHISING, LLC**

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023, 2022, AND 2021



# SIT STILL FRANCHISING, LLC.

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### *Independent Auditor's Report*

To the Members  
Sit Still Franchising, LLC  
Portland, OR

#### *Opinion*

We have audited the accompanying financial statements of Sit Still Franchising, LLC, which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of operations, members' equity, 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 Sit Still Franchising, LLC as of December 31, 2023, 2022 and 2021, 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

***Restrictions on Use***

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

Kezar <sup>3</sup>/<sub>1</sub> Dunlay

St. George, Utah

April 2, 2024

SIT STILL FRANCHISING, LLC  
BALANCE SHEETS  
As of December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 117,184	\$ 80,350	\$ 62,906
Accounts receivable	94,645	43,855	82,500
Right of use lease asset	-	42,206	-
Due from affiliates	41,086	55,891	17,642
Total current assets	<u>252,915</u>	<u>222,302</u>	<u>163,048</u>
Non-current assets			
Deferred contract costs	-	9,000	9,000
Furniture, fixtures and equipment, net	57,352	74,570	93,213
Total assets	<u>\$ 310,267</u>	<u>\$ 305,872</u>	<u>\$ 265,261</u>
<b>Liabilities and Member's Interests</b>			
Current liabilities			
Accounts payable	\$ 80,528	\$ 5,314	\$ 2,564
Accrued expenses	-	38,897	14,683
Lease liability	-	46,519	-
Deferred revenue - current portion	332,500	297,250	272,500
Notes payable	36,561	56,921	80,921
SBA loan	85,124	87,900	-
Total current liabilities	<u>534,713</u>	<u>532,801</u>	<u>370,668</u>
Non-current liabilities			
Deferred revenue - long term portion	315,000	160,000	107,250
Total long term liabilities	<u>315,000</u>	<u>160,000</u>	<u>107,250</u>
Member's interests	<u>(539,446)</u>	<u>(386,929)</u>	<u>(212,657)</u>
Total liabilities and member's interests	<u>\$ 310,267</u>	<u>\$ 305,872</u>	<u>\$ 265,261</u>

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

SIT STILL FRANCHISING, LLC  
STATEMENTS OF OPERATIONS  
For the years ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2023</u>	<u>2021</u>
Operating revenue			
Initial franchise fees	\$ 342,517	\$ 206,282	\$ 42,500
Royalties	112,914	-	-
Marketing fees	26,244	11,287	5,258
Product sales	27,790	-	-
Other revenue	46,944	32,310	4,502
Total operating revenue	<u>556,409</u>	<u>249,879</u>	<u>52,260</u>
Cost of goods sold	<u>30,248</u>	<u>-</u>	<u>-</u>
Gross margin	526,161	249,879	52,260
Operating expenses			
General and administrative costs	368,418	195,074	37,094
Advertising and marketing	153,999	24,493	2,643
Professional services	135,366	84,708	63,969
Depreciation	18,895	18,643	18,643
Total operating expenses	<u>676,678</u>	<u>322,918</u>	<u>122,349</u>
Net loss	<u>\$ (150,517)</u>	<u>\$ (73,039)</u>	<u>\$ (70,089)</u>

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

SIT STILL FRANCHISING, LLC  
STATEMENTS OF MEMBER'S INTERESTS  
For the years ended December 31, 2023, 2022 and 2021

Balance at December 31, 2020	\$ (71,922)
Distributions to members	(70,646)
Net loss	(70,089)
Balance at December 31, 2021	<u>\$ (212,657)</u>
Distributions to members	(94,871)
Adoption of ASC 842	(6,362)
Net loss	(73,039)
Balance at December 31, 2022	<u>\$ (386,929)</u>
Distributions to members	(2,000)
Net loss	(150,517)
Balance at December 31, 2023	<u>\$ (539,446)</u>

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

SIT STILL FRANCHISING, LLC  
STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:			
Net loss	\$ (150,517)	\$ (73,039)	\$ (70,089)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	18,895	18,643	18,643
Adoption of ASC 842	(4,313)	(2,049)	-
Bad debt expense	296	3,643	-
Changes in operating assets and liabilities:			
Accounts receivable	(51,086)	35,002	(78,857)
Accounts payable	75,214	2,750	2,564
Accrued expenses	(38,897)	24,214	14,683
Deferred contract costs	9,000	-	(9,000)
Deferred revenue	190,250	77,500	292,500
Due from affiliate	(5,556)	(38,249)	(14,543)
Net cash provided by operating activities	<u>43,286</u>	<u>48,415</u>	<u>155,901</u>
Cash flows from investing activities:			
Purchase of fixed assets	(1,676)	-	-
Net cash provided (used) by investing activities	<u>(1,676)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities:			
Distributions to members	(2,000)	(94,871)	(70,646)
Principal payments on notes payable	(2,776)	63,900	(25,000)
Net cash provided (used) by financing activities	<u>(4,776)</u>	<u>(30,971)</u>	<u>(95,646)</u>
Net change in cash and cash equivalents	36,834	17,444	60,255
Cash at the beginning of the period	<u>80,350</u>	<u>62,906</u>	<u>2,651</u>
Cash at the end of the period	<u>\$ 117,184</u>	<u>\$ 80,350</u>	<u>\$ 62,906</u>
Supplementary disclosures of cash flows			
Cash paid for interest	<u>\$ 3,224</u>	<u>\$ -</u>	<u>\$ -</u>

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

**SIT STILL FRANCHISING, LLC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

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

*(a) Nature of Business*

Sit Still Franchising, LLC (the “Company”) was formed on May 6, 2018, in the state of Oregon as a limited liability company for the principal purpose of conducting franchise sales, marketing, and management. The Company grants qualified franchisees the right to own and operate a Sit Still salon franchise in the United States.

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

*(b) Accounting Standards Codification*

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

*(c) Use of Estimates*

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

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit cards and debit card transactions. As of December 31, 2023, 2022, and 2021, the Company had cash and cash equivalents of \$117,184, \$80,350, and \$62,906, respectively.

*(e) Accounts Receivables*

Accounts receivables are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and marketing fund fees. Accounts receivables are recorded at the invoiced amount and do not bear interest although a finance charge may be applied to such receivables that are past the due date. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. The Company determines the allowance based on historical collections, customers’ current creditworthiness, age of the receivable balance both individually and in the aggregate, and general economic conditions that may affect the customer’s ability to pay. All account balances are reviewed on an individual basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. When recoveries of receivables previously charged off are made, they are recognized as income when payment is received. As of December 31, 2023, 2022, and 2021, the Company had net accounts receivable of \$94,645, \$43,855, and \$82,500. As of December 31, 2023, 2022, and 2021, the Company had no allowance for doubtful accounts.

*(f) Fixed Assets*

Fixed assets are stated at historical cost. Depreciation is provided utilizing the straight-line method over estimated useful lives, ranging from five to seven years. Leasehold improvements are depreciated over the lease term.

**SIT STILL FRANCHISING, LLC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

*(g) Long-Lived Assets*

Long-lived assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any impairment loss will be measured by the difference between the fair value of an asset and its carrying amount, and will be recognized in the period that the recognition criteria are first applied and met.

*(h) Revenue Recognition*

The Company's primary revenues consist of initial franchise fees, royalty fees and marketing fund fees based on a percentage of gross revenues.

On January 1, 2020, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fund fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise fees.

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

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

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



**SIT STILL FRANCHISING, LLC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

*(i) Income Taxes*

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

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

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

*(j) Recently Issued Accounting Pronouncements*

The Company adopted ASC 842, *Leases* as of January 1, 2022, using the modified retrospective method. The Company has an operating lease for office space. This lease required adjustments to record the right-of-use asset and lease liability as of the date of implementation. Upon adoption, the Company recorded a right-of-use asset of \$42,206 and a lease liability of \$46,519. The net effect on the Company's equity on January 1, 2022, was a reduction of \$6,362. The lease liability reflects the present value of the Company's estimated future minimum lease payments over the lease terms, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company's cash flows.

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

*(k) Advertising Costs*

The Company expenses advertising costs as incurred. For the years ended December 31, 2023, 2022, and 2021, advertising expenses were \$153,999, \$24,493, and \$2,643, respectively.

*(l) Financial Instruments*

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

*(m) Concentration of Risk*

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

**SIT STILL FRANCHISING, LLC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

(2) Furniture, fixtures and equipment, net

As of December 31, 2023, 2022, and 2021 the Company's fixed assets consist of the following:

	2023	2022	2021
Furniture, fixtures and equipment	\$ 132,175	\$ 130,499	\$ 130,499
Accumulated depreciation	(74,823)	(55,929)	(37,266)
	<u>\$ 57,352</u>	<u>\$ 74,570</u>	<u>\$ 93,213</u>

Depreciation expense for the years ended December 31, 2023, 2022, and 2021 was \$18,894, \$18,643 and \$18,643, respectively.

(3) Franchise Agreements

The Company's franchise agreements generally provide for payment of initial fees as well as continuing royalty, marketing and tech fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate in a location using the Sit Still system for a period of ten years. Under the Company's revenue recognition policy, the Company allocates the initial franchise fee to initial training, grand opening assistance, and site build out, which is recognized when the franchisee begins operations. In addition, the Company defers related contract costs such as broker commissions over the same period and records them as deferred contract costs.

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2023, 2022, and 2021:

	2023	2022	2021
Deferred contract costs, current	\$ -	\$ -	\$ -
Deferred contract costs, non-current	-	9,000	9,000
	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2023, 2022, and 2021:

	2023	2022	2021
Deferred revenue, current	\$ 332,500	\$ 297,250	\$ 272,500
Deferred revenue, non-current	315,000	160,000	107,250
	<u>\$ 647,500</u>	<u>\$ 457,250</u>	<u>\$ 379,750</u>

(4) Note Payable

In February of 2020, the Company entered into a settlement purchase agreement with an existing franchise owner. Under the terms of the agreement, the Company agreed to purchase the operating assets of the franchise location for proceeds consisting of a note in the amount of \$116,921 assumption of the building lease, and the assumption of any outstanding liabilities consisting of outstanding lease payments of \$13,578 for a total purchase price of \$130,499. The acquired assets of the purchased franchise location consisted entirely of furniture and fixtures. The outstanding lease liability was paid by an affiliate company and was recorded as a related party payable. The note does not bear interest and is payable as follows: monthly payments of \$1,000 from April 2020 through September 2021, and then increasing to \$2,000 per month until paid in full, in April 2025. The monthly note payments during 2022 and 2023 were paid by an affiliate company and were recorded as a related party payable. As of December 31, 2023, 2022, and 2021, the amount due under the note was \$36,561, \$56,921 and \$80,921 respectively.

**SIT STILL FRANCHISING, LLC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

(5) SBA Loan

The Company obtained an SBA Economic Injury Disaster Loan “EIDL” in the amount of \$87,900. The loan was funded on February 1, 2022. The loan is due in payments of \$429 per month over 30 years and accrues interest at a rate of 3.75% annually. As of December 31, 2023 and 2022, the outstanding loan balance was \$85,214 and \$87,900, respectively.

(6) Related Party Transactions

The Company is related to Sit Still Corp. as a result of common ownership. Sit Still, Corp owns and operates several Sit Still corporate stores. Sit Still, Corp. has assumed operations of the purchased franchise location (See Note 4) and accordingly during the years ended December 31, 2023, 2022, and 2021 Sit Still, Corp has made payments on behalf of the Company including the related note payable payments of \$20,360, \$24,000, and \$24,000, respectively, and has made all lease payments required under the assumed building lease. In return for satisfying the ongoing lease and note payable obligations, Sit Still, Corp. retains the profits of the acquired franchise location. The Company and Sit Still, Corp share costs and make ongoing payments on behalf of each other. These net payments are recorded as related party receivables. As of December 31, 2023, 2022, and 2021 the related party receivable was \$41,086, \$55,891 and \$17,642 respectively.

(7) Commitments and Contingencies

*(a) Building lease*

As part of a settlement and asset purchase agreement (See note 4), in February 2020, the Company assumed an acquired franchise location’s building lease. The original lease term was 60 months, commencing in October 2018 with rent payments due of \$2,318 and 3% annual rent escalations. Per the terms of the assumption agreement, the Company assumed outstanding payments on the lease and all future lease obligations. For the years ended December 31, 2023, 2022, and 2021 Sit Still Corp, a related party, has made all payments due under the lease on behalf of the Company. In 2022, the Company adopted ASC 842 and has recorded the remaining lease asset and liability of \$0 and \$46,519 as of December 31, 2023 and 2022, respectively.

*(b) Legal claims*

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

In April 2021, a vendor filed a claim against the Company related to non-payment of money they alleged was due under a service agreement. The Company asserts that the vendor was in breach of contract and vigorously defended its position. A settlement agreement was reached on January 3, 2023, in the amount of \$34,673. The settlement amount was accrued as of December 31, 2022 and was fully paid during 2023.

(8) Subsequent Events

Management has reviewed and evaluated subsequent events through April 2, 2024, the date on which the financial statements were issued.

## EXHIBIT G

### OPERATING MANUAL TABLE OF CONTENTS

<b>Manual Section</b>	<b>Number of Pages</b>
Preface & Introduction	35
Establishing My Franchise Business	37
Personnel	48
Administrative Procedures	25
Daily Procedures	21
Selling & Marketing	22
<b>Total Number of Pages</b>	<b>188</b>

EXHIBIT H

CURRENT AND FORMER FRANCHISEES

As of December 31, 2023

Current Operational Franchisees

Names of all current operational franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

<b>Name</b>	<b>Address</b>	<b>Phone Number</b>
BK Kids LLC Contact: Briana Stone + Katie Kurth	3141 E Lincoln Dr. Phoenix, AZ 85016	602-499-5628
BK Kids LLC Contact: Briana Stone + Katie Kurth	13802 N. Scottsdale Rd. Suite 115 Scottsdale, AZ 85254	602-499-5628
Buccellato LLC Contact: Terra Crews	3329 W Cherry Lane Meridian, ID 83642	925-490-9087
Pooder LLC Contact: Andrew Ignatow	6310 Meeting Street, #101 Prospect KY 40059	(513) 376-0687
Zena Ventures, LLC Contact: Jessica Weaver (2 locations)	574 Manhattan Avenue Brooklyn, NY 11122	202-306-4274
Zena Ventures, LLC Contact: Jessica Weaver (2 locations)	43-46 12th Street Queens, NY 11101	202-306-4274
Brennan Ventures, LLC Contact: Meggie Brennan (2 locations)	2729 Erie Avenue Cincinnati, OH 45208	513-312-1772
Brennan Ventures, LLC Contact: Meggie Brennan (2 locations)	7431 Wooster Pike, B-10 Cincinnati, OH 45227	513-312-1772
HOLL STUDIO LLC Contact: Jackie Irwin	2740 Northwest 140th St, Suite B Oklahoma City, OK 73134	(405) 413-4079
CSHM, LLC Contact: Melissa Muzzy	13120 SE 172nd Ave, Suite 112 Happy Valley, OR 97086	602-499-5628
North Williams Partners LLC Contact: Danielle Massari	4055 Mercantile Dr. #135 Lake Oswego, OR 97035	503-488-0244
North Williams Partners LLC	4768 NW Bethany Blvd.	503-488-0244

<b>Name</b>	<b>Address</b>	<b>Phone Number</b>
Contact: Danielle Massari	Portland, OR 97229	
North Williams Partners LLC Contact: Danielle Massari	70 N. Mason St. Portland, OR 97217	503-488-0244
PARECO, LLC Contact: Kristen Maxwell	4117 Hillsboro Pike, Suite 104 Nashville, TN 37215	(615) 418-4537
H2Kids LLC Contact: Leslie Reeves	14005 N. U.S. Hwy. 183, Suite 550 Austin, TX 78717	512-906-0046
SERENDIPITY KIDD INVESTMENTS, INC., Contact: Jennifer Kidd	3634 Long Prairie Road, Suite 128 Flower Mound, TX 75028	(432) 556-1984
Evolve Studios, LLC Contacts: Eryn Washington and Erica Gehlen	2004 SE 192nd Ave, Suite 103 Vancouver, WA 98683	503-267-0678

#### Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

<b>Name</b>	<b>City/State</b>	<b>Phone Number</b>
None		

#### List of all franchisees who signed a franchise agreement but had not yet opened as of December 31, 2023

<b>Name</b>	<b>City/State</b>	<b>Phone Number</b>
Salon Sisters Inc. Contact: Megan Zein and Ashley Green <i>(3 franchises not yet opened)</i>	East Valley Phoenix, AZ	(614) 425-9180
HAIRITAGE FTL, LLC Contact: Lizzie Peress <i>(6 franchises not yet opened)</i>	South FL	(336) 314-0277
Buccellato LLC Contact: Terra Crews <i>(1 franchise opened and 1 franchise not yet opened)</i>	3329 W Cherry Lane Meridian, ID 83642	925-490-9087

<b>Name</b>	<b>City/State</b>	<b>Phone Number</b>
INDY KIDS SALON INC. Contact: Nicole Danielson <i>(3 franchises not yet opened)</i>	Indianapolis, IN	(812)568-1155
Pooder LLC Contact: Andrew Ignatow <i>(1 franchise opened and 2 franchises not yet opened)</i>	6310 Meeting Street, #101 Prospect KY 40059	(513) 376-0687
Inicio Ventures Inc. Contact: Deci Nicolas	Port Washington, NY	(917) 860-5375
HOLL STUDIO LLC Contact: Jackie Irwin <i>(1 franchise opened and 2 franchises not yet opened)</i>	Oklahoma City, OK	(405) 413-4079
ELEVATED STYLE, LLC Contact: Tori Crankson <i>(2 franchises not yet opened)</i>	Providence, RI	(503) 753-2165
PARECO, LLC Contact: Kristen Maxwell <i>(1 franchise opened and 2 franchises not yet opened)</i>	4117 Hillsboro Pike, Suite 104 Nashville, TN 37215	(615) 418-4537
SERENDIPITY KIDD INVESTMENTS, INC., Contact: Jennifer Kidd <i>(1 franchise opened and 2 franchises not yet opened)</i>	3634 Long Prairie Road, Suite 128 Flower Mound, TX 75028	(432) 556-1984
Evolve Studios, LLC Contacts: Eryn Washington and Erica Gehlen <i>(1 franchise opened and 1 franchise not yet opened)</i>	2004 SE 192nd Ave, Suite 103 Vancouver, WA 98683	503-267-0678

## **EXHIBIT I**

### **STATE ADDENDA TO FRANCHISE AGREEMENT, MULTI-UNIT DEVELOPMENT AGREEMENT, AND DISCLOSURE DOCUMENT**

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for locations in the state. These states are: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, VIRGINIA, WASHINGTON and WISCONSIN.

As a condition of registration in certain of these states, a franchisor must disclose additional information required by the state. In some states, you must sign an amendment to the franchise agreement and any multi-unit development agreement. This exhibit includes all of the additional state-specific disclosures and addenda to franchise agreement forms.



## **CALIFORNIA ADDENDUM**

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

The following modifications are to the franchise disclosure document (“FDD”) and supersede, to the extent then required by then applicable state law, certain portions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”), and any Multi-Unit Development Agreement signed at the same time as the Franchise Agreement (“MUDA”). The following provisions are applicable to you only if you are covered by the franchise law of the referenced state.

**SPECIAL RISK DISCLOSURE:** Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

**ITEM 5 and Franchise Agreement:** Due to our financial condition, the State of California has required us to defer collection of the initial franchise fee, additional training fees, the site evaluation fee and the construction management fee until you commence doing business. Payment of an Area Development fee is deferred until your first franchise business is open.

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 FDD.

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

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

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

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

The Franchise Agreement and MUDA require application of the law of Florida. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement or MUDA restricting venue to a forum outside the State of California. The Franchise Agreement and MUDA require binding arbitration. The arbitration

will occur in the city and state where our headquarters are located, with the costs of each party being borne by that party, subject to the authority of the arbitrator to later award costs and attorneys' fees to the prevailing party.

The Franchise Agreement and MUDA require you to execute a general release of claims upon renewal or transfer of the Franchise Agreement and MUDA. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

If we exercise our option under section 14.6 of the Franchise Agreement to purchase all of Franchisee's rights, title and interest in the franchised business, the purchase price for the assets will be the lower of (1) fair market value or (2) the price paid minus depreciation using GAAP-compliant accelerated depreciation ("Net Book Value"), unless California Business and Professions Code Section 20022 requires us to pay Net Book Value.

**OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov)**

Section 31125 of the California Corporations Code requires 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.

California Franchise Investment law, Section 31512.1

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

FDD, Franchise Agreement, Area Development Agreement (or Multiple Franchise Purchase Addendum), and Other Exhibits

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

FA Section 18

The representations and acknowledgments in section 18 of the Franchise Agreement (entitled “Representations and Acknowledgments”) are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

Franchise Agreement, Section 6.1(iii)

Section 6.1(iii) of the Franchise Agreement, which states the following, is hereby removed: “SSF makes no representation or warranty regarding any location selected by Franchisee or any lease signed by Franchisee.”

Franchise Agreement, Section 6.3

Section 6.3 of the Franchise Agreement is completely replaced with the following:

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with SSF’s System Standards. If required by SSF, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining SSF’s approval of Franchisee’s plans. SSF may, but is not required to, inspect Franchisee’s construction or remodeling progress at any reasonable time. SSF assumes no liability with respect the foregoing.

**ACKNOWLEDGMENT:**

It is agreed that any applicable part of the foregoing state law addendum supersedes any inconsistent portion of the Franchise Agreement dated \_\_\_\_\_, 20\_\_, of any Multi-Unit Development Agreement signed at the same time as the Franchise Agreement, and of the FDD, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

Agreed to by:

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

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

Address: \_\_\_\_\_  
\_\_\_\_\_

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

## MINNESOTA

- Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C.21 or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases)
  - that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
  - that consent to the transfer of the franchise will not be unreasonably withheld.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

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

### FA Section 18

The representations and acknowledgments in section 18 of the Franchise Agreement (entitled "Representations and Acknowledgments") are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

**Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are

necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

FDD Items 5 and 7; Franchise Agreement Section 4.1:

The Minnesota Department of Commerce requires that the franchisor defer the collection of all initial fees from Minnesota franchisees until the franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

**ACKNOWLEDGMENT:**

It is agreed that any applicable part of the foregoing state law addendum supersedes any inconsistent portion of the Franchise Agreement dated \_\_\_\_\_, 20\_\_, of any Multi-Unit Development Agreement signed at the same time as the Franchise Agreement, and of the FDD, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

Agreed to by:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

## **ILLINOIS ADDENDUM**

The following modifications are to the franchise disclosure document (“FDD”) and supersede, to the extent then required by then applicable state law, certain portions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”), and any Multi-Unit Development Agreement signed at the same time as the Franchise Agreement (“MUDA”). The following provisions are applicable to you only if you are covered by the franchise law of the referenced state.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Illinois law governs the Franchise Agreement.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a Franchise Agreement or MUDA are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

The Illinois Attorney General’s Office has imposed the following deferral requirement because of the franchisor’s financial condition. All initial franchise fees owed to the franchisor, or its affiliate, by the franchisee will be deferred until such time as: (a) all initial obligations owed to the franchisee under the franchise agreement or other agreements have been fulfilled by the franchisor and (b) the franchisee has commenced doing business pursuant to the franchise agreement. If a multi-unit development agreement is being signed, then payment of the initial franchise fees (or development fee) will be deferred until the first franchise is open under the development schedule.

If your spouse is not an owner of your franchise, then we will not require your spouse to sign a personal guaranty.

### **FDD, Franchise Agreement, Area Development Agreement (or Multiple Franchise Purchase Addendum), and Other Exhibits**

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

FA Section 18

The representations and acknowledgments in section 18 of the Franchise Agreement (entitled "Representations and Acknowledgments") are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

**ACKNOWLEDGMENT:**

It is agreed that any applicable part of the foregoing state law addendum supersedes any inconsistent portion of the Franchise Agreement dated \_\_\_\_\_, 20\_\_, of any Multi-Unit Development Agreement signed at the same time as the Franchise Agreement, and of the FDD, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

Agreed to by:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_



## NEW YORK ADDENDUM

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be 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.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”: However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

FDD, Franchise Agreement, Area Development Agreement (or Multiple Franchise Purchase Addendum), and Other Exhibits

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

FA Section 18

The representations and acknowledgments in section 18 of the Franchise Agreement (entitled “Representations and Acknowledgments”) are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

## WASHINGTON ADDENDUM

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.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because Franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Multi-Unit Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until Franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

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.

FDD, Franchise Agreement, Area Development Agreement (or Multiple Franchise Purchase Addendum), and Other Exhibits

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

FA Section 18

The representations and acknowledgments in section 18 of the Franchise Agreement (entitled "Representations and Acknowledgments") are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

Franchisees who receive financial incentives to refer franchise prospects to Franchisors may be required to register as franchise brokers under the laws of Washington State.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

**Franchisor:** SIT STILL KIDS FRANCHISING, LLC

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

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

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

**Franchisee:**

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

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

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

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

**Individuals:**

Signed: \_\_\_\_\_

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

Signed: \_\_\_\_\_

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

**EXHIBIT J**

**STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<b>State</b>	<b>Effective Date</b>
California	April 12, 2024
Illinois	Pending
Indiana	Pending
Michigan	Pending
Minnesota	Pending
New York	Offering by separate disclosure document
Rhode Island	Pending
Washington	Pending

Exhibit K

RECEIPT  
(Our Copy)

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 Sit Still Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days (or longer in some states) before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the signing of any agreement or the payment of any consideration. 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 Sit Still Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Amy Leclerc	PO Box 5994, Sarasota, FL 34277	503-703-2779

Issuance Date: April 8, 2024.

(The state cover page of the disclosure document lists various Effective Dates for Registration States.)

Exhibit A is a list of our registered agents authorized to receive service of process.

I received a disclosure document dated as indicated above that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement
- E. Form of General Release
- F. Financial Statements
- G. Operating Manual Table of Contents

- H. Current and Former Franchisees
- I. State Addenda to Franchise Agreement and Disclosure Document
- J. [Intentionally left blank]
- K. State Effective Dates

DATE DISCLOSURE DOCUMENT RECEIVED: _____	
SIGNED: _____	SIGNED: _____
DATE SIGNED: _____	DATE SIGNED: _____
_____ NAME (Please print)	_____ NAME (Please print)
_____ Address	_____ Address
DATE DISCLOSURE DOCUMENT RECEIVED: _____	
SIGNED: _____	SIGNED: _____
DATE SIGNED: _____	DATE SIGNED: _____
_____ NAME (Please print)	_____ NAME (Please print)
_____ Address	_____ Address

Please sign and date this Receipt (with the date that you received the disclosure document), and if you received it electronically via email, also:

1. Open the attached disclosure document, to verify that you can download it; then immediately Reply to All, stating that you received and downloaded this disclosure document; AND:
2. Also print, sign, and date a copy of the Receipt (with the date that you received this disclosure), and return via mail to us at the address on the cover page of this disclosure document.

Attach additional signatures or use additional receipts if necessary. All owners, or two authorized officers or managers, of an entity franchisee must review all documents and sign individually and on behalf of any legal entity.



**RECEIPT**  
(Keep This Copy For Your Records)

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 Sit Still Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days (or longer in some states) before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
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Issuance Date: April 8, 2024.

(The state cover page of the disclosure document lists various Effective Dates for Registration States.)

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- F. Financial Statements
- G. Operating Manual Table of Contents

- H. Current and Former Franchisees
- I. State Addenda to Franchise Agreement and Disclosure Document
- J. [Intentionally left blank]
- K. State Effective Dates

DATE DISCLOSURE DOCUMENT RECEIVED: _____	
SIGNED: _____	SIGNED: _____
DATE SIGNED: _____	DATE SIGNED: _____
_____ NAME (Please print)	_____ NAME (Please print)
_____ Address	_____ Address
DATE DISCLOSURE DOCUMENT RECEIVED: _____	
SIGNED: _____	SIGNED: _____
DATE SIGNED: _____	DATE SIGNED: _____
_____ NAME (Please print)	_____ NAME (Please print)
_____ Address	_____ Address

Please sign and date this Receipt (with the date that you received the disclosure document), and if you received it electronically via email, also:

1. Open the attached disclosure document, to verify that you can download it; then immediately Reply to All, stating that you received and downloaded this disclosure document; AND:
2. Also print, sign, and date a copy of the Receipt (with the date that you received this disclosure), and return via mail to us at the address on the cover page of this disclosure document.

Attach additional signatures or use additional receipts if necessary. All owners, or two authorized officers or managers, of an entity franchisee must review all documents and sign individually and on behalf of any legal entity.