

FRANCHISE DISCLOSURE DOCUMENT



FLOYD'S 99 FRANCHISING, LLC
(a Colorado limited liability company)
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Greenwood Village, CO 80111
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Website: www.floydsbarbershop.com

Floyd's 99 Franchising, LLC is offering franchises for the operation of retail hair care businesses operated under the service mark "FLOYD'S 99" and featuring haircutting, coloring and barbering provided to clients in a modern atmosphere by a staff of well-trained, licensed professionals.

The total investment necessary to begin operation of a single FLOYD'S 99 Shop ranges from \$399,500 to \$762,500. These amounts include \$49,500 that must be paid to the franchisor. The total investment necessary to develop multiple FLOYD'S 99 Shops within a designated geographic area under a development agreement is between \$449,000 and \$1,088,000. These amounts include the development fee of \$99,000 to \$375,000 that must be paid to the franchisor (based on 2 to 10 FLOYD'S 99 Shops being 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, contact Paul O'Brien at 7900 E. Berry Place, Greenwood Village, Colorado 80111, (888) 771-2899.

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

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

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

ISSUANCE DATE:

April 30, 2024

How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20, Exhibit E or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide the support to my business?	Item 21 or Exhibit G includes the financial statements. Review these statements carefully.
Is the franchise system stable, growing or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only FLOYD'S 99 FRANCHISING, LLC business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a FLOYD'S 99 FRANCHISING, LLC franchisee?	Item 20 or Exhibit E and Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know about Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchisor 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 risks be highlighted:

Out-of-State Dispute Resolution. The development agreement and franchise agreement require you to resolve disputes with the franchisor by litigation only in Colorado. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Colorado than in your own state.

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

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state. This language has been included in this Disclosure Document as a condition to registration. The Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law provisions and other dispute resolution provisions.
- (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 franchisee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

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

Any questions regarding the notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise
P.O. Box 30213
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

TABLE OF CONTENTS

ITEM	PAGE
1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
2 BUSINESS EXPERIENCE.....	3
3 LITIGATION	6
4 BANKRUPTCY	6
5 INITIAL FEES	6
6 OTHER FEES	7
7 ESTIMATED INITIAL INVESTMENT	12
8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	16
9 FRANCHISEE’S OBLIGATIONS.....	20
10 FINANCING.....	22
11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	22
12 TERRITORY	29
13 TRADEMARKS	31
14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	33
15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	34
16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	34
17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	35
18 PUBLIC FIGURES	39
19 FINANCIAL PERFORMANCE REPRESENTATIONS	40
20 OUTLETS AND FRANCHISEE INFORMATION	47
21 FINANCIAL STATEMENTS	50
22 CONTRACTS	50
23 RECEIPT.....	Last Page

EXHIBITS

Exhibit A	List of State Agencies/Agents for Service of Process
Exhibit B	Development Agreement
Exhibit C	Franchise Agreement
Exhibit D	Amendment to Franchise Agreement (Renewal)
Exhibit E	FLOYD'S 99 Franchised Barbershop Locations
Exhibit F	Franchisees Who Have Left the System
Exhibit G	Financial Statements
Exhibit H	Operations Manual Table of Contents
Exhibit I	Nondisclosure and Noncompetition Agreement
Exhibit J	State Addenda and Riders to Disclosure Document, Franchise Agreement, Development Agreement and Other Exhibits
Exhibit K	General Release
Exhibit L	Lease Addendum and Conditional Assignment of Lease
Exhibit M	Notice of Restrictive Covenants
Exhibit N	Receipts

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor and any Parents, Predecessors and Affiliates.

The name of the franchisor is Floyd's 99 Franchising, LLC. For ease of reference, Floyd's 99 Franchising, LLC will be referred to as "**we**", "**us**" or "**FFL**" in this Disclosure Document. We will refer to the person who buys the franchise as "**you**" throughout this Disclosure Document. If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners, as will be noted. Our principal offices are located at 7900 E. Berry Place, Greenwood Village, Colorado 80111. We presently do business only under our corporate name and the service mark "FLOYD'S 99". We were formed on February 23, 2005 as a Colorado limited liability company. Our agents for service of process are listed on Exhibit A.

Floyd's 99, Inc., a Colorado entity formed on February 13, 2001, created the FLOYD'S 99 barbershop concept. In February 2005, Floyd's 99, Inc. converted to a limited liability company and changed its name to Floyd's 99 Operating, LLC ("**Operating**"). On March 27, 2006, Operating changed its name to Floyd's 99 – Colorado, LLC ("**Floyd's 99 Colorado**"). Floyd's 99 Colorado and FFL are both subsidiaries of Floyd's 99 Holdings, LLC ("**Holdings**"), a Colorado limited liability company formed on February 23, 2005. 3 Lefty's, LLC, a Colorado limited liability company ("**Leftys**") formed on March 4, 2005, is also a subsidiary of Holdings. Elevate Services LLC ("**Elevate**"), a Colorado limited liability company formed on November 2, 2017, is owned, in part, by three of our officers. Elevate is an information technology services company which provides services to FLOYD'S 99 franchisees and other parties. Floyd's 99 Colorado owns and operates our affiliate-owned Barbershops located in Colorado. Lefty's is a manufacturer of branded hair care products which are sold to the Barbershops (both franchised and affiliate-owned) by a third-party reseller. We share the same principal office address with these companies.

Our Business.

We currently offer multi-unit development agreements to qualified individuals and entities to develop and operate retail hair care businesses ("**FLOYD'S 99 Shops**" or "**Barbershops**"). The Barbershops focus on providing stylish, professional haircuts to clients for a reasonable price, achieving a market position between discount haircutting chains and high-end salons and providing a high-quality experience for their clients and employees alike. FLOYD'S 99 Shops operate under our distinctive business format, systems, methods, procedures, designs, layouts and specifications ("**Licensed Methods**") and under our service mark "FLOYD'S 99" and related logos, trademarks, service marks and commercial symbols ("**Marks**").

A FLOYD'S 99 Shop is typically located in a facility that will attract walk-in client traffic, such as a neighborhood or commercial shopping center or other suitable location that we must first approve before you develop the location. The Barbershops are normally between 1,200 and 1,600 square feet, typically in leased retail space. FLOYD'S 99 Shops have a modern décor, combining the service elements of a traditional style barbershop with a stylish, trendy atmosphere and staff. FLOYD'S 99 Shops have a unique, registered trade dress that prominently features our signature poster wall (a collage of music-themed posters), along with other elements including vapor lock lights in metal cages, pendant lighting with exposed bulbs, mechanics toolboxes and stainless steel countertops. The Barbershops are customarily designed to accommodate approximately 10 to 12 custom barber chairs, are furnished and equipped with comfortable wait area seating, Wi-Fi availability for clients, FLOYD'S 99 Radio (a custom Internet radio station), television(s) and a variety of other atmosphere enhancements. The Barbershop concept emphasizes a basic haircut and style specialty, with available barber-specific services (e.g., face shaves) as

well as hair color and facial waxing services for both men and women. Walk-in service and advanced reservations are featured, but appointments are accepted for certain specified services. All Barbershops offer high-volume capability and value pricing, distinguished from discount chains by virtue of the service-oriented and well-trained service staff and by filling the niche of providing services primarily to male clientele in an atmosphere inviting to them. All Barbershops also offer professional grooming products for retail sale, including our FLOYD'S 99 Grooming line of men's grooming products.

Our Development Program.

We offer qualified applicants the right to enter into a Development Agreement (the "**Development Agreement**"), attached as Exhibit B to this Disclosure Document, to develop multiple FLOYD'S 99 Shops within a designated geographic area (the "**Development Area**"). The scope and term of any Development Agreement and the exact number of Barbershops to be developed is dependent on both your development plans and our determination, in our judgment, of your financial capability and qualifications to develop and operate multiple Barbershops within the Development Area. You must open at least two Shops under the Development Agreement. We do not typically grant franchise rights to own and operate a single FLOYD'S 99 Shop, but we may do so on a case-by-case basis as described below. Under the Development Agreement, you must develop, open and operate an agreed upon number of FLOYD'S 99 Shops located in the Development Area in accordance with an agreed upon development schedule (the "**Development Schedule**"). The size of the Development Area will vary depending on local market conditions and the number of Barbershops you plan to develop. The Development Area will be determined before you sign the Development Agreement. For each FLOYD'S 99 Shop that you develop under the Development Agreement, you must sign our then-current form of Franchise Agreement ("**Franchise Agreement**") that we offer to new franchisees, which may differ from the current form of Franchise Agreement which is attached to this Disclosure Document as Exhibit C. You will sign the Franchise Agreement for your first FLOYD'S 99 Shop at the same time that you sign the Development Agreement.

Our Unit Franchise Program.

We may, on a case-by-case basis, offer qualified applicants the right to enter into a Franchise Agreement to establish and operate a single FLOYD'S 99 Shop at a specified location approved by us ("**Franchised Location**"). Your Franchised Location will be located within an area (the "**Designated Area**") that we will specify in the Franchise Agreement.

If you are an existing franchisee in good standing whose Franchise Agreement expires before December 31, 2023, you may renew your franchise by executing a current Franchise Agreement and the Amendment to Floyd's 99 Franchising, LLC Franchise Agreement (Renewal) ("**Renewal Amendment**"). A copy of the Renewal Amendment is attached to this Disclosure Document as Exhibit D. On renewal, if necessary, you must remodel the premises to conform with our current standards and specifications and comply with any other requirements to renew.

Referral Program.

We currently operate a franchisee referral program under which we will pay a franchisee, employee or other individual a referral fee if a qualified candidate is referred to us and that candidate signs a Development Agreement or Franchise Agreement and the other conditions of the program are satisfied. We determine the amount of the referral fee and may pay membership fees to public and private services for referrals from identified groups such as veterans or military personnel who are planning to leave the service.

Regulations.

You must comply with all local, state and federal health and sanitation laws and regulations and, if applicable, all licensing laws and regulations as may be established by your state's Board of Barbering and Cosmetology or comparable regulatory agency. Additionally, certain regulations (including the requirements of your state's Board of Barbering and Cosmetology) may apply to the licensing of all stylists and barbers, the physical layout of a FLOYD'S 99 Shop and your use of the word "barbershop" in your business operations. All stylists and barbers in each Barbershop must be licensed or otherwise certified as required by state and local laws. You must employ at least one person with a barber's license and one person with a cosmetology license at each Barbershop. You will need to understand and comply with both federal and state laws that regulate the compensation of your employees (including minimum wage, overtime and tip compliance requirements). You are responsible for complying with all applicable laws, rules and regulations and should consult with your attorney, accountant, or other advisor, especially regarding state and local laws, rules and regulations that may affect the operation of your FLOYD'S 99 Shop at your particular location.

Market and Competition.

The market for haircutting services is well established and highly competitive, and we seek to attract the market between the high-end salons and the discount chains by providing high quality at a lower price-point. The hair care industry is made up of traditional barbershops, full-service beauty salons, discount hair cutting chains and salon rental suites. In recent years, the men's sector has grown in popularity and is becoming increasingly competitive.

Your competitors will include other male-focused barbershops and chains, national and regional haircutting "discount" chains operating under well-known and recognizable service marks, rental salon suites, independent high-end salons and potentially other FLOYD'S 99 Shops outside your Protected Territory. For the sale of hair care products, you may face competition from us and our affiliates, as we may sell FLOYD'S 99 branded hair care products at wholesale, online, at trade shows, by mail order or through grocery or specialty stores. We also reserve the right to develop and open FLOYD'S 99 locations in non-traditional venues.

Business Experience.

Since our business is limited to operating as a franchisor, we do not currently operate Barbershops of the type to be operated by you. However, certain principals of ours have over 21 years' experience in operating FLOYD'S 99 Shops. We have offered FLOYD'S 99 franchises for Barbershops since March 2005. None of our affiliated entities have offered franchises in any line of business and we have not offered franchises in any other line of business. Lefty's has never operated FLOYD'S 99 Shops and has never operated franchises in any line of business.

ITEM 2 **BUSINESS EXPERIENCE**

Co-Founder, Chief Franchise Officer and Director: Paul O'Brien

Paul O'Brien has served as a Director of FFL since February 2005 and as Chief Franchise Officer of FFL since August 2023. Mr. O'Brien previously served as President of FFL from February 2005 to June 2012 and as Chief Executive Officer from February 2005 to August 2023. He has also served as the Chief Franchise Officer of Holdings since August 2023 and Director of Holdings since February 2005. He previously served as Chief Executive Officer of Holdings, FFL's parent company, since its inception in

February 2005 to August 2023 and served as its President from February 2005 to June 2012. He has also served as Chief Executive Officer of Lefty's since its inception in March 2005. From 1992 to the present, he has also served as President of Observ, Inc., a Denver, Colorado based business. Mr. O'Brien is also an owner of Elevate. Mr. O'Brien is the brother of Bill O'Brien and Rob O'Brien, and the spouse of Karen O'Brien.

Co-Founder, Chief Strategy Officer and Director: Bill O'Brien

Bill O'Brien has served as a Director of FFL since February 2005 and Chief Strategy Officer of FFL since August 2023. Mr. O'Brien served as Vice President of FFL from February 2005 to August 2023. He has also served as the Chief Strategy Officer of Holdings since August 2023 and Director of Holdings since February 2005. Mr. O'Brien was a Vice President of Holdings from February 2005 to August 2023 and has been the Director and Vice President of Floyd's 99 Colorado since February 2005 and in Lefty's since March 2005. Mr. O'Brien is also an owner of Elevate. Mr. O'Brien is the brother of Paul O'Brien and Rob O'Brien.

Co-Founder, Chief Executive Officer and Director: Robert O'Brien

Rob O'Brien has served on our Board of Directors since February 2005 and as our Chief Executive Officer since August 2023. Mr. O'Brien has served as Chief Executive Officer of Holdings, FFL's parent company, since August 2023 and Director of Holdings since February 2005. From 1992 to the present, Mr. O'Brien has been the Vice President of Observ, Inc., a Denver, Colorado based business. Rob O'Brien was a Vice President of Holdings from February 2005 to August 2023. He has served as a Vice President and Director of Floyd's 99, Inc. from February 2001 to February 2005, then Floyd's 99 Operating, LLC, since February 2005. He has also served as Vice President of Lefty's since its inception in March 2005. Mr. O'Brien is also an owner of Elevate. Mr. O'Brien is the brother of Paul O'Brien and Bill O'Brien.

President: Karen O'Brien

Karen O'Brien has served as our President since August 2023. Ms. O'Brien served on our Board of Directors from March 2021 to August 2023. Karen O'Brien also has been a Senior Director of Special Projects from December 2020 to August 2023 and previously was the Executive Vice President of Administration from January 2015 to September 2017. She has also served as the President of Holdings since August 2023. Ms. O'Brien is the spouse of Paul O'Brien.

Vice President of Construction, Facilities and Operations: Amy Hunn

Amy Hunn has been with us since October 2002, has served as our Vice President of Construction and Facilities since January 2019 and in December 2020 also began serving as our Vice President of Operations. Prior to that time, Ms. Hunn served as our Director of Facilities from January 2014 to December 2018.

Vice President of Information Technology: James Chatlos

Jim Chatlos has served as our Vice President of Information Technology since January 2022. From January 2017 to January 2022, Mr. Chatlos was the Chief Information Officer for Green Valley Grocery, a company based in Las Vegas, Nevada.

Vice President, Marketing and Merchandising: Mary Wehrer

Mary Wehrer has served as our Vice President, Marketing and Merchandising, since May 2023. From January 2018 to May 2023, Ms. Wehrer was our Senior Director of Sales and Marketing. Ms. Wehrer served as the Director of Sales and Marketing from January 2013 through January 2018, and prior to that, served as our Manager of Retail Sales from April 2011 to January 2013.

Vice President Franchise Development: Howard Picker

Howard Picker has served as our Vice President, Franchise Development, since February 2024. From October 2022 to February 2024, Mr. Picker was the Senior Vice President of Franchise Development for Huntington Learning Centers, a supplemental education company based in Oradell, New Jersey. Mr. Picker was Vice President of Franchise Development for Mathnasium Center Licensing, LLC, a supplemental education company based in Los Angeles, California from June 2021 to October 2022. From June 2019 to June 2021, Mr. Picker was the Senior Vice President of Franchise Development for Franlift, a franchise sales company based in Van Alstyne, Texas. From July 2017 to June 2019, Mr. Picker was the Vice president of Global Franchise Development for K1 Speed Franchising, LLC, an entertainment company based in Irvine, California.

Senior Controller: John Hardy

John Hardy has served as our Senior Controller since July 2023. From March 2020 through July 2023, Mr. Hardy served as Chief Financial Officer of Plasticity Management Services LLC, a company based in Parker, Colorado, and prior to that he was the Senior Vice President of Finance at High Noon Entertainment, LLC, a company based in Aurora, Colorado from October 2016 to March 2020.

National Director of Creative and Technical Training: Patrick Butler

Patrick Butler has been with us since January 2014, initially as our Technical Director – Education and currently as our National Director of Creative and Technical Training.

Senior Director, Operating and Training Support: Sarah Klingensmith

Sarah Klingensmith has served as our Senior Director, Operating and Training Support, since December 2023. From May 2021 to November 2023, Ms. Klingensmith was the National Director of Training and Operations for Diesel Barbershop Franchising, a barbershop company based in San Antonio, Texas. From October 2018 to April 2021, Ms. Klingensmith was the Regional Director, Field Services Education and Operations, for Ulta Beauty, a retail salon products company based in Bolingbrook, Illinois.

Director of Client Experience and Insights Support: Kelly Woolen

Kelly Woolen has served as our Director of Client Experience and Insights Support since December 2021, and was our Manager, Client Service and Voice of the Customer Program Manager from September 2012 to December 2021.

Facilities and Development Support Manager: Anjennae Hoffman

Anjennae Hoffman has served as our Facilities and Development Support Manager since May 2020. From January 2019 to May 2020, Ms. Hoffman was our Purchasing and Inventory Specialist. From April 2014 to January 2019, Ms. Hoffman served as our Facilities Development Coordinator.

Director of Enterprise Applications and Business Intelligence: John Brosseau

John Brosseau has led our innovation initiatives, including POS implementation, as our IT Innovations Lead and Director of Enterprise Applications since February 2020. From March 2017 to October 2019, Mr. Brosseau was an IT Product Manager for Roots Software/Katerra, a firm based in Centennial, Colorado.

ITEM 3
LITIGATION

Matthew Chavez and Nicole Deis v. Roise Barbers, Inc., Jonathan M. Roise, Floyd’s 99 Holdings, LLC and Floyd’s 99 Franchising, LLC, No. 37-2020-00040793-CU-OE-CTL (Superior Court of the State of California for the County of San Diego, filed November 6, 2020). On March 27, 2023, Plaintiffs filed a Second Amended Class Action Complaint to add Floyd’s 99 Holdings, LLC and Floyd’s 99 Franchising, LLC as defendants to the lawsuit previously filed against Roise Barbers, Inc., a FLOYD’S 99 franchisee, and Jonathan Roise. Plaintiffs are former employees of Roise Barbers, Inc., and seek damages, relief and restitution under California law for alleged employment and labor violations. Plaintiffs allege that Floyd’s 99 Franchising, LLC is liable as a joint employer or co-employer with Roise Barbers, Inc. On June 14, 2023, Floyd’s 99 Holdings, LLC was removed from the litigation when it was dismissed without prejudice. Floyd’s 99 Franchising, LLC disputes Plaintiff’s allegations and will vigorously defend its rights in this action.

Other than the above action, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Development Agreement

Qualified applicants will have the right to purchase franchise rights to develop and open multiple Barbershops by signing a Development Agreement together with the Franchise Agreement for the first FLOYD’S 99 Shop to be developed. When you sign the Development Agreement and first Franchise Agreement, you must pay us a development fee which will vary based on the number of Barbershops you commit to develop. The development fees for Barbershops under a Development Agreement are: (a) \$49,500 for each of the first and second Barbershops, and (b) \$34,500 for the third and each subsequent Barbershop. The development fee is fully earned by us on receipt for the grant of a geographic territory reserved for your development of Barbershops and is non-refundable.

Franchise Agreement

Although we do not typically grant franchise rights to own and operate a single FLOYD’S 99 Shop, if you are granted the right to own and operate a single Barbershop a non-refundable initial franchise fee of \$49,500 is payable to us in full when you sign your Franchise Agreement.

VetFran Program

We proudly participate in the International Franchise Association’s Veterans Transition Franchise Initiative, otherwise known as “VetFran.” If you are a new franchisee and one of your owners is a veteran who was honorably discharged from the United States Armed Forces or is on active duty on the date you sign your Franchise Agreement, we reduce the initial franchise fee for your first new franchise if that individual owns at least 10% of the franchisee. The reduced fee will be \$37,125, which is a \$12,375 or 25% discount. A discount will not be given for franchises which are developed under a Development Agreement.

All of the initial fees described in this Item 5 are the same for all FLOYD’S 99 Barbershops unless otherwise specified.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	6% of Gross Sales	Payable on the day of the week we periodically designate, based on prior week’s Gross Sales	Gross Sales include all revenue from the Barbershop, including sales made away from the Barbershop premises. Gross Sales do not include sales taxes and discounts that have been approved by us in advance. Royalties are paid by electronic transfer of funds.
National Marketing Contribution ¹	<p>Currently 1.5% of Gross Sales, but we can require (upon 90 days’ notice to you) up to a maximum of 3.0% of Gross Sales.</p> <p>The combination of the National Marketing Contribution and Local Advertising Allocation will not exceed a total of 4% of Gross Sales.</p> <p>(See Royalty Remarks above for discussion of “Gross Sales”)</p>	Payable on the day of the week we periodically designate, based on prior week’s Gross Sales	<p>We currently collect a National Marketing Contribution equal to 1.5% of Gross Sales and reserve the right to increase this amount up to 3.0% of Gross Sales on 90 days’ prior written notice to you.</p> <p>Contributions are used primarily for production of advertising and marketing for the Barbershops. See Item 11. Our affiliate-owned Barbershops contribute the same as franchisee-owned Barbershops. The National Marketing Contribution is paid by electronic transfer of funds separate from the royalty transfer. Certain franchisees that signed Franchise Agreements prior to the date of this Disclosure Document have a National Marketing Contribution requirement of 1% of Gross Sales.</p>
Local Advertising Allocation ²	<p>1% of Gross Sales</p> <p>The combination of the National Marketing Contribution and Local Advertising Allocation will not</p>	As incurred	The Local Advertising Allocation is in addition to the National Marketing Contribution, but is retained by you to advertise your Barbershop. This is the minimum average you must spend each calendar quarter, with a report of expenditures submitted as part of your required financial reporting to us. Funds spent on local advertising must

Type of Fee	Amount	Due Date	Remarks
	exceed a total of 4% of Gross Sales.		<p>be focused on the promotion of your Shop to consumers. Funds spent through sites or networks such as Indeed, Craigslist, or other similar sites or professional networks, whether to recruit employees or for other purposes, are not approved as local advertising.</p> <p>If we establish a Regional Advertising Co-op which includes your Barbershop, your Local Advertising Allocation may be reallocated to the co-op.</p>
Regional Advertising Co-ops ²	<p>Not currently assessed.</p> <p>May vary, with recurring contributions up to 1% of Gross Sales.</p>	Usually on a weekly basis, based on prior week's Gross Sales, or as directed by co-op	As of the date of this Disclosure Document, there were no established cooperatives. If a cooperative is established in your area, the contribution of each member is anticipated to be 1% of Gross Sales. Our Barbershops will contribute on the same basis as franchised Barbershops. If we form a cooperative, you will be bound by the decisions of the majority of the members of the cooperative regarding expenditures, assessments and dues, to the extent we approve them. The Local Advertising Allocations of co-op members will reduce proportionally.
Marketing Agency Services ³	As charged by third party vendors. In some cases we pay the marketing agency on your behalf and you reimburse us for the actual cost of the marketing agency's services	As incurred	You may elect to use the services of our marketing agency to prepare materials or marketing collateral or provide other services for your Barbershop. You are responsible for payment of the actual costs for such materials and services and may be required to reimburse us for such actual costs if we pay the marketing agency on your behalf.
Interest and Late Charges ¹	\$25 late charge, plus the lesser of 1.5% per month, or highest rate of interest allowed by law	Late fee automatically assessed; interest on demand	Begins to accrue the day after payments are due.
Costs of Inspection and Audit ¹	Varies, with interest on any past due amounts at lesser of 1.5 % per month or highest rate of	15 days after receipt of our notice to you of any underpayment	Payable only if we decide to conduct an audit and: (1) you understated your Gross Sales by more than 3%; (2) the audit resulted from your failure to submit reports to us or our inability to collect royalties due for either two

Type of Fee	Amount	Due Date	Remarks
	interest allowed by law		consecutive weeks or four total weeks during any calendar year; or (3) you do not cooperate in our request for an inspection and audit.
Transfer Fee ¹	\$7,500, plus \$5,000 for every undeveloped franchise under a Development Agreement	Before effectiveness of transfer	Payable when the franchise agreement, interest in the Barbershop or the franchise is transferred by you. The transferee is charged no initial franchise fee. Additional Development Fees may be charged to the buyer if a new Development Agreement is executed.
Renewal Fee ¹	20% of the then current initial franchise fee for a single (first) franchise	When you sign the then current Franchise Agreement	Payable if you opt for and qualify for a successor franchise at the end of the initial term. We currently waive the payment of an initial franchise fee for those franchisees who renew. We reserve the right to change this policy at any time. See <u>Item 1</u> of this Disclosure Document for a more detailed discussion of the renewal of existing franchises.
Extensions of Development Schedule (Development Agreement) ¹	\$5,000 extension fee for the second extension	As incurred	If you fail to open or maintain the required number of Shops under the Development Schedule, we may (in our sole discretion) grant you the right to extend the Development Schedule. If provided, the first extension is at no charge and the second extension requires payment of a nonrefundable \$5,000 extension fee.
Trainer Expenses ¹	Currently \$200-\$400 per day, depending on the trainer's expertise, plus travel expenses.	As incurred	Payable if we send a trainer to your Barbershop at your request.
Additional Site Plan Fees ¹	\$100 an hour	As incurred	Payable only if we are required to make excessive changes to your local architect's plans for your Barbershop.
Additional Assistance Fee ¹	Currently \$250 a day, plus travel and living expenses; daily rate will be then current published price	As incurred	Payable only if you request additional on-site assistance or if we require you to receive on-site assistance.
Inventory Purchases ⁵	Current published prices	As incurred, on net 15-day terms	Our designated supplier will charge you for the inventory you purchase. You must maintain a reasonable level of inventory of Floyd's branded hair care products plus a mix of other

Type of Fee	Amount	Due Date	Remarks
			branded products that meets our specifications.
Alternate Suppliers – Testing and Inspection Costs ¹	You must reimburse us for our actual cost of any testing and the reasonable cost of investigation to determine whether items or suppliers meet our specifications	As incurred	You must notify us and obtain our written approval in advance if you want to purchase or lease items from a supplier we have not designated or approved. You are responsible for our costs (as noted in the Amount column) to determine whether those items or those suppliers meet our specifications.
Service Support Charge ⁵	Currently \$210 per month, as charged by a third-party vendor	Monthly; or as charged	Currently paid to our designated supplier. An hourly fee may be charged by our supplier if your POS System needs extensive maintenance or troubleshooting.
POS System License and Related Fees ⁵	Currently an annual license fee of \$2,700 (if paid up front in a lump sum) or \$250 per month; other potential charges may apply (see note)	Monthly or Annually	Currently paid to our designated supplier. You have the option to pay these fees monthly or annually (a discount is provided if the license fee is paid up front). Our designated supplier provides monthly text and email messaging services (1000 text messages and 5000 emails per month) without additional charge. If these thresholds are exceeded, additional charges of \$0.03/text message and \$0.002/email apply. You must reimburse us for any POS System license or related fees that we pay on your behalf.
Internet Connection ⁵	As charged by third-party vendors	Monthly or as charged	Currently, you pay a third-party provider directly for your Internet connection and the National Marketing Fund pays for website maintenance. We reserve the right to require you to pay for electronic mail and website maintenance if we provide or participate in the provision of either of these services to you.
Recruiting Platform ⁵	\$1,000 - \$1,500 per year if you elect to use texting as an option	As incurred	We make ICIMS (a recruiting software platform) available to you as a tool. There is currently no cost to use ICIMS unless you elect to use texting as an option. If you electing to use texting, ICIMS bills us or our affiliates for this option and we then invoice you for the ICIMS charge.
Costs and Attorneys' Fees ¹	Will vary depending on nature of your default	As incurred	Payable upon your failure to comply with the Franchise Agreement.

Type of Fee	Amount	Due Date	Remarks
Indemnification Under Franchise Agreement ¹	Will vary depending on nature of the claim against us	As incurred	You have to reimburse us if we are held liable for claims resulting from your operation of your Barbershop.
Insurance Premiums	Will vary depending on your location and insurer	As incurred	You must carry insurance and pay the premiums required by your insurer. If you do not pay your premiums, we have the right (but not the obligation) to pay them for you. You must reimburse us for any insurance premiums that we pay on your behalf.
Training for New Principal Managers/Operators ¹	Currently, tuition is \$3,500; plus expenses to attend (your living expenses will vary)	As incurred	Payable if you are a new Principal Manager/Operator. We require all Principal Managers/Operators to complete our initial training program for a total tuition of \$3,500.
Liquidated Damages ¹	Will vary depending on remaining term of Franchise Agreement	On termination of your Franchise Agreement for uncured defaults	If we terminate your Franchise Agreement for uncured defaults, we have the right to recover lost future royalties for the period in which you failed to pay royalties including the remainder of the term of your Franchise Agreement. Lost future royalties will be calculated by averaging the royalties owed each month during the past 24 months and multiplying that average amount by the number of months remaining in the term of the Franchise Agreement. There is no cap on the lost future royalties we have the right to recover.

¹ Fees that we charge and must be paid to us or our affiliate. All fees are non-refundable and all are uniformly imposed on franchisees currently acquiring a franchise. We reserve the right to modify these fees under certain circumstances, including to resolve disputes, and when a franchise is sold to one of our officers or affiliated entities. Affiliate-owned Barbershops contribute to the National Marketing Fund, but do not pay royalties or other fees under a franchise agreement.

² Your required expenditures under your lease or mall regulations count toward this advertising requirement.

³ Expenses associated with travel, meals and lodging while attending training sessions. All of these expenses are payable to third parties. These expenses will vary according to where you stay, where you dine and how far you have to travel.

⁴ If you are not consistently timely in your payments for inventory, we may require you to pay on a C.O.D. basis.

⁵ Fees that may be charged by a third party. These types of fees are usually nonrefundable.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 1)	\$49,500	Lump Sum	At signing of Franchise Agreement	Us
Building, Tenant Improvements and Rent (See Note 2)	\$185,000 – \$400,000	As incurred	Before Opening	Other Suppliers
Equipment, Furnishings, Finishes and Supplies (See Note 3)	\$50,000 – \$90,000	As incurred	Before Opening	Other Suppliers
Signs (See Note 4)	\$14,000 – \$55,000	As incurred	Before Opening	Other Suppliers
Point-of-Sale System, Software, Office Equipment, Audio/Video, IT and Electronics (See Note 5)	\$12,000 – \$20,000	As incurred	Before opening	Us and Other Suppliers
Opening Inventory and Supplies (See Note 6)	\$8,000 – \$14,000	Lump Sum when ordered	Before Opening	Us, our Affiliates and Other Suppliers
Security Deposits, Utility Deposits, Business Licenses (See Note 7)	\$5,000 – \$12,000	As incurred	Before Opening	Other Suppliers
Initial Advertising and Marketing Campaign (See Note 8)	\$25,000	As incurred	Before, at or around opening	Other Suppliers
Initial Training: Travel and Living Expenses (See Note 9)	\$4,000 – \$8,000	As incurred	Before Opening	Other Suppliers
Insurance (See Note 10)	\$2,000 - \$3,000	As incurred	As incurred	Other Suppliers
Professional Fees (See Note 11)	\$5,000 - \$15,000	As incurred	As incurred	Other Suppliers
Additional Funds - 3 months (See Note 12)	\$40,000 – \$71,000	As incurred	As incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 13)	\$399,500 – \$762,500			

Explanatory Notes

Note 1: Initial Franchise Fee. When you sign the Development Agreement to open multiple Barbershops, you must pay us a development fee which will vary based on the number of Barbershops you commit to develop. The development fees for Barbershops under a Development Agreement are: (a) \$49,500 for each of the first and second Barbershops, and (b) \$34,500 for the third and each subsequent Barbershop.

Note 2: Building, Tenant Improvements and Rent. Typically, a FLOYD'S 99 Shop will have approximately 1,200 to 1,600 square feet of retail space and will accommodate approximately 10 to 12 barber chairs. The lower estimate in the chart assumes that a tenant finish allowance is negotiated; the high-range estimate assumes no tenant finish allowance. Your costs for tenant finish for a Barbershop will depend in large part on the square footage of your Barbershop, whether your space must be completely constructed or is the remodel of an existing space, whether HVAC units need to be installed, the location and overall costs in the market in which you are developing the Barbershop. The estimates in the above chart reflect the build-out of and three months of rent for an average empty space based on the recommended Barbershop size, although your actual costs may be less or more than the estimates. The leasehold improvements that you will typically make to a built but unimproved location include: interior remodeling, floor covering, painting, HVAC, electrical, plumbing, design and other improvements. These estimated costs also include payments for architectural charges, which may consist of: (1) any expenses related to the "as built" survey that you must obtain and provide to an architect that we may designate; (2) architectural charges for that architect's provision of one standard set of blueprints for your Barbershop; and (3) preparation of any additional sets of blueprints or any modifications that may be required to comply with local zoning, other regulations or landlord requirements. See also Item 8. If you purchase property or a building, or both, for the Barbershop, your additional costs will depend on the location and size of the land and building. We do not typically invest in the land and building for a FLOYD'S 99 Shop. We are unable to estimate these costs due to the significant variances based on location and market conditions. The estimates also include the cost of rent for your first three months of operations. The amount of rent will depend on the size of your Barbershop, the types of charges allocated to you under your lease, your ability to negotiate with your landlord and the prevailing rental rate in the geographic region.

Note 3: Equipment, Furnishings, Finishes and Supplies. This includes custom barber chairs, comfortable waiting area seating, and certain other furnishings, equipment and finishes. For the equipment, furnishings, finishes and supplies that you order, one half of these costs are due when you order these items and the other half of these costs are due upon delivery of these items to you.

Note 4: Signs. One half of the signage costs are due when you order your signs and the other half of these costs are due upon delivery of the signs to you.

Note 5: Point-of-Sale System, Software, Office Equipment, Audio/Video, IT and Electronics. This item includes the estimated costs to purchase and license one computerized point-of-sale (POS) system (which currently includes one laptop, one desktop computer, and a desktop monitor) and payment for certain customized software and related hardware that you will use in every Barbershop. Unless otherwise specified, one half of the costs for your point-of-sale system, software, office equipment, audio/video, IT and electronics are due when you order these items and the other half of these costs are due upon delivery of these items to you. Approximately two months before your Barbershop opens, you will pay a \$299 set up fee to our designated supplier to configure your POS system at your Barbershop. Any custom reports or other enhancements you request from the POS System provider (which are specific to your Shop) are at your expense and would raise the estimates provided in this item. Additionally, you will pay a license fee to our designated supplier in the amount of \$2,700 (annual license fee if paid up front) or \$250 per month. None of these payments are refundable once paid. Your costs may be higher if you decide

to add more POS terminals or credit card terminals. The POS software license fee is paid to our designated vendor, and all other costs are paid directly to third party vendors before the Barbershop opens. See Item 11. We reserve the right to require you to purchase a new POS system and to purchase proprietary software that we may develop in the future from us or a designated supplier. See Items 8 and 11 for other information about the required POS system and computer hardware and software for your Barbershop. In addition to the POS system, this item includes the estimated costs to purchase a telephone service, a printer capable of copying/scanning/faxing, flat screen televisions, reception desk, audio/video equipment and a security system with cameras for your Shop.

Note 6: Opening Inventory and Supplies. You must open with and maintain an adequate inventory of barber and stylist operating supplies, cleaning supplies, office materials and an opening inventory of branded hair care products and related goods.

Note 7: Security Deposits, Utility Deposits and Business Licenses. Security deposits, if applicable to your Barbershop, range from one to two months' rent; utility deposits range from a nominal amount to approximately \$1,000; and business licenses range from approximately \$100 to \$3,000. Stylists and barbers are responsible for obtaining and maintaining their own individual licenses; however, states typically require that the Barbershop have a separate license.

Note 8: Initial Advertising and Marketing Campaign. We reserve the right to require you to spend this amount for the first FLOYD'S 99 Shop that is opened in a market where no other FLOYD'S 99 Shops have been developed. FFL and you will design the grand opening promotional campaign, which typically consists of up to 60 days of promotions and advertising mutually planned by FFL and you. If you sign a Development Agreement to open more than one Barbershop in the same market, we reserve the right to require you to pay up to \$25,000 for an opening advertising and marketing campaign for the second Barbershop and each subsequent Barbershop that you develop.

Note 9: Initial Training: Travel and Living Expenses. Your travel and living expenses when you attend our initial training program will vary depending on the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program. The estimate in the chart covers expenses for two people attending our New Franchise Training Program, including classroom training and on-the-job training. If scheduling permits, the on-the-job training includes attendance at the opening of a new Barbershop in Colorado or other location that we designate. Training costs may be higher than presented in the chart if additional training at a second location is necessary due to an extended delay between completion of our New Franchise Training Program and your Barbershop opening. See Items 6 and 11 for additional information regarding our training programs and related costs.

Note 10: Insurance. This estimate includes the estimated quarterly insurance premium for the insurance policies we require you to maintain. You should contact your insurance agent and obtain an estimate of your actual insurance costs.

Note 11: Professional Fees. This is an estimate of the costs you could incur over a three-month period if you engage the services of an attorney and/or accountant to assist you in evaluating this franchise offering, negotiating your lease and/or forming an entity to own the franchise. Your costs may vary depending on how much you rely on your chosen advisors and the hourly rates your advisors charge.

Note 12: Additional Funds. This estimates your pre-operational expenses, which we have not listed above, as well as additional funds necessary for the first three months of your business operations, but excludes your salary. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic

conditions; the local market for our products and services; the prevailing wage rate; competition; the sales level reached during this initial period; and the rental rates for real estate in your local market. We relied on our principals' 21 plus years of experience developing FLOYD'S 99 Barbershops when preparing these figures.

Note 13: Multiple FLOYD'S 99 Shops. Except as mentioned above, you will incur the costs described in the chart above for every FLOYD'S 99 Shop developed under a Development Agreement.

You should review these figures carefully with a business advisor before making any decision to purchase a franchise. None of the fees estimated in the chart above are refundable. We do not offer financing either directly or indirectly for any part of the initial investment.

YOUR ESTIMATED INITIAL INVESTMENT- DEVELOPMENT AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee (See Note 1)	\$99,000 to \$375,000 (2 – 10 Shops)	Lump Sum	Upon signing the Development Agreement	Us
Other Expenditures for first FLOYD'S 99 Shop (less initial franchise fee for first FLOYD'S 99 Shop, which is included in the Development Fee) (See Note 2)	\$350,000 to \$713,000	As disclosed in first table under <u>Item 7</u>	As disclosed in first table under <u>Item 7</u>	As disclosed in first table under <u>Item 7</u>
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 3)	\$449,000 to \$1,088,000			

Explanatory Notes

Note 1: Development Fee. The chart provides an estimate of your initial investment to open your first FLOYD'S 99 Shop assuming you sign a Development Agreement to develop 2 (low estimate) or 10 (high estimate) Barbershops. When you sign a Development Agreement to open multiple Barbershops, you must pay a Development Fee which will vary based on the number of Barbershops you commit to develop. The Development Fees for Barbershops under a Development Agreement are: (a) \$49,500 for each of the first and second Barbershops, and (b) \$34,500 for the third and each subsequent Barbershop. The Development Fee is fully earned by us on receipt for the grant of a geographic territory reserved for your development of Barbershops and is non-refundable. The low estimate assumes you will enter into a Development Agreement requiring you to develop 2 Barbershops and the high estimate assumes you will enter into a Development Agreement to develop 10 Barbershops.

Note 2: Other Fees. You would also incur the estimated initial investment for the second and each subsequent Barbershop developed, plus the balance due on the initial franchise fee.

Note 3: Multiple FLOYD'S Shops. The estimates in the chart assume you will sign a Development Agreement to develop 2 (low estimate) or 10 (high estimate) Barbershops.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations.

Your FLOYD'S 99 Shop must be established and operated in compliance with your Franchise Agreement. It is mandatory that you comply with the standards and specifications contained in an operations manual we provide to you, in the form of one or more manuals, technical bulletins, electronically transmitted messages, or other written materials sent electronically (referred to collectively in this Disclosure Document as "**Operations Manual**"), which we may modify. The Operations Manual is designed to protect the Licensed Methods and the Marks and is not intended to control the day-to-day operation of your Barbershop. We provide you with our mandatory standards and specifications for the hair cutting, coloring and barber specialty techniques and related scheduling and pricing strategies, client relations, employee training, marketing and advertising, hair care products and related products and services offered at or through your Barbershop and for the Franchised Location, décor, equipment, furniture, fixtures, supplies, forms, advertising material, and other items used at your Barbershop. Although we provide you with the standards and specifications described above, these standards and specifications are provided for the protection of the FLOYD'S 99 brand and the Licensed Methods. You are solely responsible for all employment decisions at your Barbershop, including decisions related to hiring, training, firing, scheduling, compensation, benefits, discipline, supervision and the day-to-day operation of your Shop.

Barbershop Build-Out and Lease.

You must, at your expense, construct, convert, design and decorate the Barbershop location in accordance with our plans and specifications. We will provide you with design plans and specifications for your Barbershop and you will then be required to provide us with construction plans prepared by a contractor or architect we approve. We require that you obtain our written consent to any proposed Franchised Location and any proposed improvements to the Franchised Location before construction begins.

We must approve any lease, including all lease amendments, or, if applicable, any purchase agreement for your Barbershop before you execute any of these agreements. Then, a copy of the signed lease is to be delivered to us within 15 days after signing. You must sign a lease for the Franchised Location within two hundred seventy (270) days of signing the Franchise Agreement. The primary lease must contain certain provisions which grant us certain rights, as your franchisor, and we reserve the right to modify these required provisions. You are responsible for obtaining the landlord's consent to those terms specified.

You and your landlord must sign our Lease Addendum and Conditional Assignment of Lease, which are attached to this Disclosure Document as Exhibit L. The Lease Addendum generally protects our rights under the Franchise Agreement. Under the Conditional Assignment of Lease, we can take possession of the Franchised Location if you violate the lease or any obligation to us. You will remain responsible for all obligations under the lease prior to the date when we take possession.

POS System.

You must license a point-of-sale system ("**POS System**") that we specify from our designated vendor. Currently, the POS System is comprised of two personal computers which access a cloud-based POS System. We reserve the right to change the POS System specifications on 30 days' notice, requiring you to incorporate tablets or other mobile devices, upgrade or replace the POS System, or purchase or license other hardware and software at your expense. We may also change standards for data security and

require you to purchase hardware, software, maintenance services, update services or monitoring services that comply with our standards on 30 days' notice. Each of our franchisees must also use operations and accounting software or programs with capabilities that meet our standards and specifications. We and our affiliates are currently the designated suppliers of the POS System hardware and software (which includes our proprietary software programs) for your Barbershop, and we reserve the right to approve other suppliers of the POS System and any software maintenance and update services that we require now or in the future. You will either pay us or the designated supplier directly for the POS System and any related services. We reserve the right to change the approved supplier for the POS System and any other software maintenance and update services that we require now or in the future. We will derive revenue from your license of the POS System, but did not derive revenue from the POS System in the 2023 fiscal year. We can require you to purchase from us or from an approved supplier any modifications and upgrades to the POS System that may be developed in the future.

Purchases from Designated or Approved Sources.

In addition to the POS System, we require that you purchase from us or other designated or approved sources, certain branded hair care products and other proprietary hair care accessories that we have developed (“**Proprietary Items**”). Lefty’s is currently a manufacturer of Proprietary Items. Salon Innovations, Inc. (dba Pro47), a hair care products distribution company based in Minnesota which is unaffiliated with us, is the designated supplier of the Proprietary Items manufactured by Lefty’s. We reserve the right to change or designate suppliers at our discretion in the future. We refrain from divulging the formulations for Proprietary Items because we maintain the formulations as trade secrets. Pro47 charges standard and customary prices for a professional hair care line selling directly to a volume purchasing group of salons. Pro47 charges the same prices to franchised Barbershops as it charges to company and affiliate-owned Barbershops.

You will purchase some equipment for your Barbershop, a barber pole, barber chairs, waiting area chairs, hair care supplies and products for retail sale either from us, directly from our designated suppliers of these items or through purchasing arrangements we have negotiated. You will also purchase the signs for the exterior of your Barbershop from our designated sign vendors, including neon signs. We require that you purchase information technology services from our designated or approved vendors. Vector Security and Lightstream are currently approved suppliers for network as a service. You can purchase or lease the rest of your equipment, a back office computer, accounting software, credit card processing services, hair accessories and other inventory, supplies, printing services for marketing materials and in-shop signs, and services used, sold or leased through your FLOYD’S 99 Shop only from suppliers designated or approved by us in advance. You must only purchase, lease, sell or use equipment, computers, inventory, supplies and services meeting our standards and specifications. On or before your commencement of our initial training program, or during the lease negotiations phase for a second or subsequent Barbershops, we will make available to you a list of our designated and approved suppliers, the standards and specifications for items to be used, sold or leased by you through your FLOYD’S 99 Shop, as well as our criteria for approving a supplier. We reserve the right to require you to purchase certain items of specified furnishings, supplies, inventory or equipment directly from us or Holdings if we purchase such items in bulk.

Other than Lefty’s and Elevate, we are not currently affiliated with any designated or approved suppliers. Three of our officers are also officers of Holdings and Lefty’s, but none of our officers own an interest in Lefty’s, a wholly owned subsidiary of Holdings. Three of our officers own an interest in Holdings, the parent of Lefty’s. Three of our officers also own an interest in Elevate. FFL, on behalf of itself and its affiliates, reserves the right to sell products, equipment, supplies and services to franchisees and to derive revenue from such sales. Lefty’s currently manufactures Proprietary Items for sale in the Barbershops and Elevate currently provides information technology services to franchisees. For the fiscal

year ending December 31, 2023: (1) Lefty's revenues related to purchases of Proprietary Items by our franchisees was \$769,093, or 35% of Lefty's total revenue of \$2,201,844, and (2) Elevate's revenues from purchases made by our franchisees was \$130,832, or 34% of Elevate's total revenue of \$387,545. We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 50% to 75% of the total cost of establishing a FLOYD'S 99 Shop and approximately 5% to 15% of the total cost of operating a FLOYD'S 99 Shop after that time.

You shall not purchase or lease any inventory, equipment, supplies, or services we have not approved, or purchase or lease these items from a supplier we have not designated or approved. You must notify us and obtain our written approval in advance if you want to purchase or lease items from a supplier we have not designated or approved. The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications. You must reimburse us for the actual cost of any testing and the reasonable cost of investigation to determine whether those items or those suppliers meet our specifications. Other than suppliers or vendors who are our only approved or designated sources, we will not unreasonably withhold our approval of a supplier of your choosing if the supplier meets our published standards and specifications. We will notify you in writing within 30 days of receiving your request if we reject a proposed supplier. We reserve the right to change the published standards regarding any approved supplier or any inventory, equipment, supplies, or services used, offered for sale or leased by franchisees upon 30 days written notice to all franchisees and all approved suppliers. We may revoke our approval of a supplier on 30 days prior written notice.

We do not provide material benefits, such as renewal or granting additional franchises to franchisees, based on your use of designated or approved sources or suppliers.

Purchasing Arrangements.

We have a purchasing arrangement with a designated vendor to supply FLOYD'S 99 Shops with certain retail products, salon supplies and equipment. Although rebates are available under this purchasing arrangement, in fiscal year 2023 we did not receive any rebates under this arrangement or any other arrangement based on purchases by franchised and affiliate-owned Barbershops. Other than this arrangement, we have no purchasing or distribution cooperatives, although we may establish pricing programs with certain suppliers based on volumes purchased. You should not rely on the continued availability of any particular pricing or distribution arrangement, nor the availability of any particular product or brand in deciding whether to purchase the franchise. Periodically, we may negotiate other purchase arrangements with suppliers for the benefit of our franchisees. FFL and Holdings have the right to receive payments from suppliers on account of their dealings with you and other franchisees. During the 2023 fiscal year, neither FFL nor Holdings received any payments from suppliers as a result of franchisee purchases in 2023. We may, in our discretion, retain the credit of any volume discounts, rebates or incentives received as a result of your purchases, use them for training purposes or contribute them to the National Marketing Fund.

Advertising and Marketing.

All marketing and promotion of your FLOYD'S 99 Shop must conform to our standards and specifications. You must submit to us samples of all advertising and promotional materials that have not been prepared or previously approved by us. Your Barbershop must participate in promotions we institute periodically for all FLOYD'S 99 Shops, or for all FLOYD'S 99 Shops within a particular area. We retain the right to develop and control all Internet advertising and messages of any kind, including social media, using our Marks. We reserve the right, upon 30 days prior written notice to you, to require that you participate in electronic advertising by creating, customizing or providing access to a linked web page or

otherwise. All FLOYD'S 99 Shops, including our Barbershops, must participate in this program and in other promotions we may adopt.

Gift Card and Other Promotional Card Programs.

We reserve the right to require you to participate in, and to purchase and utilize processing equipment and software designated by us to implement a prepaid card, gift card, rewards card or customer loyalty program (each, a "**Card Program**"). As of the date of this Disclosure Document, we have implemented a gift card program that you must participate in. The fees which are currently associated with the operation of the Card Program are paid by the National Marketing Fund. You must follow the guidelines set forth in the Operations Manual with respect to your obligations and responsibilities under a Card Program, the methods of operation for a Card Program, the transaction information you are required to provide to us and the retention of complete and accurate books and records regarding transactions made pursuant to a Card Program. To comply with applicable state laws and regulations, the funds you receive in connection with the sale, activation and reloading of prepaid cards, gift cards, rewards cards or similar promotional cards, and the subsequent transactions which are made by the holders of such cards will be accounted for separately from other sales made at your Barbershop. We reserve the right to collect the funds you receive in connection with the sale and activation and reloading of prepaid cards, gift cards, rewards cards or similar promotional cards for reconciliation of the cardholder revenue and debited cardholder sales. You are responsible for compliance with all federal and state laws that may regulate gift and stored value cards, including any unclaimed property and cash refund laws in your state. We may charge you transaction fees to activate, reload, redeem and otherwise administer a Card Program. You may be required to sign an addendum to your Franchise Agreement as a condition of participation in a Card Program. Additionally, we have the right to audit your books, records and processes relating to a Card Program. You may be required to pay the costs of an audit if the audit reflects an underpayment of more than 5% during the period reviewed.

Insurance.

All insurance must meet our standards and specifications and must be written by a responsible carrier or carriers reasonably acceptable to us. You must procure, maintain and provide evidence of certain proscribed levels of liability insurance, unemployment and worker's compensation insurance, employment practices liability insurance, all-risk personal property insurance and cyber liability insurance. You also must provide us with certificates of insurance evidencing your insurance coverage before the opening of your FLOYD'S 99 Shop. All insurance policies must name us as an additional insured and give us at least 30 days prior written notice of termination, amendment or cancellation. You must furnish us with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums as we request periodically. We reserve the right to require you to change the type of insurance you are required to maintain and, upon 60 days prior written notice to you, to revise the required coverage limits.

Your obligation to obtain and maintain the foregoing insurance policies in the amounts we specify will not be limited in any way by reason of any insurance maintained by us, nor will your performance of that obligation relieve you of liability under the indemnity provisions in the Franchise Agreement.

If you fail to procure or maintain the insurance that we require, we may (but are not required to) obtain the required insurance and charge the cost of the insurance to you. The costs to us of obtaining the insurance, together with a fee for our expenses in so acting, will be payable by you immediately upon notice. The foregoing remedies will be in addition to any other remedies we may have at law or in equity.

Currently, you must obtain, maintain and provide evidence of: (i) comprehensive general liability insurance for the Franchised Location and its operations with a limit of not less than \$2,000,000.00

combined single limit or with such greater limits or such other terms and conditions as may be described in the Operations Manual or required as part of any lease agreement for the Franchised Location; (ii) unemployment and worker’s compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; (iii) employment practices liability insurance of not less than \$500,000 to \$1,000,000 per claim, including third-party liability, wage and hour defense costs and punitive and exemplary damages claims, where insurable; (iv) all-risk personal property insurance in an amount equal to at least 100% of the replacement costs of the contents and tenant improvements located at the FLOYD’S 99 Shop; and (v) cyber liability insurance with a limit of not less than \$1,000,000 per claim.

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.

	Obligation	Section In Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 3.1, 5.1 and 5.2 of Franchise Agreement; Section 5.3 of Development Agreement; Exhibit L	Items 8 and 11
b.	Pre-opening purchases/leases	Sections 5.2, 5.3, 5.4, 5.5 and 5.6 of Franchise Agreement; Exhibit L	Items 5, 6, 7 and 8
c.	Site development and other pre-opening requirements	Sections 5.3, 5.4, 5.5, 5.6, 5.7 and 5.8 of Franchise Agreement; Exhibit L	Items 7, 8 and 11
d.	Initial and ongoing training	Article 6 of Franchise Agreement; Article 6 of Development Agreement	Item 11
e.	Opening	Section 5.9 of Franchise Agreement	Item 11
f.	Fees	Articles 4, 12 and 13, Sections 16.1, 20.4, 21.3 and 24.8 of Franchise Agreement; Section 8 of Amendment to Franchise Agreement (Renewal) (“ Renewal Amendment ”); Article 4 and Section 5.2(c) of Development Agreement	Items 5, 6 and 7
g.	Compliance with standards and policies/Operations Manual	Article 8 and Sections 14.1 and 14.2 of Franchise Agreement	Item 1
h.	Trademarks and proprietary information	Article 15 and Section 21.3 of Franchise Agreement; Article 7 of Development Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Sections 3.2, 10.1(d) and 14.4 of Franchise Agreement	Items 11 and 16
j.	Warranty and client service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	Not Applicable – Franchise Agreement; Articles 2 and 5 of Development Agreement	Item 12

	Obligation	Section In Agreement	Disclosure Document Item
l.	On-going product/service purchases	Sections 14.5, 14.6 and 14.7 of Franchise Agreement	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 5.3 and 10.1(a), (b) and (h) of Franchise Agreement; Renewal Amendment	Item 11
n.	Insurance	Article 23 of Franchise Agreement	Item 7
o.	Advertising	Article 13 of Franchise Agreement	Items 6, 7 and 11
p.	Indemnification	Section 21.3 of Franchise Agreement; Section 10.3 of Development Agreement	Item 6
q.	Owner's participation/management/staffing	Sections 10.1(c) and (i) of Franchise Agreement	Items 11 and 15
r.	Records/reports	Article 17 of Franchise Agreement	Item 6
s.	Inspections/audits	Sections 14.3 and 17.5 of Franchise Agreement	Item 6
t.	Transfer	Article 18 of Franchise Agreement; Article 8 of Development Agreement	Item 17
u.	Renewal	Section 19.3, 19.4 and 19.5 of Franchise Agreement; Renewal Amendment	Item 17
v.	Post-termination obligations	Section 20.4 of Franchise Agreement; Sections 9.3 and 11.2 of Development Agreement	Item 17
w.	Non-competition covenants	Article 22 of Franchise Agreement; Article 11 of Development Agreement	Item 17
x.	Dispute resolution	Sections 24.4, 24.5 and 24.8 of Franchise Agreement; Sections 13.4 and 13.5 of Development Agreement	Item 17
y.	Owners/Shareholders Guaranty	Section 10.1(i) of Franchise Agreement; Exhibit II to Franchise Agreement; Exhibit II to Development Agreement	Item 15

ITEM 10
FINANCING

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

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

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

Pre-Opening Assistance.

Before you open your FLOYD'S 99 Shop, we or our designee will:

1. We will provide you with a map or description of your Designated Area, within which you must locate your Franchised Location. If you enter into a Development Agreement with us, we will provide you with a map or description of the Development Area within which you must locate a specified number of Franchised Locations in accordance with a Development Schedule that we determine. (Section 3.1 of the Franchise Agreement; Sections 2.1 and 5.1 of the Development Agreement)

2. Assist you in locating the site for your FLOYD'S 99 Shop facility (and the site for any future FLOYD'S 99 Shop developed under a Development Agreement) by providing you with our then-current written criteria for a Barbershop location and consult with you about possible locations. We do not generally own the premises for your Barbershop and lease it to you. You must locate and obtain our approval of the Franchised Location and the lease for your location before you sign it. No contractual limit exists on the time it takes us to approve or disapprove your proposed location. However, we typically take 15 to 30 days to approve or disapprove your proposed location, and we will extend your development deadlines when circumstances beyond your reasonable control delay the site selection and approval process. (Sections 5.1, 5.2 and 7.1(b) of the Franchise Agreement and Section 5.3 of the Development Agreement)

3. Provide you with design plans and specifications for your site and our standards and specifications for the leasehold improvements, signs, color, decor, products, inventory, equipment, POS system, computer hardware and software and displays. We must approve your construction plans and specifications before construction begins. You are responsible for the cost of plans prepared by an approved contractor and by your local architect, for any second review of your construction plans by us, if necessary, and for the cost of construction. (Sections 5.3, 5.4, 5.5, 5.6, 5.7 and 7.1(c) of the Franchise Agreement)

4. Provide you with information regarding the selection of suppliers of equipment, items and materials used, and hair care products and merchandise offered for sale, in connection with your Barbershop. We will make available to you a list of designated and approved suppliers of such equipment, items, materials, products and merchandise and, if available, a description of any regional or central purchase and supply agreements offered by such approved suppliers for the benefit of our franchisees. (Sections 7.1(d) and 14.5 of the Franchise Agreement)

5. Before the Barbershop's opening, we furnish an initial training program described below in this Item. (Sections 6.1, 6.2 and 7.1(a) of the Franchise Agreement and Section 6.1 of the Development Agreement)

6. Give you access to an electronic copy of our confidential and proprietary Operations Manual, covering the specifications, standards and operating procedures that we require in a FLOYD'S 99 Shop and information about your obligations in this regard. (Section 8.1 of the Franchise Agreement)

7. Provide assistance in the grand opening and grand opening marketing of your FLOYD'S 99 Shop location. (Section 7.1(f) of the Franchise Agreement)

The above assistance does not apply to a renewal franchisee.

Continuing Assistance.

During the operation of your FLOYD'S 99 Shop, we or our designee will:

1. Provide you access to advertising and promotional materials that we may, but are not required to, develop. We may, at our option, pass the cost of the advertising and promotional materials that you use on to you or charge the National Marketing Fund. (Section 9.1(a) of the Franchise Agreement)

2. Upon your reasonable request, provide consultation by telephone, facsimile or electronic mail regarding the continued operation and management of your FLOYD'S 99 Shop and information regarding hair care services, styling trends, client relations, product purchase, supply and sale and similar advice. (Section 9.1(b) of the Franchise Agreement)

3. Provide additional seminars or programs, at a frequency that we will determine, on new methods, marketing techniques, equipment and products. This may include a mandatory annual meeting or convention that all franchisees must attend at their cost. (Section 9.1(c) of the Franchise Agreement)

4. Provide you with updates of information and programs regarding the Barbershop, the FLOYD'S 99 concept, the hair care industry generally and the Licensed Methods, at a frequency which we shall determine, including, without limitation, information about additions and improvements to hair care services, styling trends, products and merchandise which may be developed and made available for sale by franchisees. Our Licensed Methods may address (to the extent allowed by law) the maximum, minimum or other price requirements for products and services a FLOYD'S 99 Shop sells, including requirements for special offers, discounts and promotions. (Section 9.1(d) of the Franchise Agreement)

5. Train replacement or additional Principal Managers and Barbershop managers in the initial training program, as applicable, during the term of the Franchise Agreement. We reserve the right to charge a tuition or fee, commensurate with our then current published prices for such training, payable in advance. You are responsible for all wages, traveling and living expenses incurred by your personnel during training programs. The availability of the training programs is subject to space considerations and prior commitments to new franchisees. (Sections 6.2, 6.3 and 9.1(e) of the Franchise Agreement)

6. Provide you with, or otherwise make available, any updates, changes or modifications to the Operations Manual and or other manuals and support materials that are related to the operation of your Barbershops. You are responsible for making sure that you continually update your manual(s) once we have made such updates or revisions available to you. (Section 8.3 of the Franchise Agreement)

7. Conduct inspections of your Barbershop, its operations, the services rendered within the Barbershop and your equipment, as we deem advisable in our sole discretion, to evaluate your compliance with our brand standards. (Section 14.3 of the Franchise Agreement)

8. We administer a National Marketing Fund for the benefit of all Floyd's 99 Barbershops. We also review for approval any local or regional advertising proposed by you. (Sections 13.2, 13.3 and 13.4 of the Franchise Agreement)

9. Review proposed transferees of your franchise business for approval. (Section 18.3 of the Franchise Agreement and Sections 8.2 and 8.3 of the Development Agreement)

Advertising and Promotion.

Initial Advertising and Follow-Up Local Advertising. FFL and you will design the grand opening promotional advertising campaign, to be conducted at or around the time your Barbershop opens for business. You will spend approximately \$25,000 (paid to third-party vendors) for the grand opening promotion. Your grand opening promotion will typically consist of up to 60 days of promotions and advertising mutually planned by you and FFL. At your option, the grand opening promotion may include discounts, such as \$5.00 off a service and half-price haircuts. The dollar amount of discounts offered to clients does not count toward your grand opening expenses. After the grand opening campaign, you must spend a minimum average per calendar quarter of at least 1% of your total Gross Sales during such calendar quarter on local advertising that has been pre-approved by us (your "**Local Advertising Allocation**"). When combined with your National Marketing Contribution, your total advertising obligation (your National Marketing Contribution plus Local Advertising Allocation) will not exceed 4% of your Gross Sales. Funds spent on local advertising must be focused on the promotion of your Shop to consumers. Funds spent through sites or networks such as Indeed, Craigslist or other similar sites or professional networks, whether to recruit employees or for other purposes, are not approved as local advertising. If a regional Co-op is formed, we may require that all or a portion of your Local Advertising Allocation is reallocated to the regional Co-op. An accounting of your local advertising expenditures is submitted to us as part of your required financial reporting, showing how you spent the Local Advertising Allocation, averaged over that calendar quarter, for local advertising expenditures. We reserve the right to purchase local advertising on your behalf and require you to reimburse us if you fail to spend the minimum amount required.

National Marketing Contribution. You must remit to us a contribution ("**National Marketing Contribution**") to our national marketing fund of up to 3% of your Gross Sales. As of the date of this Disclosure Document, we collect a National Marketing Contribution of 1.5% of your Gross Sales. When combined with your Local Advertising Allocation, your total advertising obligation (your National Marketing Contribution plus Local Advertising Allocation) will not exceed 4% of your Gross Sales. The National Marketing Contribution is due to us along with your Royalty payment, payable weekly on the day of the week we periodically designate, based on the amount of Gross Sales in the previous week. We deposit the National Marketing Contributions collected from all FLOYD'S 99 Shops in a bank account separated from our operating account ("**National Marketing Fund**"). All affiliate-owned FLOYD'S 99 Shops pay into the National Marketing Fund on an equal percentage basis with all franchised FLOYD'S 99 Shops. If you request it in writing, we will send you an annual, unaudited financial statement for the National Marketing Fund which indicates how the National Marketing Fund has been spent during the previous calendar year. Because we do not have the Fund audited, audited financial statements are not available to franchisees.

We administer the National Marketing Fund in our sole discretion. The National Marketing Fund proceeds may be used for the implementation and administration of the National Marketing Fund, including the creation, production and placement of commercial advertising, agency costs and commissions, creation and production of video, audio, and written advertisements, including direct mail, radio and other media advertising and employing advertising agencies and in-house staff assistance, supporting public relations, market research, brand recognition, point-of-purchase materials, third-party shopping services, gift card and stored value card programs, customer loyalty programs, sponsoring proprietary in-store music

streaming programs, employee incentives and retention programs, training programs, Internet advertising, marketing through social media, website design and maintenance, electronic mail communication, and other advertising and marketing activities. We do not spend any of the National Marketing Fund on soliciting franchisees.

We may reimburse ourselves from the National Marketing Fund for administrative costs, salaries and overhead expenses related to the implementation and administration of the National Marketing Fund and its marketing programs, including conducting market research, preparing material and collecting and accounting for National Marketing Contributions. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all FLOYD’S 99 Shops to the National Marketing Fund in that year. The National Marketing Fund may borrow from us or other lenders to cover deficits or cause the National Marketing Fund to invest any surplus for future use. Any amounts remaining in the National Marketing Fund at the end of each year accrue and we apply them toward the next year’s expenses. We do not guarantee that advertising expenditures from the National Marketing Fund will benefit you or any other franchisee directly or on a pro rata basis. The National Marketing Fund is not a trust fund, and we do not owe a fiduciary duty to you with respect to the maintenance, direction or administration of the National Marketing Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account. We are not required to conduct advertising for the FLOYD’S 99 franchise system and reserve the right to terminate the National Marketing Fund upon 30 days prior written notice to all franchisees. Upon termination of the National Marketing Fund, any remaining monies will be distributed pro rata based on all FLOYD’S 99 Shops’ contributions within the preceding 12 months.

We may use outside advertising agencies and personnel and in-house personnel to create local and regional advertising, including ad slicks, radio spots, direct mail, billboards and other marketing pieces and programs. We may, in our sole discretion, elicit input on advertising from all or a group of franchisees. As of the date of this disclosure document, there is no advertising council composed of franchisees which advises us on advertising policies. You must purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is primarily your responsibility.

You may create your own advertising and promotion materials; however, all advertising and promotion by you must be in such media and of such type and format as we may approve, must be conducted in a dignified manner and must conform to the standards and requirements as we may specify. You may not use any advertising or promotional plans, discounts, coupons, or other materials unless and until you have received written approval from us.

During our last fiscal year, National Marketing Fund expenditures were as follows:

Expenditure Item	2023 Amount	2023 Percentage of Total*
Acquisition Digital Advertising	\$162,000	13%
Merchandising/Print	\$184,000	14%
Content Production	\$291,000	23%
Floyds Radio	\$56,000	4%
Public Relations	\$47,000	4%
Digital Tools	\$192,000	15%
National Recruitment Branding	\$93,000	7%
Email Marketing	\$183,000	14%
Website	\$72,000	6%
Total	\$1,280,000	100%

Regional Advertising Association. We may, upon 30 days written notice to you, create a regional advertising association (“**Co-op**”) in the market area where you are located, at which time you must become a member of the Co-op. In our sole discretion, we may require that up to 1% of your Gross Sales that you would normally spend as your Local Advertising Allocation be contributed instead into the Co-op. Other FLOYD’S 99 Shops in your region will be required to contribute on the same basis. If a Co-op is formed in your region, we anticipate that the typical contribution you must make to the Co-op will be 1% of your Gross Sales, contributed on a weekly basis or other recurring basis as the Co-op may determine, with our prior approval. If you are contractually bound by your lease or mall regulations to expend a required amount on advertising, the Co-op must factor this in when considering your dues and assessments to be paid to the Co-op. If we form a Co-op, you will be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues, to the extent we approve them. If you fail to participate in the Co-op or pay any Co-op dues, you breach the Franchise Agreement.

We must approve all advertising materials before they are used by a Co-op or furnished to its members. Each Co-op must prepare unaudited annual financial statements and send them to you if you request them. We have the right to determine the scope of the geographical areas included in each Co-op. We can form, change and dissolve the Co-op. Each Co-op will operate under a written document which franchisees can view. Either FFL or the Co-op may create the Co-op’s advertising, but advertising created by the Co-op would be required to have our written approval before use.

Operations Manual.

Exhibit H to this Disclosure Document is the table of contents of our Operations Manual which is provided to you through our website. As of the date of this Disclosure Document, the total number of pages in the Operations Manual is 31.

Point-Of-Sale System.

As described in Item 8 above, you must license a specified point-of-sale system (referred to as “**POS System**”) from us or our designated third party vendor. You may, at your option, choose to purchase or lease a back office computer, in addition to the POS System. The POS System allows you to manage walk-in clients, manage reservations, schedule appointments and record sales, process credit cards, and provides you with information necessary to monitor your inventory to prepare financial statements in accordance with our standards and specifications. The POS System has been customized for the business methods we have established for FLOYD’S 99 Shops. Additionally, you must use our designated credit card processing service which operates through our POS System, take security measures that comply with PCI Security Standards and otherwise meet our standards to ensure the security of your network. You must purchase security monitoring services and equipment, including, but not limited to, firewall protection, and security breach insurance, from a vendor we approve. To the extent not already a part of the POS System, we reserve the right to require you to purchase data backup software and services. We have independent access to information through the POS System concerning sales and inventory of your FLOYD’S 99 Shop, and we control the type of information that is provided through the POS System. We require remote access to your POS System. We reserve the right to require you to purchase and install remote support and access software that we specify, in the event these support and access capabilities are not already a part of the POS System, and provide us with the access information we require. If and when we have our own proprietary software developed specially for the Barbershops and made available, we reserve the right to require that you purchase our proprietary software package. We also reserve the right to require you to purchase and use additional hardware and software for a FLOYD’S 99 intranet system among all FLOYD’S 99 Shops, on 30 days prior written notice. The POS System installation, configuration and integration must be performed by or as required by our designated third party vendor and in accordance with our standards and specifications.

The total cost of the computer hardware and software you will need to operate your Barbershop, including the POS System, is between \$12,000 and \$20,000.

Except as required by our designated third-party vendor for your POS System, we review and consider for approval any compatible equivalent hardware. We reserve the right to receive information contained in the computer databases through on-line communication contact with your POS System. We have no contractual limit on our right to receive information through your POS System. You must have a high speed Internet connection meeting our specifications to facilitate communication between you and FFL and among our franchisees.

Upon 30 days' notice we may require you to purchase, install and implement updates, upgrades, replacements and revisions to the POS System, any related hardware and software used in the POS System, and any related maintenance services which are required now or in the future. The same obligations apply to back office hardware and software which is required now or at a later date, and upgrades based on needs for increased bandwidth. No contractual limit exists on the frequency or cost of these obligations. We have no contractual obligation for any maintenance, repairs, upgrades or updates to your POS System or computer systems.

Site Selection Assistance.

You will select and acquire the location for your FLOYD'S 99 Shop with our assistance. When you have selected a location for your Barbershop within a geographical area that we designate, you must submit specified information to us regarding the location so that we may accept or reject the proposed location. The site for your FLOYD'S 99 Shop (and the site for any future FLOYD'S 99 Shop developed under a Development Agreement) must meet our then-current criteria for the location of a FLOYD'S 99 Shop, including, but not limited to, demographic characteristics, traffic patterns, pedestrian traffic counts, parking, character of neighborhood, ingress and egress to the location, lease terms and rates or purchase terms, and competition from and proximity to other businesses. Our criteria, and our evaluation of them, may vary periodically and from location to location. We will send a representative to your proposed location for on-site assessment before we approve of a location. We will approve or disapprove a proposed site within 45 days after we receive all information that we require to assess the proposed site. Within 270 days of signing the Franchise Agreement, you must find an acceptable site and sign a lease for the location on terms acceptable to us, or we may terminate the Franchise Agreement.

Schedule for Opening.

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your FLOYD'S 99 Shop opens will be approximately nine to twelve months. You must open your FLOYD'S 99 Shop within fifteen (15) months of signing the Franchise Agreement. The factors that may affect this time period are your ability to locate a site, secure financing, and obtain a lease or build a facility, as well as the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment, product and supplies, and completing your training. The development schedule for multiple FLOYD'S 99 Shops will be agreed to when we sign the Development Agreement.

Training Programs.

Before opening your Barbershop, you and your Principal Manager must attend and you or your Principal Manager must complete, to our satisfaction, the initial training program. We do not charge you for training two individuals, and you may request permission to send additional managers to the initial training program if there is space for additional people, after giving first priority to new franchisees. You will pay the travel, living expenses and wages for you and your employees who attend the training session.

The initial training program may include reading materials or self-study completed in your home office, verbal instruction, computerized slides, videotaped or written materials as part of the classroom training, plus on-the-job training in a FLOYD'S 99 Shop. The purpose of the initial training program is to provide instruction relating to the FLOYD'S 99 standards and specifications, trademark protection and brand consistency across FLOYD'S 99 locations. Overall, our initial training program consists of approximately 4 hours of home study, four days of classroom instruction at our headquarters in Greenwood Village, Colorado, plus 7 to 10 days of on-the-job training in Barbershops at or near our corporate headquarters in Greenwood Village, Colorado, or another location that we may designate. You will attend initial training immediately after you sign your first Franchise Agreement and the Development Agreement. You will receive prework and homework to complete throughout the New Franchise Training Program. We also recommend that you attend the opening of a new Barbershop, if scheduling permits. We reserve the right to provide all training described herein via remote online classes or live video conference.

If you are opening your first FLOYD'S 99 Shop, we provide up to five days of follow-up, on-site training and opening assistance at your Barbershop to you, at a mutually agreed upon time at or around opening, to assist you in the opening of your Barbershop. This opening assistance may be provided by one or more individuals on non-consecutive days. You or your Principal Manager must be on-site at your Barbershop for at least 10 days after the Barbershop opens and, if this is your first FLOYD'S 99 Shop, present for all of the opening assistance provided by us.

As often as twice annually, you or your Principal Manager may be required to attend, at your expense, a national convention or a manager retreat which may include mandatory training sessions. If you hire a new Principal Manager after your Barbershop opens, that person must attend the initial training program and we will charge tuition of \$3,500 for the training. The New Franchise Training Program consists of approximately 5 days of in-shop instruction and tasks in an existing shop location, approximately 5 days of in class training at our principal offices in Greenwood Village, Colorado, and approximately five days of on-site training at your Barbershop (if you are opening your first Barbershop) under the instruction of your Principal Manager. You will also pay wages, travel and living expenses for your Principal Manager and all other managers while they attend training and retreats. We may also require you, your Principal Manager and other designated management-level employees to attend, at your expense, local or regional seminars or meetings in person up to two times each calendar year.

Our training programs are the only training programs that you are permitted to use for your Shop. Our training programs are in addition to, and not a substitute for, state and local licensing and training requirements. All stylists, barbers and other personnel working at your Barbershop must meet all applicable training and licensing requirements.

Our initial training program is supervised by Sarah Klingensmith, our Senior Director of Operating and Training Support, has over 20 years' experience in our industry. Training will be provided by: (a) Amy Hunn, our Vice President of Construction and Facilities, who has over 20 years' experience with us, (b) Mary Wehrer, our Vice President of Marketing, who has 12 years' experience with us, (c) Patrick Butler, our National Director of Creative and Technical Training, who has over 8 years' experience with us and 15 years' experience in our industry, (d) Jim Chatlos, Vice President of Information Technology, who has over 22 years' experience in this and similar roles, (e) John Brosseau, our Director of Enterprise Applications and Business Intelligence, who has 3 years' experience with us and multiple years of experience in IT, and (f) Howard Picker, our Vice President of Franchise Development, who has over 10 years' experience in the business and over 20 years' experience in the industry. We may use additional trainers as needed throughout the initial training program. We conduct training on a quarterly basis and add training sessions on an as-needed basis.

We currently provide the following initial training to franchisees:

**TRAINING PROGRAM
(NEW FRANCHISEE INITIAL TRAINING)**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION ¹
THE FLOYD'S MODEL	3		GREENWOOD VILLAGE, CO
CLIENT EXPERIENCE & SERVICES	3		GREENWOOD VILLAGE, CO
TECHNICAL TRAINING	4	12	GREENWOOD VILLAGE, CO & AN EXISTING FLOYD'S 99 BARBERSHOP
RETAIL & MERCHANDISING	3		GREENWOOD VILLAGE, CO
MARKETING, BRAND AWARENESS & TRADEMARKS	3		GREENWOOD VILLAGE, CO
INFORMATION TECHNOLOGY & POINT OF SALE	8	10	GREENWOOD VILLAGE, CO & AN EXISTING FLOYD'S 99 BARBERSHOP
ACCOUNTING	3		GREENWOOD VILLAGE, CO
PEOPLE & CULTURE	2		GREENWOOD VILLAGE, CO
SHOP OPERATIONS	4	18	GREENWOOD VILLAGE, CO & AN EXISTING FLOYD'S 99 BARBERSHOP
REAL ESTATE	2		GREENWOOD VILLAGE, CO
SHOP DESIGN & CONSTRUCTION	3		GREENWOOD VILLAGE, CO
FRANCHISE ADMINISTRATION	2		GREENWOOD VILLAGE, CO
PRE-OPENING TECHNICAL TEAM TRAINING ²		20	YOUR FLOYD'S 99 BARBERSHOP
PRE-OPENING FRONT DESK & OPERATIONS TRAINING ²		20	YOUR FLOYD'S 99 BARBERSHOP
TOTAL	40	80	

¹ Or via remote online classroom or live video conference.

² If you are opening your first Barbershop, we provide this training.

ITEM 12 **TERRITORY**

Your franchise is for the specific site that we approve. You must locate an acceptable site within the non-exclusive Designated Area that we specify. The site will be added to the Franchise Agreement once we accept it and you secure it. Your Designated Area is not exclusive and is only intended to give you a general indication of the area within which you may locate the site for the Franchised Location.

When you have secured the site for your Franchised Location you will be granted a protected territory which will consist of a geographic area around your Franchised Location, within which we will not establish and operate, or franchise anyone else to establish and operate, other FLOYD'S 99 Shops, as long as you are in compliance with the Franchise Agreement and subject to our reservation of rights, described below. 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 that we control. This geographic area ("**Protected Territory**") around your Barbershop will typically be defined either as a one-mile radius around your Franchised Location, or more or less of a radius depending on the demographics in your area, or by county lines, zip code boundaries, street boundaries, natural landmarks, or similar designations. The placement of a FLOYD'S 99 Shop and the designation of a Protected Territory by us depend on various market conditions around a proposed Franchised Location, including density of population, character of the neighborhood, pedestrian counts, number of competitors in the market, site availability, parking and ingress and egress and growth potential. The determination of your Protected Territory for your Barbershop and any future Barbershop developed under a Development Agreement will be made using our then-current standards and criteria for determining Protected Territories. You may advertise your FLOYD'S 99 Shop in any geographic area, and you may serve all clients seeking your Barbershop services, but you may not solicit or accept "wholesale orders" for hair care products, sell products or services off-premises, by mail order or through catalogs or the Internet, or transship or reship products. You may not change the location of your Franchised Location or your Protected Territory without our prior written consent, which consent will not be unreasonably withheld. Except for your right of first refusal to develop and operate locations in Captive Audience Facilities, described below, and your rights to develop under the Development Agreement, described below, you have no option, right of first refusal or similar contractual right to acquire additional FLOYD'S 99 franchises.

Under the terms of the Development Agreement, we grant to you the right to establish, according to a schedule, a minimum number of FLOYD'S 99 Shops within a larger geographical territory ("**Development Area**"). The Development Area is not an exclusive territory and is subject to our reservation of rights described below. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. A Development Area is usually defined by political boundaries such as street boundaries, a city, county or state limits or by other reasonable boundaries. The number of FLOYD'S 99 Shops to be developed may be adjusted depending on demographics and other characteristics of a Development Area, including population density, income and other characteristics of the surrounding area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban or rural in nature. Except for your right of first refusal to develop and operate locations in a Captive Audience Facility, as described below, you have no other option, right of first refusal or similar contractual right to acquire additional FLOYD'S 99 franchises within your Development Area or in contiguous areas.

Except for our reservation of rights described below, we may not establish or franchise any other person or entity to establish FLOYD'S 99 Shops using the Marks and Licensed Methods within your Protected Territory or, if applicable, your Development Area for so long as the Franchise Agreement or, if applicable, Development Agreement, is in effect. The continuation of your right to your Development Area during the term of the Development Agreement is dependent on meeting the development schedule set forth

in the Development Agreement. If you do not meet your development schedule, we may: (a) terminate your Development Agreement, (b) operate or grant franchises to others to operate FLOYD'S 99 Shops within the Development Area, or (c) reduce the Development Area and the development schedule to a size and magnitude that we in our discretion estimate you are capable of operating.

We retain the rights, among others and without the payment of any compensation to you:

(1) to use and to license others to use, the Marks and Licensed Methods in connection with the operation of a FLOYD'S 99 Shop, at any location other than within your Protected Territory and, if applicable, within your Development Area;


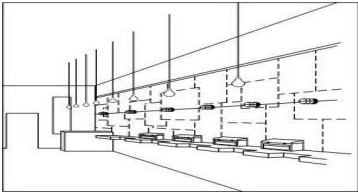



(2) to use the Marks to identify any type of products and services, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution (other than FLOYD'S 99 Shops), at any location, including, but not limited to, at temporary events and venues, or by wholesale distribution, Internet marketing or distribution, by mail order, catalog sales, social media marketing, telemarketing or other direct marketing, or retail store product display;

(3) to use and license others to use the Marks and Licensed Methods within or outside of the Protected Territory and, if applicable, the Development Area, in connection with the operation of Barbershops within "**Captive Audience Facilities**" which are defined as facilities where people are congregating for a primary purpose unrelated to the Barbershop business, creating significant foot traffic in the facility, including airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, department stores, "big box" specialty retail centers, resorts and hotels and within office buildings. We and our affiliates reserve the right under the Franchise Agreement and Development Agreement to contract with Captive Audience Facilities to develop and operate Barbershops within the facilities and, if the contract includes such a location within your Protected Territory or Development Area, as the case may be, we will contact you and give you the opportunity to develop and operate the Barbershop within the Captive Audience Facility, on terms and conditions agreed to by us in the contract. You must respond within fifteen (15) days of being notified of any opportunity at a Captive Audience Facility whether you want to develop the location and you must comply with the terms of the contract we have negotiated. If you elect not to do so, we or one of our affiliates or another franchisee will have the right to develop the location and you will have no further rights pertaining to the location during the term of the contract. As of the date of this Disclosure Document, we do not have any Captive Audience Facilities under contract and we cannot guaranty that we will have any in the future in your Protected Territory or Development Area; and

(4) to use and license the use of different proprietary marks or methods in connection with the sale of products and services similar to those which you sell, whether in alternative channels of distribution, including but not limited to, the Internet, or through stores which are similar to, or different from FLOYD'S 99 Shops, at any location, and on any terms and conditions as we determine. We have no present plans to establish other related franchises or company-owned businesses selling similar products or services under a different name or trademark, although, as just stated, we reserve the right to do so.

ITEM 13 **TRADEMARKS**

We license to you the right to use the Marks, including the service mark "FLOYD'S 99" and other trademarks, service marks and commercial symbols that we may authorize. Holdings has registered the following principal trademarks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	Design	Registration Number	Date of Registration	Class
FLOYD'S 99	N/A	3,063,720	02/28/2006	44
NOT YOUR GRANDFATHER'S BARBERSHOP	N/A	3,142,041	09/12/2006	44
BARBERSHOPS FOR MEN & WOMEN FLOYD'S 99 OLD SCHOOL, NEW STYLES and design		2,749,894	08/12/2003	44
THE ORIGINAL ROCK 'N ROLL BARBERSHOP	N/A	3,277,741	08/07/2007	44
Design of Barbershop (Trade Dress)		3,467,850	07/15/2008	44
FLOYD'S 99	N/A	4,864,721	12/01/2015	3
99 FLOYD'S BARBERSHOP FOR MEN & WOMEN and Design		5,036,117	09/06/2016	44
99 FLOYD'S BARBERSHOP and Design		5,041,157	09/13/2016	44
Design of Poster Wall (Trade Dress)		5,135,473	02/07/2017	44
EXPERT CUTS, AMPLIFIED EXPERIENCE	N/A	6,950,805	01/10/2023	44

All required affidavits of use and renewals of registration have been filed.

The Marks were licensed to FFL by Holdings in March 2005. Through a license with Holdings, we have full right and authority to use and license to franchisees the use of the Marks for 10-year terms that

automatically renew. This license can be terminated only on mutual agreement of the parties or following a notice of default and a cure period. In the event of a termination, FFL's rights and obligations under all Franchise Agreements are deemed to be assigned to Holdings to provide continuity to franchisees.

You must follow our rules when you use the Marks. You may not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you), or in any modified form, nor may you use any Mark to identify unauthorized services or products or in any other manner not expressly authorized in writing by us. You must modify or discontinue your use of the Marks if we require modification or discontinuance, at your own expense.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceedings involving the Marks. There is no pending material federal or state court litigation regarding our use of or ownership rights in the Marks. In some states, including Massachusetts, Kentucky and Nevada, the regulations of the state board of barbering and cosmetology or comparable agency may limit or restrict use of the word "barbershop" in the operation of your Shop.

We also know of the use of the name or service mark "Floyd's Barber Shop" in the following geographic areas, none of which have been protected by a federal trademark registration: Campbell, CA; Key West, FL; Cartersville, GA; Kennesaw, GA; Taylorsville, GA; Tuscola, IL; Greensburg, IN; Indianapolis, IN; Trafalgar, IN; Woburn, MA; Sykesville, MD; Garden City, MI; Licking, MO; Sylvania, OH; Anadarko, OK; Ashland, OR; North Warren, PA; Rapid City, SD; Columbus, TX; Hallettsville, TX; Salt Lake City, UT; Quantico, VA; Man, WV; and Winfield, WV. Some of these uses of the name "Floyd's Barber Shop" may be inactive or abandoned.

Except as described above, we do not know of any other infringing uses, potentially infringing uses or superior or prior rights that could materially affect your use of the Marks in any state.

We will protect you against claims of infringement or unfair competition, provided that you use the Marks in compliance with the terms of the Franchise Agreement. We pay all costs, including attorneys' fees and court costs, associated with any litigation we commence or defend on your behalf to protect the Marks and your right to use them. You must cooperate with us in any litigation. Any apparent infringement of or challenge to your use of any Mark should be brought to our attention immediately and you may not communicate with any person other than us or our counsel regarding any such matter. You may not settle any claim without our written consent. We have sole discretion to take any appropriate action. We have the right to control exclusively any litigation, United States Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim relating to any Mark.

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

On September 27, 2005, our affiliated entity, Floyd's 99 Colorado (then known as Floyd's 99 Operating, LLC), obtained a copyright registration for the services price list used in FLOYD'S 99 Barbershops, Reg. No. TX 6-241-458. The copyright protection for the services price list will last for the full duration of a copyright created under the Copyright Act of 1976, as amended, currently until May 1, 2099. Since our services price list copyright was created after January 1, 1978, the Copyright Act of 1976, as amended, does not give us the ability or the option to renew this copyright. We also claim a copyright in the design of the poster wall in our Barbershops and other aspects of our trade dress, but we do not own any other copyright registrations or patents or pending patent applications which are material to the

franchise. We consider our Operations Manual and related materials and training materials to be a part of our Licensed Methods and any software that we may in the future develop as our proprietary and confidential property. You may use the Operations Manual only as described in the Franchise Agreement. We require that you maintain the confidentiality of our proprietary information and adopt reasonable procedures to prevent unauthorized disclosure of our trade secrets and proprietary information. Although we have not obtained a copyright registration, we own the copyright in our Operations Manual, poster wall, trade dress, product packaging and other works.

You must tell us immediately in writing if you learn about an infringement or challenge to our use of our copyrights. We have the right, in our sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. We may commence or prosecute such action in the Franchisor's own name, the name of Floyd's 99 Holdings, LLC and may join you as a party to the action. We shall bear the reasonable cost of any such action, including attorneys' fees. You must fully cooperate with us in any such litigation. Although we are not obligated to protect the copyrights or defend your use of the copyrighted items, we will reimburse you for damages and reasonable costs incurred in litigation about them, if your use of the copyrighted work was in compliance with the terms of the Franchise Agreement. At our option, we shall be entitled to control the defense of any action or proceeding involving any of these claims. You must modify or discontinue your use of the copyrights if we require modification or discontinuance, at your expense.

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

Unless we agree to a different arrangement, you are required to participate personally in the direct operation of your first FLOYD'S 99 Shop and to maintain an active role in overseeing day-to-day operations of second and subsequent Shops, though you are not required to live in the Protected Territory or the Development Area, for your Shops. You will need to designate a manager ("**Principal Manager**") to be responsible for the direct on-premises supervision of the second and subsequent Barbershop(s) at all times during their hours of operation. If you are a corporation, limited liability company or partnership, we do not require that your Principal Manager own an equity interest in the entity. You or, if applicable, the Principal Manager and your other Barbershop managers, must successfully complete our mandatory initial training program for a FLOYD'S 99 Shop. You and your managers, including your Principal Manager and all Barbershop managers, must enter into a nondisclosure and noncompetition agreement with us (Exhibit I to this Disclosure Document), which restricts individuals and members of their immediate families, including spouses, children and any other relative living with them. We make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

Each of your officers, directors, shareholders, partners, members or owners, if an entity, may be required to sign an agreement (Exhibit II to Franchise Agreement) personally guaranteeing and agreeing to perform all obligations of the franchisee under the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell only those products and services approved by us and may not use the FLOYD'S 99 Shop or the Franchised Location for any purposes other than the operation of a FLOYD'S 99 Shop. You may not fill "wholesale orders" for hair care products, sell products or services off-premises, by mail order or through catalogs or the Internet, or transship or reship products. We reserve the right to sell directly or through our designee, branded hair care products and merchandise on the Internet. We also reserve the right to sell other competing hair care products and merchandise on the Internet. You must sell all of the

products and services approved by us, including retail items such as branded hair care products, caps, T-shirts or jackets and similar sportswear. You must comply with our standards and specifications. We have the right to approve all products and services you offer for sale at or through your Barbershop. We have the right to change or supplement the types of authorized products and services, and there are no limits on our right to do so. Each of your professional employees are permitted to provide only those services to clients that they are licensed to provide.

Other than the above, there are no restrictions on goods or services offered by you or on the clients to whom you may sell.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this Disclosure Document.

Provision		Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 19.1	10 years
b.	Renewal or extension of the term	Sections 19.3 and 19.4	Term in then-current Franchise Agreement.
c.	Requirements for franchisee to renew or extend	Section 19.3	Remodel, pay fee, sign new agreement and release. You may be asked to sign a contract with materially different terms and conditions than your original contract if you choose to renew.
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with cause	Sections 20.1 and 20.2	We can terminate only if you commit any one of several listed violations.
g.	“Cause” defined – curable defaults	Sections 20.1 and 20.2	30 days for operational defaults, 10 days for monetary defaults.
h.	“Cause” defined – non-curable defaults	Section 20.1	Unauthorized disclosure, conviction of a crime, abandonment, unapproved transfers, bankruptcy, assignment for benefit of creditors, unsatisfied judgments, levy, foreclosure, repeated violations, misuse of Marks.

Provision		Section in Franchise Agreement	Summary
i.	Franchisee's obligations on termination / nonrenewal	Section 20.4	Pay outstanding amounts, de-identification of the Barbershop, return of confidential information, covenant not to compete (see also r. below).
j.	Assignment of contract by franchisor	Section 18.6	No restriction on our right to assign.
k.	"Transfer" by franchisee – definition	Section 18.1	Includes transfer of Franchise Agreement or of the Barbershop or its assets or any change in ownership of franchisee entity.
l.	Franchisor's approval of transfer by franchisee	Section 18.3	We have the right to approve all transfers, we may not unreasonably withhold our consent.
m.	Conditions for franchisor approval of transfer	Section 18.2	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then current contract signed, franchisee signs general release and noncompetition covenant.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 18.4	We may match any offer.
o.	Franchisor's option to purchase franchisee's business	Section 20.3	We may buy your FLOYD'S 99 Shop or a portion of the assets of the FLOYD'S 99 Shop upon termination or non-renewal of your Franchise Agreement.
p.	Death or disability of franchisee	Section 18.7	Franchise must be assigned to approved assignee within 180 days.
q.	Non-competition covenants during the term of the franchise	Section 22.1	No involvement in competing business and no diversion.
r.	Non-competition covenants after the franchise is terminated or expires	Section 22.2	No competing business for 2 years within 25 miles of your FLOYD'S 99 Shop or any other FLOYD'S 99 Shop.
s.	Modification of the agreement	Section 24.1	No modifications generally but Operations Manual subject to change.
t.	Integration/merger clause	Section 24.2	Only the terms of the franchise agreement are binding (subject to state law). Any representations or

Provision		Section in Franchise Agreement	Summary
			promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v.	Choice of forum	Section 24.4	Litigation in Colorado (subject to state law).
w.	Choice of law	Section 24.4	Colorado law applies (subject to state law).

THE DEVELOPER RELATIONSHIP

This table lists certain important provisions of the Development Agreement. You should read these provisions in the agreement attached to this Disclosure Document.

Provision		Section in Development Agreement	Summary
a.	Length of the franchise term (Development Agreement)	Section 3.1	Varies based on development schedule.
b.	Renewal or extension of the term	Not Applicable	Not Applicable
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with cause	Section 9.1	We can terminate if you default on the Development Agreement or any of your Franchise Agreements.
g.	“Cause” defined – curable defaults	Section 9.2	30 days’ notice of breach of Development Agreement or Franchise Agreement.

Provision		Section in Development Agreement	Summary
h.	“Cause” defined – non-curable defaults	Section 9.1	Material misrepresentation, failure to meet development schedule, conviction of a crime, failure to pay amounts due to Franchisor, unapproved transfers, misuse of Marks, death or disability of Developer, unauthorized disclosure, noncompliance with restrictive covenants, terrorist activities, bankruptcy, assignment for benefit of creditors, default under Franchise Agreement or other agreements, notice of termination of Franchise Agreement delivered to Developer by Franchisor or Developer terminates a Franchise Agreement without cause.
i.	Franchisee’s obligations on termination / nonrenewal	Section 9.3	Loss of development rights, cease use of Marks and confidential information except in connection with Barbershops currently operating; covenant not to compete.
j.	Assignment of contract by franchisor	Section 8.6	No restriction on our right to assign.
k.	“Transfer” by franchisee – definition	Sections 8.1 and 8.5	Includes transfer of interest in Development Agreement, or in the franchisee entity.
l.	Franchisor’s approval of transfer by franchisee	Section 8.3	We or our designee have the right to approve all transfers.
m.	Conditions for franchisor approval of transfer	Sections 8.2 and 8.3	Notice, transferee qualifies, all amounts due are paid in full, payment of transfer fee, then current contract signed, franchisee signs general release and noncompetition covenant.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 8.4	We can match any offer.
o.	Franchisor’s option to purchase franchisee’s business	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Section 8.7	Interest in Development Agreement must be assigned to approved assignee within 12 months of death and within 6 months of disability.
q.	Non-competition covenants during the term of the franchise	Section 11.1	No involvement in competing business and no diversion.

Provision		Section in Development Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Section 11.2	No competing business for 2 years within 25 miles of your FLOYD'S 99 Shops or any other FLOYD'S 99 Shop.
s.	Modification of the agreement	Section 13.1	No modification except on execution of a written agreement.
t.	Integration/merger clause	Section 13.2	Only the terms of the development agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and development agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v.	Choice of forum	Section 13.4	Litigation in Colorado (subject to state law).
w.	Choice of law	Section 13.4	Colorado (subject to state law).

ITEM 18
PUBLIC FIGURES

There is no compensation or other benefit given or promised to any public figure arising from either the use of the public figure in the name or symbol of the franchise or the endorsement or recommendation of the franchise by the public figure in advertisements. There are no public figures involved in our management. The Franchise Agreement does not prohibit you from using the name of a public figure or celebrity in your promotional efforts or advertising; however, all advertising requires our approval.

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.

BACKGROUND

There were 136 FLOYD’S 99 Shops as of December 31, 2023, 128 Shops as of December 31, 2022, and 126 Shops as of December 31, 2021. Charts 1 through 4 in this Item 19 show the results for company-owned and franchised “Mature Barbershops.” A “Mature Barbershop” is a Barbershop that was in operation for at least 2 years as of the first day of each year presented in this Item 19. Charts 1 through 4 reflect the results for Mature Barbershops only in each of the years that are designated.

Chart 5 reflects the results for new company-owned and franchised Barbershops which opened between January 1, 2021 and December 31, 2023, and which were in operation for at least one year (a “New Barbershop”). The results for Barbershops in operation for less than one year as of December 31, 2023 are excluded from all charts in this Item 19.

The information in the Charts for the franchised Barbershops was obtained from franchisees’ point of sale systems and the information in all of the Charts are historical financial performance representations. The company-owned FLOYD’S 99 Shops are substantially similar to the franchised FLOYD’S 99 Shops we are offering in this Disclosure Document, and their products and services are the same as those to be offered and sold by franchised FLOYD’S 99 Shops.

Chart 1
Mature Barbershops
Annual Net Revenue for 2021, 2022 and 2023

Franchised	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
2023	\$979,050	\$1,965,057	\$949,142	\$417,077	17	43%	40
2022	\$963,324	\$1,832,142	\$924,125	\$407,781	17	44%	39
2021	\$865,728	\$1,656,250	\$880,958	\$344,503	15	50%	30
Company-Owned	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
2023	\$883,474	\$1,496,578	\$886,243	\$308,400	35	48%	73
2022	\$837,177	\$1,542,186	\$814,707	\$285,128	35	47%	74
2021	\$690,993	\$1,328,562	\$680,601	\$288,672	35	48%	73

Chart 2
Mature Franchised Barbershops
Operating Profit (EBITDA) for 2022 and 2023

Franchised	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
2023	\$180,038	\$514,491	\$167,219	\$9,244	17	43%	40
2022	\$182,586	\$459,824	\$175,418	\$35,242	15	43%	35

Chart 3
Mature Barbershops
Annual Client Count for 2021, 2022 and 2023

Franchised	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
2023	26,824	55,045	25,785	11,062	17	43%	40
2022	28,493	56,930	27,081	11,496	16	41%	39
2021	29,347	64,414	29,356	10,302	15	50%	30
Company-Owned	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
2023	23,574	42,290	23,541	8,439	35	48%	73
2022	22,808	48,001	22,391	8,039	45	61%	74
2021	20,875	44,553	19,776	9,646	46	63%	73

Chart 4
Mature Barbershops
Average Ticket for 2021, 2022 and 2023

Franchised	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
2023	\$36.40	\$40.03	\$36.00	\$34.00	17	43%	40
2022	\$33.81	\$39.42	\$33.91	\$31.27	20	51%	39
2021	\$29.50	\$35.09	\$29.95	\$25.71	18	60%	30
Company-Owned	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
2023	\$38.32	\$43.65	\$36.00	\$33.38	35	48%	73
2022	\$36.71	\$42.01	\$37.00	\$32.13	38	51%	74
2021	\$33.10	\$38.14	\$32.53	\$29.40	35	48%	73

Chart 5
New Barbershops
Annual Net Revenue, Operating Profit (EBITDA),
Annual Client Count and Average Ticket

	Average	High	Median	Low	Shops Exceeding the Average		Number of Shops
					Number	Percentage	
Franchised Shop Annual Net Revenue for 2023							
2023	\$478,509	\$1,453,574	\$736,937	\$178,701	3	50%	6
Company-Owned Shop Annual Net Revenue for 2023							
2023	N/A	N/A	N/A	N/A	N/A	N/A	0
Franchised Shop Operating Profit (EBITDA) for 2023							
2023	\$88,408	\$271,185	\$88,677	(\$147,863)	3	50%	6
Franchised Shop Client Count for 2023							
2023	20,807	41,396	20,047	5,676	3	50%	6
Company-Owned Shop Client Count for 2023							
2023	N/A	N/A	N/A	N/A	N/A	N/A	0
Franchised Shop Average Ticket for 2023							
2023	\$35.17	\$39.00	\$34.50	\$33.00	2	33.3%	6
Company-Owned Shop Average Ticket for 2023							
2023	N/A	N/A	N/A	N/A	N/A	N/A	0

Notes to Charts:

- 1 Chart 1: “Annual Net Revenue” means all revenue from a Barbershop in the specified year less discounts approved by us in advance, but excluding any sales taxes.
- 2 Chart 2: “EBITDA” means earnings before interest, taxes, depreciation and amortization. The results for one franchised Barbershop were excluded from the 2023 information in Chart 2 because the franchisee who operates this Barbershop does not report financial results for this Barbershop in compliance with our standards and specifications. The results of four franchised Barbershops were excluded from the 2022 information in Chart 2 because the franchisee who operated these four Barbershops did not report financial results for these Barbershops in compliance with our standards and specifications. The results for 2021 are not included in Chart 2 because we did not begin collecting this information until 2022.
- 3 Charts 1, 3 and 4: In addition to being excluded from the 2023 information in Chart 2 (see Note 2 above), the results for one franchised Barbershop were excluded from the 2023 information in Charts 1, 3 and 4 because the franchisee who operates this Barbershop does not report financial results for this Barbershop in compliance with our standards and specifications.
- 4 Franchised Barbershop: One franchised Mature Barbershop was excluded from the charts above because it is a non-traditional Barbershop in a captive audience facility with limited capacity.
- 5 Closed Barbershops: For the years 2021, 2022 and 2023, the following Barbershops closed: (a) three company-owned Barbershops closed in 2021, (b) two franchised Barbershops closed in 2021, (c) no Barbershops closed in 2022, and (d) two company-owned Barbershops closed in 2023. Additionally, in 2021 one (1) franchised Barbershop closed after being open less than twelve (12)

months.

- 6 The World Health Organization declared COVID-19 a global pandemic on March 11, 2020. Following this declaration, governmental authorities issued orders in the states where FLOYD’S 99 Shops operate which resulted in temporary FLOYD’S 99 Shop closures and other restrictions on operations. In California, FLOYD’S 99 Shops faced additional and extended temporary closures from November 30, 2020 to February 2021. Although the COVID-19 pandemic and resulting government orders impacted the operation of all FLOYD’S 99 Shops, we have not made and have no current intention to make changes to the FLOYD’S 99 business model.

The financial information has not been reviewed or audited by an independent certified public accountant. Written substantiation of the data presented in this financial performance representation will be made available to you upon reasonable request.

Some outlets have earned this much. Your individual results may differ. There is no assurance that you will earn as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Paul O’Brien at Floyd’s 99 Franchising, LLC, 7900 E. Berry Place, Greenwood Village, Colorado 80111, (888) 771-2899, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 **OUTLETS AND FRANCHISEE INFORMATION**

Table 1.

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023⁽¹⁾

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	45	49	+4
	2022	49	52	+3
	2023	52	62	+10
Company-Owned ⁽²⁾	2021	80	77	-3
	2022	77	76	-1
	2023	76	74	-2
Total Outlets	2021	125	126	+1
	2022	126	128	+2
	2023	128	136	+8

⁽¹⁾ All numbers are as of December 31 for each year.

⁽²⁾ All Company-owned Barbershops are owned by entities affiliated with Holdings, our parent company.

Table 2.

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR)
FOR YEARS 2021 TO 2023⁽¹⁾**

State	Year	Number of Transfers
Kentucky	2021	1
	2022	0
	2023	0
Nevada	2021	0
	2022	1
	2023	0
Totals	2021	1
	2022	1
	2023	0

⁽¹⁾ All numbers are as of December 31 for each year.

Table 3.

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2021 TO 2023⁽¹⁾**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Arkansas	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Colorado	2021	9	1	0	0	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	3	0	0	0	0	13
Florida	2021	6	1	1	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	2	0	0	0	0	8
Kentucky	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Minnesota	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	1	0	0	0	0	4
Nevada	2021	1	1	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	23	1	0	0	0	0	24
	2022	24	1	0	0	0	0	25
	2023	25	3	0	0	0	0	28
Totals	2021	45	6	2	0	0	0	49
	2022	49	3	0	0	0	0	52
	2023	52	10	0	0	0	0	62

(1) All numbers are as of December 31 for each year.

Table 4.

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2021 TO 2023⁽¹⁾**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Arizona	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
California	2021	21	0	0	2	0	19
	2022	19	0	0	0	0	19
	2023	19	0	0	0	0	19
Colorado	2021	22	0	0	1	0	21
	2022	21	0	0	0	0	21
	2023	21	0	0	0	0	21
Illinois	2021	13	0	0	0	0	13
	2022	13	0	0	0	0	13
	2023	13	0	0	0	0	13

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Maryland	2021	10	0	0	0	0	10
	2022	10	0	0	0	0	10
	2023	10	0	0	1	0	9
Massachusetts	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
Michigan	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	1	0	2
Minnesota	2021	1	0	0	0	0	1
	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
Virginia	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
Totals	2021	80	0	0	3	0	77
	2022	77	0	0	0	1	76
	2023	76	0	0	2	0	74

(1) All numbers are as of December 31 for each year. All of these Barbershops are owned by entities affiliated with Holdings, our parent company.

Table 5.

**PROJECTED OPENINGS
AS OF DECEMBER 31, 2023**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida	2	3	0
Minnesota	0	1	0
Oklahoma	0	2	0
South Carolina	0	1	0
Texas	0	4	0
TOTALS	2	11	0

A list of names of all franchisees and the addresses and telephone numbers of their FLOYD'S 99 Shops are in the list attached as Exhibit E to this Disclosure Document. The name, city, state and current

business telephone number of every franchisee who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during fiscal year 2023 or who has not communicated with us within 10 weeks of the date of this Disclosure Document is listed on Exhibit F to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Floyd's Franchising, LLC. You may wish to speak with current and former franchisees, but be aware that not all franchisees will be able to communicate with you.

No independent franchisee organizations have asked to be included in this Disclosure Document. As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the franchise system that have been created, sponsored or endorsed by us.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit G are our audited financial statements as of and for the years ended December 31, 2023, December 25, 2022 and December 26, 2021. Also included in Exhibit G are our unaudited financial statements for the period ended March 31, 2024. Our fiscal year consists of the 52 or 53-week period ending on the last Sunday nearest to December 31st.

ITEM 22 **CONTRACTS**

Attached to this Disclosure Document are the following franchise-related contracts:

Exhibit B	Development Agreement
Exhibit C	Franchise Agreement
Exhibit D	Amendment to Franchise Agreement (Renewal)
Exhibit I	Nondisclosure and Noncompetition Agreement
Exhibit K	General Release
Exhibit L	Lease Addendum and Conditional Assignment of Lease
Exhibit M	Notice of Restrictive Covenants

ITEM 23 **RECEIPT**

The last page of this Disclosure Document (following the exhibits and attachments) is a document acknowledging receipt of this Disclosure Document by you (one copy for you and one copy to be signed and returned to us).

**EXHIBIT A
(TO DISCLOSURE DOCUMENT)**

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES

California

Department of Financial Protection and
Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500
(866) 275-2677
www.dfpi.ca.gov
Ask_DFPI@dfpi.ca.gov

2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205
(866) 275-2677

1455 Frazee Road, Suite 315
San Diego, CA 92108
(619) 610-2093
(866) 275-2677

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559
(866) 275-2677

Florida

Department of Agriculture and
Consumer Services
Division of Consumer Services
Terry Lee Rhodes Building
2005 Apalachee Parkway
Tallahassee, FL 32399-6500
(850) 488-2221

Hawaii

Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

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

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

Maryland

Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

State of Michigan
Consumer Protection Division
Attention: Franchise
P.O. Box 30213
Lansing, MI 48909
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

Nebraska

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

New York State
Department of Law
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Rhode Island

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota

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

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Securities Administrator
Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

LIST OF AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Financial Protection
and
Innovation
California Department of Financial
Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500
(866) 275-2677
www.dfpi.ca.gov
ASK.DFPI@dfpi.ca.gov

Hawaii

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

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-1090

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, IN 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910
(517) 334-6212

Minnesota

Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

New York

New York Secretary of State
99 Washington Avenue
Albany, NY 12231
(518) 473-2492

North Dakota

North Dakota Securities Commissioner
600 E. Boulevard Avenue
State Capitol, 5th Floor
Bismarck, ND 58505-0510
(701) 328-2910

Oregon

Director of Oregon Department of
Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, OR 97310
(503) 378-4387

Rhode Island

Director of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-
1
Cranston, RI 02920
(401) 462-9527

South Dakota

Director of South Dakota Division of
Insurance
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Virginia

Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371-9733

Washington

Securities Administrator
Washington State Department of
Financial Institutions
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Box 1768
Madison, WI 53703
(608) 261-9555

EXHIBIT B
(TO DISCLOSURE DOCUMENT)

FLOYD'S 99 FRANCHISING, LLC
DEVELOPMENT AGREEMENT

Developer: _____

Date: _____

TABLE OF CONTENTS

Page

1. PURPOSE..... 1

2. GRANT OF DEVELOPMENT RIGHTS 1

 2.1 Development Area 1

 2.2 Franchisor’s Reservation of Rights..... 1

 2.3 Franchise Agreement – First Barbershop Developed 2

 2.4 Subsequent Franchise Agreements 2

3. TERM AND OWNERSHIP OF BUSINESS..... 2

 3.1 Term..... 2

 3.2 Ownership of Business 2

4. INITIAL FRANCHISE AND DEVELOPMENT FEES 3

 4.1 Fees 3

5. DEVELOPMENT OBLIGATIONS 3

 5.1 Development Schedule 3

 5.2 Effect of Failure 3

 5.3 Site Selection 4

6. TRAINING 4

 6.1 Training Program 4

7. MARKS 4

 7.1 Marks 4

8. TRANSFER 4

 8.1 Transfer by Developer 4

 8.2 Pre-Conditions to Developer’s Transfer 5

 8.3 Franchisor’s Approval of Transfer..... 5

 8.4 Right of First Refusal..... 6

 8.5 Specific Types of Transfers 6

 8.6 Assignment by Franchisor 7

 8.7 Developer’s Death or Disability 7

 8.8 Consent to Purchase Rights 7

9. DEFAULT AND TERMINATION 7

 9.1 Termination by Franchisor - Effective Upon Notice 7

 9.2 Termination by Franchisor - Thirty Days’ Notice 8

 9.3 Rights and Obligations of Developer Upon Termination or Expiration..... 9

 9.4 State and Federal Law..... 9

10. BUSINESS RELATIONSHIP 9

 10.1 Independent Businesspersons 9

 10.2 Payment of Third-Party Obligations..... 9

 10.3 Indemnification..... 10

 10.4 Anti-Terrorism Representation 10

11. RESTRICTIVE COVENANTS..... 11

 11.1 Non-Competition During Term 11

 11.2 Post-Termination Covenant Not to Compete..... 11

 11.3 Confidentiality of Proprietary Information..... 12

11.4	Confidentiality Agreement.....	12
12.	VARIATION IN STANDARDS	12
12.1	Variation in Standards	12
13.	MISCELLANEOUS PROVISIONS.....	12
13.1	Modification.....	12
13.2	Entire Agreement.....	12
13.3	Delegation by Franchisor.....	13
13.4	Governing Law/Consent to Venue and Jurisdiction	13
13.5	Injunctive Relief	13
13.6	Effective Date	13
13.7	Review of Agreement	13
13.8	Attorneys' Fees	13
13.9	No Waiver.....	13
13.10	Invalidity	14
13.11	Notices	14
13.12	No Third-Party Beneficiaries.....	14
13.13	Survival of Provisions.....	14
13.14	Payment of Taxes.....	14
13.15	Cumulative Rights	14
13.16	No Waiver; No Disclaimer	14

EXHIBITS

- I. Development Fee, Development Schedule, Development Area
- II. Guaranty and Assumption of Developer's Obligations
- III. Statement of Ownership
- IV. Franchise Agreement
- V. Consent to Purchase Rights

**FLOYD’S 99 FRANCHISING, LLC
DEVELOPMENT AGREEMENT**

THIS DEVELOPMENT AGREEMENT (the “**Agreement**”) is made this ___ day of _____, 20___, by and between FLOYD’S 99 FRANCHISING, LLC, a Colorado limited liability company, located at 7900 E. Berry Place, Greenwood Village, CO 80111 (the “**Franchisor**”) and _____, a _____ located at _____ (the “**Developer**”), who, on the basis of the following understandings and agreements, agree as follows:

1. PURPOSE

a) Franchisor has developed methods for establishing and operating retail hair care businesses (“**FLOYD’S 99 Shops**” or “**Barbershops**”) which use the service mark “FLOYD’S 99” and related service marks, trade names and trademarks (“**Marks**”) and Franchisor’s proprietary methods of doing business (“**Licensed Methods**”). Terms not otherwise defined in this Agreement shall have the meanings as defined in the Franchise Agreement.

b) Developer would like to use Franchisor’s Marks and Licensed Methods in connection with the development of a specific number of Barbershops in the geographic area described below. Franchisor desires to grant Developer the right to establish and operate Barbershops under the terms and conditions which are contained in this Agreement.

2. GRANT OF DEVELOPMENT RIGHTS

2.1 Development Area. Franchisor grants to Developer the right to develop and establish Barbershops using Franchisor’s Marks and Licensed Methods in the geographic area described in Exhibit I attached hereto (the “**Development Area**”). Except as provided in Sections 2.2 and 3.1 below and provided that Developer is not in default hereunder, Franchisor shall not establish, nor shall it license any other party to establish, Barbershops using the Marks and Licensed Methods anywhere within the Development Area for so long as this Agreement is in effect.

2.2 Franchisor’s Reservation of Rights. Developer acknowledges that the rights granted in this Agreement are non-exclusive and that Franchisor, for itself and its affiliates, successors, and assigns, reserves the rights to (a) use and license the use of different proprietary marks or methods in connection with the sale of products or services similar to those which Developer will sell in its Barbershops, whether in alternative channels of distribution or in connection with the operation of retail hair care businesses which are similar to, or different from FLOYD’S 99 Shops, at any location, including within the Development Area, on any terms and conditions as Franchisor deems advisable; (b) use the Marks to identify any type of services, products, promotional and marketing efforts or related items and to identify services and products distributed or otherwise made available at any location, including within the Development Area, through alternative channels of distribution (other than Barbershops), including but not limited to, at temporary events and venues, wholesale distribution, Internet marketing or distribution, by mail order, catalog sales, social media marketing, telemarketing, other direct marketing or retail store product displays; and (c) use and license others to use the Marks and Licensed Methods within or outside of the Development Area, in connection with the operation of Barbershops within “Captive Audience Facilities” (defined below) to develop and operate Barbershops within those facilities and, if the contract includes such a location within Developer’s Development Area, Franchisor will notify Developer that Developer has the opportunity to develop a proposed Barbershop within a Captive Audience Facility, on terms and conditions agreed to by Franchisor in said contract. Developer agrees to respond within 15 days of receipt of such notice of the opportunity to develop the proposed Barbershop regarding whether

Developer wishes to develop the proposed Barbershop under the terms of the contract that Franchisor has negotiated. If Developer declines to develop the proposed Barbershop, Franchisor, one of its affiliates or another Developer will be granted the right to develop the proposed Barbershop and Developer agrees that it will have no further rights pertaining to the proposed Barbershop or the location of the proposed Barbershop during the term of the contract between Franchisor and the Captive Audience Facility. “**Captive Audience Facilities**” are defined as facilities where people are congregating for a primary purpose unrelated to the Barbershop business, creating significant foot traffic in the facility, including airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, department stores, resorts and hotels and within office buildings, but not including lifestyle centers, town centers, “big box” retail centers and regional shopping malls.

2.3 Franchise Agreement – First Barbershop Developed. The parties acknowledge that the Franchise Agreement, attached hereto as Exhibit IV and by this reference incorporated herein, governing the operation of Developer’s first Barbershop to be opened hereunder, is being executed concurrently with this Agreement. Developer agrees to comply with the terms and conditions of the Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with such Franchise Agreement is a breach of this Agreement.

2.4 Subsequent Franchise Agreements. The parties agree that a separate Franchise Agreement shall be executed by the parties to this Agreement for each FLOYD’S 99 Shop developed under this Agreement. The Franchise Agreement for the second and subsequent Barbershops will be executed within 10 days after Franchisor’s approval of a location for each such Barbershop. Developer’s failure to execute any additional Franchise Agreements or its default in any term of such Franchise Agreements may, at the option of Franchisor, be deemed a default under this Agreement and shall entitle Franchisor to terminate this Agreement as further provided in Article 4 below. Each Franchise Agreement to be executed by Developer for each Barbershop to be developed hereunder shall be in a form substantially similar to the Franchise Agreement being executed herewith, although Franchisor reserves the right to change provisions of the Franchise Agreement to conform with the then current Franchise Agreement being offered to new franchisees of Franchisor. Notwithstanding the foregoing, Franchisor agrees that it will not charge an initial franchise fee to Developer that is greater than the amounts set forth herein and will not increase the Royalty percentage to a rate that is greater than the rate charged to Developer in the Franchise Agreement being executed herewith. Developer acknowledges that Franchisor has the right, however, to charge then current published rates for advertising contributions and optional products and services offered to Developer in accordance with Franchisor’s then current franchise disclosure document. The form of the Franchise Agreement attached as Exhibit IV and any future forms of Franchise Agreements referred to in this Section will also be included in the term “**Franchise Agreement**” as used in this Agreement.

3. TERM AND OWNERSHIP OF BUSINESS

3.1 Term. The term of this Agreement shall commence as of the date of execution hereof and shall end on the earlier of the last Development Deadline set forth in Section 5.1 below or the date on which the last Barbershop set forth in Section 5.1 below opens for business. After expiration of the term, or earlier termination of this Agreement as provided below, Franchisor shall have the right to establish, or license any other party to establish Barbershops anywhere within the Development Area; provided, however, that Developer’s Protected Territory as defined in the Franchise Agreement(s) executed hereunder, will remain in effect for the term of the Franchise Agreement(s), unless sooner terminated.

3.2 Ownership of Business. Developer shall at all times during the term of this Agreement own and control the FLOYD’S 99 developer business authorized hereunder. Upon request of Franchisor, Developer shall promptly provide satisfactory proof of such ownership and control to Franchisor. Developer represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference

incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the FLOYD'S 99 developer business is held by Developer. Developer shall promptly provide Franchisor with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 8 herein and in the Franchise Agreement. In addition, if Developer is an entity, all of the owners of Developer shall sign the Guaranty and Assumption of Developer's Obligations attached hereto as Exhibit II.

4. INITIAL FRANCHISE AND DEVELOPMENT FEES

4.1 Fees. Concurrently with the execution of this Agreement, Franchisor acknowledges that in consideration of the development rights granted herein, Developer has paid a "**Development Fee**" of \$49,500 for each of the first and second FLOYD'S 99 Shops to be developed hereunder, plus \$34,500 for each of the remaining Barbershops to be developed. Developer agrees that Franchisor has fully earned the Development Fee upon receipt and acknowledges that the Development Fee represents payment for the grant of the development rights, administrative and other expenses and for development opportunities lost or deferred as a result of the Development Area granted to Developer under this Agreement. All fees hereunder are nonrefundable once paid to Franchisor and under no circumstances will Developer be entitled to a refund, return or rebate of any portion of initial franchise fees or Development Fees paid hereunder.

5. DEVELOPMENT OBLIGATIONS

5.1 Development Schedule. Acknowledging that time is of the essence, Developer agrees to exercise its development rights according to the development schedule set forth on Exhibit I to this Agreement (the "**Development Schedule**") and as otherwise set forth herein. Developer must construct, open and maintain in continuous operation a minimum number of FLOYD'S 99 Shops in the Development Area within the time periods mandated by the Development Schedule. Developer's failure to adhere to the Development Schedule (including any extensions approved by Franchisor in writing) will constitute a material breach of this Agreement.

5.2 Effect of Failure. Strict compliance with the Development Schedule is of the essence. If Developer fails to construct and open any FLOYD'S 99 Shop or maintain the cumulative number of FLOYD'S 99 Shops open and operating in accordance with the Development Schedule, then Developer will be in default. Any such default constitutes a material breach of this Agreement and Franchisor may, in Franchisor's sole discretion, elect to:

- (a) terminate this Agreement;
- (b) operate or grant franchises to others to operate FLOYD'S 99 Shops within the Development Area;
- (c) grant Developer, upon Developer's reasonable request, up to two (2) extensions of the Development Schedule, each for a period of six (6) months. If Franchisor agrees to provide any extensions, the first extension will be provided at no charge and the second extension, if also provided, will be subject to Developer's payment of a non-refundable \$5,000 extension fee; or
- (d) reduce the Development Area and the Development Schedule to a size and magnitude that Franchisor estimates Developer is capable of operating otherwise in accordance with this Agreement.

Any extensions of the time periods to open the Barbershops are subject to Franchisor's extension policy, which may change from time to time and may require Developer to pay additional fees to Franchisor.

5.3 Site Selection. Developer shall not, without the prior written approval of Franchisor, enter into any contract for the purchase or lease of any premises for use as a FLOYD'S 99 Shop. Franchisor will assist Developer in the selection and approval of locations for its Barbershops, although Developer acknowledges that Franchisor has no obligation to select or acquire a location on behalf of Developer. Assistance by Franchisor will consist of the provision of criteria for a satisfactory location and any other assistance set forth in the Franchise Agreement.

6. TRAINING

6.1 Training Program. Developer acknowledges that Franchisor retains the right, in its sole discretion, to waive the initial training program, which is similar to the training outlined in Section 6.1 of the concurrently executed Franchise Agreement, for subsequent Barbershops developed under this Agreement. Developer may also seek additional assistance from Franchisor concerning site selection, site feasibility studies, lease negotiations, and other development-related matters within its designated Development Area. For purposes of clarification, the "additional assistance" described in this Section is assistance that Developer requests which is not otherwise part of the initial training program. Should Franchisor opt to provide such additional assistance, Developer acknowledges that Franchisor may incur expenses such as travel, lodging, living expenses, telephone charges and other identifiable costs. Franchisor reserves the right to charge Developer for incurred expenses, along with a fee based on hourly time spent by Franchisor's employees in providing such additional assistance. This fee will be assessed in accordance with the prevailing daily or hourly rates set by Franchisor for assistance.

7. MARKS

7.1 Marks. Notwithstanding any provision to the contrary under this Agreement, this Agreement does not grant Developer any right to use the Marks. The right to use the Marks may only be granted by the terms of a Franchise Agreement. Developer acknowledges and agrees that, until a Franchise Agreement has been entered into for a specific Barbershop, Developer will not have, nor be entitled to receive, any of the rights, powers and privileges granted by the Franchise Agreement, including, without limitation, the right to use the Marks. Developer may not use any Mark as part of any corporate or trade name or as Developer's primary business name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified forms. Developer may not use any Mark in connection with any business or activity other than the business conducted by Developer pursuant to the Franchise Agreements nor in any other manner not explicitly authorized in writing by Franchisor.

8. TRANSFER

8.1 Transfer by Developer. The rights and duties created by this Agreement are personal to Developer and, except as stated below, Franchisor shall not allow or permit any transfer, assignment, or conveyance of this Agreement or any interest hereunder. As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift, merger, consolidation, exchange or other disposition by Developer (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of Developer, if Developer is an entity or consists of more than one individual; or (3) a Barbershop or any assets of a Barbershop developed pursuant to this Agreement. A "transfer" shall also include all transfers resulting from a divorce, insolvency, corporate or partnership dissolution proceeding, consolidation, exchange, public or private offering of stock or other ownership interests in an entity, merger or otherwise by operation of law or, in the event of the death of Developer, or an owner of Developer by will, declaration of or transfer in trust or under the laws of intestate succession.

8.2 Pre-Conditions to Developer's Transfer. Developer shall not engage in a transfer, as defined above, unless Developer obtains Franchisor's written consent and complies with the following requirements:

(a) Payment of all amounts due and owing pursuant to this Agreement and any Franchise Agreement to Franchisor or its affiliates or payment of all amounts due and owing to third parties holding a security interest in any asset of the franchised business;

(b) Agreement by the proposed transferee to satisfactorily complete the initial training program described in this Agreement;

(c) At Franchisor's option, the transferee has agreed to be bound by all the terms and conditions of this Agreement or enters into Franchisor's then-current form of development agreement and related documents being offered to new developers (for a term ending on the expiration date of this Agreement and requiring no Development Fee), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement;

(d) Provision by Developer of written notice to Franchisor at least 90 days prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable Franchisor to evaluate the terms and conditions of the proposed transfer. If Developer is an entity and one or more owners of Developer entity wish to transfer, sell, assign, or otherwise dispose of his or her interest in Developer entity or if Developer entity wishes to make a public or private offer of its stock or other ownership interests, Developer must submit to Franchisor at least 90 days in advance of the proposed effective date, and obtain Franchisor's prior written approval, of the documents effectuating the transfer, sale, assignment, offering or disposition;

(e) The proposed transferee shall have provided information to Franchisor sufficient for Franchisor to assess the proposed transferee's business experience, aptitude and financial qualification, and Franchisor shall have ascertained that the proposed transferee meets such qualifications;

(f) Execution by Developer of a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates and their respective officers, directors, employees and agents;

(g) Payment by Developer or the proposed transferee of a transfer fee equal to \$7,500, plus \$5,000 for every undeveloped Barbershop for which no Franchise Agreement has been executed;

(h) Neither the proposed transferee nor any of its direct or indirect owners or affiliates operates, has an ownership interest in or performs services for a Competitive Business; and

(i) Developer (and Developer's transferring owners) and its (and Developer's transferring owners') immediate family members have signed and delivered to Franchisor a non-competition covenant in favor of Franchisor and the transferee agreeing to be bound, as of the effective date of the transfer, by the post-termination covenant not to compete and other post-termination restrictions set forth in this Agreement.

Developer agrees that it will not be unreasonable for Franchisor to refuse to consent to an assignment or transfer on the basis that one or more of the above conditions have not been met.

8.3 Franchisor's Approval of Transfer. Franchisor has 90 days from the date of the written notice of the proposed transfer to approve or disapprove in writing, of Developer's proposed transfer.

Developer acknowledges that the proposed transferee shall be evaluated for approval by Franchisor based on the same criteria as is currently being used to assess new Developers of Franchisor and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If Developer and the proposed transferee comply with all conditions for assignment set forth herein and Franchisor has not given Developer notice of its approval or disapproval within the 90-day period, approval is deemed granted. Franchisor's approval of any transfer shall not constitute approval for any subsequent transfer or a waiver of any of Franchisor's rights under this Article 8.

8.4 Right of First Refusal. If Developer wishes to transfer its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it, or all or a substantial portion of the assets of any FLOYD'S 99 Shop developed pursuant to this Agreement, Developer agrees to grant to Franchisor a 90-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer to purchase submitted to Developer by the proposed purchaser; provided, however, the following additional terms and conditions shall apply:

(a) Developer shall notify Franchisor of such offer by sending a written notice to Franchisor (which notice may be the same notice as required by Section 8.2.d. above), enclosing a copy of the written offer from the proposed purchaser;

(b) The 90-day right of first refusal period will run concurrently with the period in which Franchisor has to approve or disapprove the proposed transferee;

(c) Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which a new 90-day right of first refusal shall be given to Franchisor;

(d) If the consideration or manner of payment offered by a third party is such that Franchisor may not reasonably be required to furnish the same, then Franchisor may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, an independent appraiser shall be designated by Franchisor, whose determination will be binding upon the parties. All expenses of the appraiser shall be paid for equally between Franchisor and Developer; and

(e) If Franchisor chooses not to exercise its right of first refusal, Developer shall be free to complete the sale, transfer or assignment, subject to compliance with Sections 8.2 and 8.3 above. Absence of a reply to Developer's notice of a proposed sale within the 90-day period is deemed a waiver of such right of first refusal.

8.5 Specific Types of Transfers. Developer acknowledges that Franchisor's right to approve or disapprove of a proposed sale or transfer, and all other requirements and rights related to such proposed sale or transfer, as provided for above, shall apply (1) if Developer is a partnership or other business association, to the addition or deletion of a partner or members of the association or the transfer of any partnership or membership among existing partners or members; (2) if Developer is a corporation or limited liability company, to any proposed transfer or assignment of 25% or more of the ownership interests of Developer, whether such transfer occurs in a single transaction or several transactions; and (3) if Developer is an individual, to the transfer from such individual or individuals to a corporation or limited liability company controlled by them, in which case Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) the issuance and/or transfer of ownership interests which would affect a change in ownership of 25% or more of the stock or membership units in the company being conditioned on Franchisor's prior written approval; (iii) a limitation on the company's business activity to that of operating

as a Developer and operator of the FLOYD'S 99 Shops developed pursuant to this Agreement and related activities; and (iv) other reasonable conditions. With respect to a proposed transfer as described in subsection (1) and (3) of this Section, Franchisor's right of first refusal to purchase, as set forth above, shall not apply and Franchisor will waive any transfer fee chargeable to Developer for a transfer under these circumstances.

8.6 Assignment by Franchisor. This Agreement is fully assignable by Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and Franchisor shall in such event be fully released from the same.

8.7 Developer's Death or Disability. Developer or its representative must promptly notify Franchisor in writing of Developer's death or the death or disability of any of Developer's owners. Upon Developer's death or disability (if Developer is a natural person), or the death or disability of any owner who is a natural person (if Developer is a legal entity), the executor, administrator, or other personal representative of such person must transfer his/her interest in this Agreement, in the business operated hereunder, or in Developer to a third party approved by Franchisor, within a reasonable period of time, not to exceed 12 months from the date of death or 6 months from the date of disability, as applicable. Such transfers, including, without limitation, transfers by will or inheritance, will be subject to the same terms and conditions as inter vivos transfers and will be subject to Franchisor's right of first refusal as set forth in Section 8.4. If an interest is not transferred upon death or disability as required by this Section, then such failure will constitute a material breach of this Agreement. For purposes of this Agreement, the term "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from performing the obligations set forth in this Agreement.

8.8 Consent to Purchase Rights. Upon execution of this Agreement, each owner of Developer not otherwise signing the Guaranty and Assumption of Developer's Obligations attached as Exhibit II to this Agreement, and their respective spouses, as well as the respective spouses of each owner, will execute a consent to the provisions of Sections 8.4 and 8.7, the form of which is attached as Exhibit V to this Agreement. Such consent will subject any interest they may have in this Agreement, in the business operated hereunder, or in Developer covered by the option or right of first refusal provided for in said Sections, as applicable (whether a separate property interest, joint ownership property interest, community property interest, or otherwise), to the provisions of those Sections.

9. DEFAULT AND TERMINATION

9.1 Termination by Franchisor - Effective Upon Notice. Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted Developer hereunder, without affording Developer any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon written notice to Developer, addressed as provided in Section 13.11, upon the occurrence of any of the following events:

(a) Developer (or any of Developer's owners) have made any material misrepresentation or omission in connection with Developer's purchase of these development rights;

(b) Developer fails to establish and open Barbershops in accordance with the Development Schedule (or any extension approved by Franchisor in writing);

(c) Developer fails to maintain in continuous operation the minimum number of cumulative Barbershops required by the Development Schedule;

(d) If Developer is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;

(e) Developer fails to pay when due any amount owed to Franchisor or its affiliates, under this Agreement or any other agreement, and does not correct such failure within 10 days after written notice of such failure is delivered to Developer;

(f) Developer surrenders or transfers control of this Agreement or the business without Franchisor's prior written consent;

(g) Developer (or any of Developer's owners) engages in any dishonest or unethical conduct which, in Franchisor's opinion, may adversely affect the reputation of Developer's Barbershops or other FLOYD'S 99 Shops or the goodwill associated with the Marks;

(h) Developer (or any of Developer's owners) make an unauthorized assignment of this Agreement or of an ownership interest in Developer;

(i) In the event of Developer's death or disability or the death or disability of one of Developer's owners, such persons interest in this Agreement or in Developer is not assigned as required under this Agreement;

(j) Developer (or any of Developer's owners) make any unauthorized use or disclosure of any Confidential Information, including the Operations Manual;

(k) Developer (or any of Developer's owners) fails to comply with any of the restrictive covenants contained in Article 11;

(l) Developer's (or any of Developer's owners') assets, property or interests are blocked under any law, ordinance or regulation relating to terrorist activities, or Developer or any of Developer's owners otherwise violate any such law, ordinance or regulation;

(m) Developer makes an assignment for the benefit of creditors or admits in writing Developer's insolvency or inability to pay Developer's debts generally as they become due; Developer consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of Developer's property; or any order appointing a receiver, trustee or liquidator of Developer is not vacated within 60 days following the entry of such order;

(n) Developer commits a breach or default under any Franchise Agreement or any other agreement between Developer and Franchisor or Franchisor's affiliates and does not cure such breach or default during the time period required under such Franchise Agreement or other agreement, regardless of whether Franchisor in fact terminates such Franchise Agreement or other agreement; or

(o) Franchisor has delivered to Developer a notice of termination of a Franchise Agreement in accordance with its terms and conditions or Developer has terminated a Franchise Agreement without cause.

9.2 Termination by Franchisor - Thirty Days' Notice. Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to Developer, if Developer breaches any other provision of this Agreement and fails to cure the default during such 30 day period. In that event, this Agreement will terminate without

further notice to Developer, effective upon expiration of the 30-day period. Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within the 30-day period and Developer has commenced and is continuing to make good faith efforts to cure the breach during the 30-day period, Developer shall be given an additional reasonable period of time to cure the breach, and this Agreement shall not automatically terminate without written notice from Franchisor.

9.3 Rights and Obligations of Developer Upon Termination or Expiration.

(a) **Loss of Development Rights.** Upon termination or expiration of this Agreement for any reason, the development rights granted to Developer under this Agreement will automatically terminate and Developer agrees to immediately and permanently cease its development activities. Franchisor will then have no further obligation to grant Developer additional franchises for FLOYD'S 99 Shops and Franchisor will be free to establish and operate, and grant other persons franchises to establish and operate, FLOYD'S 99 Shops within the former Development Area.

(b) **Marks and Confidential Information.** Except in connection with Barbershops Developer is then operating under effective Franchise Agreements with Franchisor, or with respect to which a Franchise Agreement has been signed prior to the date of expiration or termination of this Agreement, Developer agrees to immediately and permanently cease to use, by advertising or in any manner whatsoever, the Marks and Confidential Information; slogans, trademarks, trade names, service marks, designs, trade dress or logos which are similar in nature to the Marks; or any equipment, materials, forms, confidential methods, procedures, recipes and techniques associated with or similar to the FLOYD'S 99 system or which display the Marks or any other distinctive forms, slogans, signs, symbols, trade dress or devices associated with or belonging to Franchisor or its affiliates.

(c) **Restrictive Covenants.** Abide by all restrictive covenants set forth in this Agreement.

(d) **Continuing Obligations.** All of Franchisor's and Developer's (and Developer's owners) obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, until they are satisfied in full or by their nature expire.

9.4 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN DEVELOPER'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

10. BUSINESS RELATIONSHIP

10.1 Independent Businesspersons. The parties acknowledge that each of them is an independent businessperson, that their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Neither Franchisor nor Developer will hold themselves out to be the agent, employer or partner of the other and neither Franchisor nor Developer has the authority to bind or incur liability on behalf of the other.

10.2 Payment of Third-Party Obligations. Franchisor shall have no liability for Developer's obligations to pay any third parties, including without limitation, banks, other lenders, government agencies, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon Developer, Developer's property, the FLOYD'S 99 Shop(s) developed

under this Agreement or upon Franchisor in connection with the sales made or business conducted by Developer (except any taxes Franchisor is required by law to collect from Developer with respect to purchases from Franchisor).

10.3 Indemnification. Developer shall indemnify, defend and hold harmless Franchisor, its subsidiaries, parents and affiliates, and their respective shareholders, equity owners, partners, directors, officers, managers, members, employees, agents, representatives, successors and assigns (the “**Indemnified Parties**”), against, and to reimburse them for all claims, obligations, damages, fines, suits, proceedings, demands or actions of any kind or nature, including reasonable attorneys’ fees, from anyone whomsoever, arising or growing out of, or otherwise connected with Developer’s activities, actions, or failure to act, under this Agreement, or directly or indirectly arising out of Developer’s operation of the FLOYD’S 99 Shop(s) developed under this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties (including any claims Developer brings against the Indemnified Parties), including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

10.4 Anti-Terrorism Representation. Developer and its principal shareholders, members or owners (“**principals**”) agree to comply with or to assist Franchisor to the fullest extent possible in Franchisor’s efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Developer and its principals certify, represent, and warrant that none of their respective property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that neither Developer nor any of its principals are otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section, the term “**Anti-Terrorism Laws**” shall mean Executive Order 13224 issued by the President of the United States (“**Executive Order 13224**”), the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement or their actions) addressing or in any way relating to terrorist acts or acts of war. Developer and its principals certify that none of them, their respective employees, or anyone associated with any of them is listed in the Annex to Executive Order 13224 (the “**Annex**”), which is available at: <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>. Developer agrees not to knowingly hire any individual who is listed in the Annex (or, if he or she is already employed, retain the employment of that individual). Developer also agrees not to knowingly: (a) establish a new relationship with a person as an employee, principal, banker, or otherwise who is listed in the Annex (whether or not Franchisor has consented to a transfer involving such new principal); and (b) maintain a business relationship (whether with an employee, principal, banker, or otherwise) with a person who is added to the Annex. Developer certifies that it has no knowledge or information that, if generally known, would result in Developer or its principals, its employees, or anyone else associated with Developer to be listed in the Annex. Developer understands that it is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws. Any misrepresentation by Developer under this Section or any violation of the Anti-Terrorism Laws by Developer, its principals, its employees, or their respective affiliates shall constitute grounds for immediate termination of this Agreement, and any other Agreement Developer has entered into with Franchisor or one of Franchisor’s affiliates.

11. RESTRICTIVE COVENANTS

11.1 Non-Competition During Term. Developer acknowledges that, in addition to the training provided pursuant to this Agreement and the Franchise Agreements and the license of the Marks under the Franchise Agreements, Franchisor has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, operations, proprietary products, proprietary product formulas, vendor lists, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all Developers and franchisees of Franchisor using the Marks and Licensed Methods. Therefore, other than the FLOYD'S 99 Shop(s) authorized by separate agreement(s) with Franchisor, neither Developer nor any of Developer's officers, directors, shareholders, Principal Managers, Barbershop managers, equity owners, members, managers or partners, nor any member of his or their immediate families, shall during the term of this Agreement:

(a) have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any client or account of any FLOYD'S 99 Shop, Franchisor's business or any other FLOYD'S 99 Developer's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Franchisor, another developer or another franchisee licensed by Franchisor to use the Marks and Licensed Methods, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business operating or granting franchises or licenses to others to operate, either (i) a retail hair care business deriving more than 5% of its gross sales from the sale of haircuts or hair care products; or (ii) a wholesale business deriving more than 5% of its gross sales from the sale of hair care products. Notwithstanding the foregoing, Developer shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

11.2 Post-Termination Covenant Not to Compete. Upon termination or expiration of this Agreement for any reason, Developer and its officers, directors, shareholders, Principal Managers, members, managers and/or partners agree that, for a period of two years commencing on the effective date of termination or expiration, or the date on which Developer ceases to conduct business, whichever is later, neither Developer nor its officers, directors, shareholders, Principal Managers, members, managers and/or partners shall have any direct or indirect interest (through a member of any immediate family of Developer or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, defined in Section 11.1 above, located or operating within a 25 mile radius of the Franchised Location described in Developer's Franchise Agreements, within 25 miles of the Franchised Location of any other franchised FLOYD'S 99 Shop or, within 25 miles of the premises of any FLOYD'S 99 Shop owned by Franchisor or any affiliate of Franchisor. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. Developer and its officers, directors, shareholders, Principal Managers, members, managers and/or partners acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills.

Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

11.3 Confidentiality of Proprietary Information. Developer and Franchisor acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, manuals, product formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of Franchisor which are developed and utilized in connection with the Licensed Methods are proprietary and confidential (“**Confidential Information**”). Such Confidential Information is unique, exclusive property and a trade secret of Franchisor and has valuable goodwill associated with it. Developer acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to Franchisor. It is understood that Confidential Information is deemed to include, without limitation, clients lists, vendor lists, product formulas, any and all information contained in the Operations Manual (as described in the Franchise Agreement), and any information of whatever nature which gives Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such lists, written materials, formulas or information. Developer further acknowledges that Franchisor has expended a great amount of effort and money in obtaining and developing the Confidential Information, that Franchisor has taken numerous precautions to guard the secrecy of the Confidential Information, that it would be very costly for competitors to acquire or duplicate the Confidential Information and that any unauthorized disclosure of such Confidential Information shall cause irreparable harm to Franchisor. Consequently, Developer shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of Franchisor or the FLOYD’S 99 Shop(s) developed under this Agreement, any of the Confidential Information of Franchisor or its affiliates. Franchisor and Developer agree that the Confidential Information does not include information that is generally available to the public.

11.4 Confidentiality Agreement. Franchisor requires and Developer agrees to cause each of its officers, directors, partners, shareholders, equity owners, members, managers, Principal Managers, Barbershop managers, and, if Developer is an individual, immediate family members, to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by Franchisor.

12. VARIATION IN STANDARDS

12.1 Variation in Standards. Since complete uniformity under varying conditions may be impossible or impractical, Franchisor specifically reserves the right to vary standards for any developer, including Developer, based upon the peculiarities of a particular site or circumstances, density of population, business potential, existing business practices, or any other condition which Franchisor deems to have a significant effect on the successful operation of such developer’s business. Developer will not complain on account of any variation from standard specifications and practices granted to any other developer and will not be entitled to require Franchisor to grant Developer a like or similar variation hereunder.

13. MISCELLANEOUS PROVISIONS

13.1 Modification. Franchisor and/or Developer may modify this Agreement only upon execution of a written agreement between the two parties.

13.2 Entire Agreement. This Agreement, including all exhibits and addenda, contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written,

concerning the subject matter hereof, provided that all Franchise Agreements executed by the parties hereto shall remain binding, except to the extent that this Agreement specifically supersedes any term of any Franchise Agreement, but only for so long as this Agreement is in effect. Developer agrees and understands that no modifications of this Agreement shall be effective except those in writing and signed by both parties. Nothing in this Agreement, the Franchise Agreement or in any related agreement is intended to disclaim the representations made by Franchisor in the franchise disclosure document that Franchisor provided to Developer.

13.3 Delegation by Franchisor. From time to time, Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of Franchisor or independent contractors which Franchisor has contracted with to provide such services. Developer agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder.

13.4 Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the relationship between the parties and any claims or disputes arising therefrom shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. Developer and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Developer, its officers, directors or managers (collectively, “**Developer Affiliates**”) and Franchisor, its officers, directors, managers or sales employees (collectively, “**Franchisor Affiliates**”), all parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, in Denver, Colorado and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. FRANCHISOR, FRANCHISOR AFFILIATES, DEVELOPER AND DEVELOPER AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

13.5 Injunctive Relief. Franchisor and Developer shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. Developer agrees that Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling more than \$500, but upon due notice, and Developer’s sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Developer.

13.6 Effective Date. This Agreement shall not be effective until accepted by Franchisor as evidenced by dating and signing by an officer or manager of Franchisor.

13.7 Review of Agreement. Developer acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 calendar days or 10 full business days, whichever is applicable.

13.8 Attorneys’ Fees. In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys’ fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

13.9 No Waiver. No delay, waiver, omission or forbearance on Franchisor’s part to exercise any right, option, duty or power arising out of any breach or default by Developer or any other developer or franchisee under any of the terms, provisions, covenants or conditions of this Agreement, and no custom

or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Developer to enforce any such right, option, duty or power as against Developer, or as to subsequent breach or default by Developer. Franchisor's subsequent acceptance of any payments due to Franchisor hereunder shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Developer of any terms, provisions, covenants or conditions of this Agreement.

13.10 Invalidity. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or other arbiter of any dispute arising hereunder, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect. If the restrictions concerning the time duration, geography, affected individuals or entities, or breadth of activity contained in Article 11 are held to be unenforceable under any applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable.

13.11 Notices. All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the first paragraph of this Agreement or at such other addresses as Franchisor or Developer may designate from time to time, and shall be effectively given when deposited in the United States mail, postage prepaid, or when received via overnight delivery, as may be applicable.

13.12 No Third-Party Beneficiaries. Developer acknowledges and agrees that neither Developer nor any of its officers, directors, members, managers, employees, affiliates, successors or assigns shall be deemed a third-party beneficiary of any agreement between Franchisor and another Developer or any other party, unless specifically agreed to by Franchisor in writing.

13.13 Survival of Provisions. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

13.14 Payment of Taxes. Developer shall reimburse Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by Franchisor, or its affiliates or designees, on account of services or goods furnished by Franchisor, its affiliates or designees, to Developer through sale, lease or otherwise (except for any taxes Franchisor or its affiliates are required by law to collect from Developer with respect to products purchased from Franchisor and its affiliates). Payment of all such taxes is Developer's responsibility.

13.15 Cumulative Rights. The rights and remedies of Franchisor and Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Developer of any other right or remedy hereunder which Franchisor or Developer is entitled by law to enforce.

13.16 No Waiver; No Disclaimer. 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.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

FLOYD'S 99 FRANCHISING, LLC

DEVELOPER:

(Print Name)

By: _____

Individually

Name: _____

Address: _____

Title: _____

City: _____

State: _____ Zip: _____

OR:

(if a corporation or partnership)

Company Name

By: _____

Name: _____

Title: _____

Address: _____

City: _____

State: _____ Zip: _____

**EXHIBIT I
TO DEVELOPMENT AGREEMENT**

DEVELOPMENT FEE, DEVELOPMENT SCHEDULE & DEVELOPMENT AREA

1. The Development Fee (Section 4.1) is: \$ _____
2. The Development Area (Section 2.1) is comprised of the following geographic area:

(check box if map is attached; in the event of any conflict between the map and the written description, the written description will control.)

3. The Development Schedule (Section 5.1) is as follows:

Development Deadline	Minimum Total Number of Barbershops Open for Business in Development Area

Fully executed this ____ day of _____, 20__.

FLOYD'S 99 FRANCHISING, LLC

By: _____
Title: _____

DEVELOPER

By: _____
Title: _____

**EXHIBIT II
TO DEVELOPMENT AGREEMENT**

GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Development Agreement (the "**Agreement**") by Floyd's 99 Franchising, LLC (the "**Franchisor**"), each of the undersigned hereby personally and unconditionally:

Guarantees to Franchisor and its affiliates and their respective successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Developer as that term is defined in the Agreement (the "**Developer**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by Franchisor and its affiliates of the foregoing undertakings;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Developer or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;
2. He or she shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so;
3. This liability shall not be contingent or conditioned upon pursuit by Franchisor or its affiliates of any remedies against Developer or any other person;
4. He or she will be bound by the covenant not to compete and other restrictive covenants, the confidentiality provisions, the audit provisions, and the indemnification provisions contained in the Agreement;
5. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor or its affiliates may from time to time grant to Developer or to any other person; including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof; and
6. Such liability shall not be diminished, relieved or otherwise affected by the occurrence of any of the following events: (a) the commencement by Developer of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended or replaced, or any other applicable federal or state

(REG 4/30/2024)

bankruptcy, insolvency or other similar law (collectively, the “**Bankruptcy Laws**”), (b) the consent by Developer to the appointment of or taking possession by a receiver, liquidator, assignee, trustee or custodian of Developer or for any substantial part of the assets of Developer, (c) any assignment by Developer for the benefit of creditors, (d) the failure of Developer generally to pay its debts as such debts become due, (e) the taking of corporate action by Developer in the furtherance of any of the foregoing, or (f) the entry of a decree or order for relief by a court having jurisdiction in respect of Developer in any involuntary case under the Bankruptcy Laws, or appointing a receiver, liquidator, assignee, custodian or trustee of Developer or for any substantial part of its assets, or ordering the winding-up or liquidation of any of its affairs and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days. In addition, such liability shall not be affected or impaired by any payment made to Franchisor under or related to the Agreement for which Franchisor is required to reimburse Developer pursuant to any court order or in settlement of any dispute, controversy or litigation in any bankruptcy, reorganization, arrangement, moratorium or other federal or state debtor relief proceeding.

7. His or her obligation and liability hereunder shall not be affected by any amendment or modification of the Agreement and he or she has no right to approve or consent to any such amendment or modification.

8. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this guaranty shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The undersigned and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the undersigned and Franchisor, its officers, directors, managers or sales employees (collectively, “**Franchisor Affiliates**”), all parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, in Denver, Colorado and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. **FRANCHISOR, FRANCHISOR AFFILIATES, AND THE UNDERSIGNED EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

9. In the event of any default on the part of either party to this guaranty, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys’ fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

GUARANTOR(S)

**EXHIBIT III
TO DEVELOPMENT AGREEMENT**

STATEMENT OF OWNERSHIP

Developer: _____

Trade Name (if different from above): _____

Form of Ownership

(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Limited Liability Company, provide name and address of each member and each manager showing percentage owned and indicate the state and date of organization.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

<u>Name and Address</u>	<u>Percentage Ownership</u>	<u>Active in Ownership (Yes/No)</u>

State and Date of Incorporation/Organization/Formation:

State _____

Date _____

Developer acknowledges that this Statement of Ownership applies to the FLOYD'S 99 Shop authorized under the Development Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

Date

Name

**EXHIBIT IV
TO DEVELOPMENT AGREEMENT**

FRANCHISE AGREEMENT

(See Exhibit C to the Franchise Disclosure Document)

**EXHIBIT V
TO DEVELOPMENT AGREEMENT**

CONSENT TO PURCHASE RIGHTS

The undersigned owners (who are not otherwise identified as owners in the Development Agreement) and their respective spouses, and the undersigned spouses of those owners identified in the Development Agreement, hereby consent to the provisions of Sections 8.4 and 8.7 of the Development Agreement and agree that any interest which he or she owns in the Development Agreement, in the business operated thereunder, or in Developer (whether a separate property interest, community property interest, joint ownership interest, or otherwise) will be subject to Franchisor's option or right of first refusal, as applicable, described in said Sections.

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

EXHIBIT C
(TO DISCLOSURE DOCUMENT)

FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT

Franchisee: _____
Date: _____
Franchised Location: _____

TABLE OF CONTENTS

	Page
1. PURPOSE.....	1
2. GRANT OF FRANCHISE	1
2.1 Grant of Franchise	1
2.2 Scope of Franchise Operations	1
3. FRANCHISED LOCATION AND TERRITORIAL RIGHTS	1
3.1 Franchised Location.....	1
3.2 Protected Territory.....	2
3.3 Limitation on Franchise Rights.....	2
3.4 Franchisor’s Reservation of Rights.....	2
4. INITIAL FEES	3
4.1 Initial Franchise Fee.....	3
5. DEVELOPMENT OF FRANCHISED LOCATION	3
5.1 Approval of Franchised Location	3
5.2 Approval of Site Acquisition or Lease.....	3
5.3 Construction, Conversion and Design	4
5.4 Signs	4
5.5 Equipment and Inventory.....	5
5.6 Point-of-Sale System and Computers	5
5.7 Data Security and Access.....	5
5.8 Permits and Licenses	6
5.9 Commencement of Operations	6
6. TRAINING	7
6.1 Initial Training Program	7
6.2 Length of Initial Training.....	7
6.3 Manager Training Programs	7
6.4 Additional Training.....	7
7. DEVELOPMENT ASSISTANCE.....	8
7.1 Franchisor’s Development Assistance.....	8
8. OPERATIONS MANUAL	8
8.1 Operations Manual.....	8
8.2 Confidentiality of Operations Manual Contents	8
8.3 Changes to Operations Manual.....	9
9. OPERATING ASSISTANCE.....	9
9.1 Franchisor’s Services.....	9
9.2 Additional Franchisor Services.....	9
10. FRANCHISEE’S OPERATIONAL COVENANTS	10
10.1 Business Operations.....	10
10.2 Anti-Terrorism Representation	12
11. PURCHASES OF PRODUCTS	13
11.1 Inventory	13
11.2 Limitations on Supply Obligations	13
11.3 No Product Warranties.....	13
11.4 Changes in Product	13

12.	ROYALTIES	13
12.1	Weekly Royalty	13
12.2	Gross Sales.....	13
12.3	Royalty Payments	13
12.4	Application of Payments.....	14
13.	ADVERTISING.....	14
13.1	Approval of Advertising	14
13.2	National Marketing Contribution.....	15
13.3	Local Advertising	16
13.4	Regional Advertising Programs.....	16
13.5	Grand Opening Promotion.....	17
13.6	Electronic Advertising	17
14.	QUALITY CONTROL	18
14.1	Compliance with Operations Manual	18
14.2	Standards and Specifications	18
14.3	Inspections	18
14.4	Restrictions on Products and Services	18
14.5	Approved Suppliers	19
14.6	Request to Approve Supplier	19
14.7	Shopping Service	19
15.	MARKS, TRADE NAMES AND PROPRIETARY INTERESTS	19
15.1	Marks	19
15.2	No Use of Other Marks.....	20
15.3	Licensed Methods.....	20
15.4	Mark Infringement.....	20
15.5	Franchisee’s Business Name and Domain Name	20
15.6	Change of Marks and Licensed Methods.....	21
15.7	Creative Ownership	21
15.8	Alterations for Protection of Marks	21
16.	SOFTWARE LICENSE.....	21
16.1	Grant of License.....	21
16.2	Warranties.....	23
16.3	LIMITATION OF LIABILITY	24
17.	REPORTS, RECORDS AND FINANCIAL STATEMENTS.....	24
17.1	Franchisee Reports.....	24
17.2	Financial Records Use and Access	25
17.3	Verification.....	25
17.4	Books and Records	25
17.5	Audit of Books and Records.....	25
18.	TRANSFER	25
18.1	Transfer by Franchisee.....	25
18.2	Pre-Conditions to Franchisee’s Transfer	26
18.3	Franchisor’s Approval of Transfer.....	26
18.4	Right of First Refusal.....	27
18.5	Specific Types of Transfers	27
18.6	Assignment by the Franchisor	28
18.7	Franchisee’s Death or Disability.....	28
19.	TERM AND EXPIRATION.....	28

19.1	Term.....	28
19.2	Continuation.....	28
19.3	Rights Upon Expiration	28
19.4	Exercise of Option for Successor Franchise	29
19.5	Conditions of Refusal	29
19.6	Consent to Option	29
20.	DEFAULT AND TERMINATION	29
20.1	Termination by Franchisor - Effective Upon Notice	29
20.2	Termination by Franchisor - Thirty Days' Notice	30
20.3	Option to Purchase.....	31
20.4	Obligations of Franchisee Upon Termination or Expiration	32
20.5	Acknowledgement	33
20.6	State and Federal Law.....	33
21.	BUSINESS RELATIONSHIP	33
21.1	Independent Businesspersons	33
21.2	Payment of Other Obligations	33
21.3	Indemnification.....	33
22.	RESTRICTIVE COVENANTS	34
22.1	Non-Competition During Term	34
22.2	Post-Termination Covenant Not to Compete.....	34
22.3	Confidentiality of Proprietary Information.....	35
22.4	Confidentiality Agreement.....	35
23.	INSURANCE.....	35
23.1	Insurance Coverage.....	35
23.2	Proof of Insurance Coverage	36
24.	MISCELLANEOUS PROVISIONS.....	36
24.1	Modification.....	36
24.2	Entire Agreement.....	36
24.3	Delegation by the Franchisor	36
24.4	Governing Law/Consent to Venue and Jurisdiction	36
24.5	Injunctive Relief	37
24.6	Effective Date	37
24.7	Review of Agreement	37
24.8	Attorneys' Fees	37
24.9	No Waiver.....	37
24.10	No Right to Set Off.....	37
24.11	Invalidity.....	37
24.12	Notices	38
24.13	No Third-Party Beneficiaries.....	38
24.14	Survival of Provisions.....	38
24.15	Payment of Taxes.....	38
24.16	Cumulative Rights	38
24.17	No Waiver; No Disclaimer	38

EXHIBITS

- I. Addendum to Franchise Agreement
- II. Guaranty and Assumption of Franchisee's Obligations
- III. Statement of Ownership
- IV. Electronic Funds Transfer Authorization
- V. Permit, License and Construction Certification
- VI. Consent to Option

FLOYD’S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS AGREEMENT (the “**Agreement**”) is made this ___ day of _____, 20___, by and between FLOYD’S 99 FRANCHISING, LLC, a Colorado limited liability company, located at 7900 E. Berry Place, Greenwood Village, CO 80111 (the “**Franchisor**”) and _____ located at _____ (the “**Franchisee**”), who, on the basis of the following understandings and agreements, agree as follows:

1. PURPOSE

1.1 The Franchisor has developed methods for establishing and operating franchises for the operation of retail hair care businesses (“**FLOYD’S 99 Shops**” or “**Barbershops**”) which use the service mark “**FLOYD’S 99**” and related service marks, trade names and trademarks (“**Marks**”) and the Franchisor’s proprietary methods of doing business (“**Licensed Methods**”).

1.2 The Franchisor grants the right to others to develop and operate FLOYD’S 99 Shops, under the Marks and pursuant to the Licensed Methods.

1.3 The Franchisee desires to establish a FLOYD’S 99 Shop at a location identified herein or to be later identified, and the Franchisor desires to grant the Franchisee the right to operate a FLOYD’S 99 Shop at such location under the terms and conditions which are contained in this Agreement.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise. The Franchisor grants to the Franchisee, and the Franchisee accepts from the Franchisor, the right to use the Marks and Licensed Methods in connection with the establishment and operation of one FLOYD’S 99 Shop, at the location described in Section 3.1 of this Agreement. The Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved, and further developed by the Franchisor from time to time, only in accordance with the terms and conditions of this Agreement.

2.2 Scope of Franchise Operations. The Franchisee shall at all times comply with the Franchisee’s obligations hereunder and shall continuously use best efforts to promote and operate the FLOYD’S 99 Shop. The Franchisee shall not engage in any business other than the operation of the Barbershop. The Franchisee shall utilize the Marks and Licensed Methods to operate all aspects of the business franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by the Franchisor, all of which are a part of the Licensed Methods. The Franchisee’s FLOYD’S 99 Shop shall offer all services and products as the Franchisor shall designate. The Franchisee shall be restricted from offering or selling any services or products not previously approved by the Franchisor in writing and shall further be restricted from offering the authorized services or distributing the authorized products for non-retail or off-site sale except as permitted by the Franchisor in writing.

3. FRANCHISED LOCATION AND TERRITORIAL RIGHTS

3.1 Franchised Location. The Franchisee is granted the right and franchise to own and operate a FLOYD’S 99 Shop at the address and location which shall be set forth in Exhibit I, attached hereto (“**Franchised Location**”). If, at the time the parties execute this Agreement, the Franchised Location cannot be designated as a specific address because a location has not been selected and approved, then the Franchisee shall promptly take steps to choose and acquire a location for its FLOYD’S 99 Shop within the

“**Designated Area**,” set forth in Exhibit I. In such circumstances, the Franchisee shall select and propose to the Franchisor for the Franchisor’s prior approval a specific location for the Franchised Location which, once approved by the Franchisor, shall then be described in the rider to Exhibit I.

3.2 Protected Territory. Subject to the Franchisor’s reservation of rights described in Section 3.4 below, the Franchisor shall not establish and operate, or franchise another person or entity to establish and operate, a FLOYD’S 99 Shop within the geographic area described in Exhibit I, attached hereto (the “**Protected Territory**”). Once Franchisor has defined the Protected Territory, Franchisee will have no further territorial or other rights in those portions of the Designated Area that are located outside of the Protected Territory.

3.3 Limitation on Franchise Rights. The rights that are granted to the Franchisee are for the specific Franchised Location and cannot be transferred to an alternative Franchised Location, or any other location, without the prior written approval of the Franchisor, which approval shall not be unreasonably withheld. The Franchisee shall not operate another business, offer services or products which are part of the Licensed Methods at any site other than the Franchised Location (except for other Franchised Locations covered by other Franchise Agreements with the Franchisee), fill wholesale orders, sell products or services by mail order or through catalogs or the Internet, transship or reship products, or offer any other type of off-site service or sale of products.

3.4 Franchisor’s Reservation of Rights. The Franchisee acknowledges that its franchise rights as granted are non-exclusive and that the Franchisor, for itself and its successors and affiliates, retains the rights, among others:

a. to use, and to license others to use, the Marks and Licensed Methods in connection with the operation of FLOYD’S 99 Shops, at any location except within the Protected Territory;

b. to use the Marks to identify any type of services and products, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution other than through FLOYD’S 99 Shops, at any location, whether within or outside of the Protected Territory, including but not limited to, at temporary events and venues or by way of wholesale distribution, Internet marketing or distribution, by mail order, catalog sales, social media marketing, telemarketing, other direct marketing or retail store product display;

c. to use and license others to use the Marks and Licensed Methods within or outside the Protected Territory in connection with the operation of Barbershops within “**Captive Audience Facilities**” which are defined as facilities where people are congregating for a primary purpose unrelated to the Barbershop business, creating significant foot traffic in the facility, including airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, department stores, resorts and hotels and within office buildings, but not including lifestyle centers, town centers, “big box” retail centers and regional shopping malls. The Franchisor and its affiliates reserve the right to contract with Captive Audience Facilities to develop and operate Barbershops within these facilities and, if the contract includes such a location within the Franchisee’s Protected Territory, the Franchisor will notify the Franchisee of the opportunity to develop and operate the proposed Barbershop within the Captive Audience Facility, on the terms and conditions negotiated by the Franchisor in the contract. The Franchisee agrees to respond to the Franchisor within 15 days of receipt of notice of the proposed Barbershop, whether the Franchisee wishes to develop the proposed Barbershop under the terms of the contract that the Franchisor has negotiated. If the Franchisee elects not to develop the proposed Barbershop, the Franchisor, one of its affiliates, or another franchisee may be granted the right to develop the

proposed Barbershop and the Franchisee agrees that in such case, the Franchisee will not have any further rights to the proposed Barbershop or the location of the proposed Barbershop during the term of the contract between the Franchisor and the Captive Audience Facility; and

d. to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to those which the Franchisee will sell, whether in alternative channels of distribution, including but not limited to, the Internet, or in connection with the operation of retail hair care businesses, at any location, whether within or outside of the Protected Territory, which businesses are similar to, or different from FLOYD'S 99 Shops, on any terms and conditions as the Franchisor deems advisable.

4. INITIAL FEES

4.1 Initial Franchise Fee. In consideration for the right to develop and operate one FLOYD'S 99 Shop, the Franchisee shall pay to the Franchisor an initial franchise fee in an amount set forth in Exhibit I, due and payable on the date of execution of this Agreement. The Franchisee acknowledges that the initial franchise fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, that the Franchisor has earned the initial franchise fee upon receipt thereof and that the fee is under no circumstances refundable to the Franchisee after it is paid, unless otherwise specifically set forth in this Agreement.

5. DEVELOPMENT OF FRANCHISED LOCATION

5.1 Approval of Franchised Location. Within two hundred seventy (270) days after the date of execution of this Agreement, the Franchisee shall locate a Franchised Location which is suitable for the operation of the FLOYD'S 99 Shop, have it approved by the Franchisor and sign the lease. If the Franchisee has made reasonable and continuing efforts to locate a Franchised Location, but site availability considerations beyond the control of the Franchisee prevent the selection of a suitable site, the Franchisor will extend the deadline to select a Franchised Location for a reasonable time if the Franchisee requests, in writing, an extension of the time to have the Franchised Location selected before such selection period lapses. The Franchisee shall follow the Franchisor's site selection procedures in locating a Franchised Location for the FLOYD'S 99 Shop, including using the Franchisor's designated site selection service provider to assist the Franchisee in finding a Franchised Location. The Franchisee shall seek the Franchisor's approval of any site proposed as a Franchised Location, by submitting a complete site submittal package, including demographics and other materials requested by the Franchisor, containing all information reasonably required by the Franchisor to assess a proposed Franchised Location. The Franchisor will not unreasonably withhold approval of a proposed site that meets all of the Franchisor's site selection criteria. The Franchisee acknowledges and agrees that the Franchisor's approval of a site and any information provided by the Franchisor regarding the site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a FLOYD'S 99 Shop. If the Franchisor must disapprove of any site proposed by the Franchisee, the Franchisor will grant the Franchisee an additional, reasonable period of time to obtain approval of a Franchised Location, as may be determined in the Franchisor's reasonable business judgment.

5.2 Approval of Site Acquisition or Lease. The Franchisee shall obtain the Franchisor's prior written approval before executing any lease, including all lease amendments, for the Franchised Location. If the Franchisee is purchasing real property for the Franchised Location, the Franchisee shall obtain the Franchisor's prior written approval of the purchase agreement before it is signed. The lease for the Franchised Location shall contain provisions set forth in detail in the Operations Manual (defined in Section 8.1 below), which may include the following: (1) providing for an initial term, or an initial term together with any renewal terms (for which rent must be specified in the lease) of at least 10 years; (2) expressing

the landlord's consent to the Franchisee's use of the Marks and all required signage for the Barbershop; (3) giving the Franchisor the right to enter the premises and make any modification necessary to protect the Marks and the Licensed Methods; (4) allowing the Franchisor, or its designee, to have the option to assume the lease and the right following such assumption to assign the lease or sublet the leased premises to another FLOYD'S 99 franchisee for all or any part of the lease term without further landlord consent if the Franchisee defaults under the lease or this Agreement or if this Agreement terminates or expires; (5) requiring the landlord to give the Franchisor written notice of any defaults by the Franchisee under such lease and the right to cure any such defaults; and (6) the lease shall also contain restrictive use clauses which are acceptable to the Franchisor. The Franchisor reserves the right to require the Franchisee to use the Franchisor's standard form of lease instead of adding the required provisions to the landlord's form of lease, in the Franchisor's sole discretion. The lease shall be conditionally assigned to the Franchisor as security for the Franchisee's timely performance of all obligations under this Agreement and the lease. The Franchisee shall enter into Franchisor's standard Conditional Assignment of Lease. In addition, the Franchisee shall obtain the landlord's consent to the terms of the Franchisor's standard form of Lease Addendum or incorporate the Franchisor's required terms into the lease or obtain the landlord's consent to the terms of the Franchisor's standard form of lease, whichever is applicable. The Franchisee acknowledges that the Franchisor's approval of a lease or purchase agreement for the Franchised Location does not constitute a recommendation, endorsement or guarantee by the Franchisor of the suitability or profitability of the location, the lease, lease amendments or purchase agreement. The Franchisee should take all steps necessary to ascertain whether the location, lease, lease amendments or purchase agreement is acceptable to the Franchisee. The Franchisor's review and approval of the lease or purchase agreement shall be for the Franchisor's benefit only and the Franchisee should not rely on such review and approval for any purpose whatsoever. The Franchisee shall sign a lease for the Franchised Location within two hundred seventy (270) days after the date of this Agreement and shall deliver a copy of the signed lease, including all lease amendments, to the Franchisor within 15 days of its execution.

5.3 Construction, Conversion and Design. The Franchisee acknowledges that the improvements, layout, fixtures, design, decoration and color scheme of FLOYD'S 99 Shops are an integral part of the Franchisor's proprietary Licensed Methods and accordingly, the Franchisee shall construct, convert, improve, design and decorate the Franchised Location in accordance with the Franchisor's plans and specifications and with the assistance of contractors, architects and suppliers designated by or otherwise approved by the Franchisor. The Franchisor reserves the right to specify a minimum number of barber chairs at a Franchised Location, among other things. Before construction, remodeling or decorating begins, the Franchisee shall submit an "as-built" survey to the Franchisor. The Franchisee shall obtain the Franchisor's written consent to any conversion, improvements, design or decoration of the premises before construction, remodeling or decorating begins, recognizing that any related costs are the Franchisee's sole responsibility. Written consent shall mean that the Franchisee has received from the Franchisor an executed construction approval form before construction, remodeling or decorating begins. If the Franchisor has extensive changes to the construction plans and specifications prepared by the Franchisee's local architect, the Franchisee agrees to reimburse the Franchisor at its then current published hourly rate for all such additional work. It shall be the Franchisee's responsibility to have prepared all required site plans, blueprints and construction plans and specifications to suit the shape and dimensions of the Franchised Location and to insure compliance with any lease and applicable laws, including without limitation, the Americans with Disabilities Act.

5.4 Signs. The Franchisee shall purchase or otherwise obtain for use at the Franchised Location and in connection with the FLOYD'S 99 Shop, signs which comply with the standards and specifications of the Franchisor as set forth in the Operations Manual, as that term is defined in Section 8.1. The Franchisee shall obtain such signs from the Franchisor's designated sign vendor, if such a vendor is designated at the time the Franchisee is building out its Franchised Location. It is the Franchisee's sole responsibility to insure that any signs comply with applicable local ordinances, mall regulations, building codes and zoning

regulations. Any modifications to the Franchisor's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to the Franchisor for prior written approval. The Franchisee acknowledges that the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with the Franchisor's standards and specifications and only with the prior written approval of the Franchisor.

5.5 Equipment and Inventory. The Franchisee shall purchase or otherwise obtain for use or sale at the Franchised Location and in connection with the FLOYD'S 99 Shop, equipment, inventory, other products and services of a type and in an amount which complies with the standards and specifications of the Franchisor. The Franchisee acknowledges that the type, quality, configuration, capability and/or performance of the equipment, inventory and other products and services used or offered through the FLOYD'S 99 Shop are all standards and specifications which are a part of the Licensed Methods and therefore such equipment, inventory, products, other items and services must be purchased, leased or otherwise obtained in accordance with the Franchisor's standards and specifications. The Franchisee shall, during the term of this Agreement, maintain a sufficient inventory of FLOYD'S 99 products plus a mix of other branded products to meet customer demands for the products offered for retail sale and for those products used by service providers in a FLOYD'S 99 Shop, and comply with the Franchisor's standards and specifications related to inventory as set forth in the Operations Manual (as defined in Section 8.1 below) from time to time. The Franchisee acknowledges and agrees that it may be required to purchase FLOYD'S 99 products exclusively from the Franchisor, its affiliates or suppliers or other sources designated or approved by the Franchisor.

5.6 Point-of-Sale System and Computers. The Franchisee shall equip the Barbershop with a point-of-sale system, computer hardware, software and other designated equipment as is consistent with the standards and specifications of the Franchisor. The Franchisee shall license and utilize in its Barbershop the point-of-sale system and/or software (including an ongoing license fee), which must be obtained from the Franchisor, its affiliates or designated suppliers. The Franchisee shall license certain proprietary software pursuant to the terms of Article 16 below. The Franchisee shall obtain compatible computer hardware for operating the point-of-sale system and software, if applicable, some of which may be required to be purchased from the Franchisor, its affiliates, or designated suppliers, in accordance with the Franchisor's standards and specifications. The Franchisor reserves the right to require the Franchisee to purchase new and upgraded computer hardware components and software (including proprietary software) upon 30 days prior written notice. These proprietary software programs may be purchased from the Franchisor or its affiliates. The Franchisee shall enter into a maintenance agreement with a designated or approved third party supplier, the fees for which may be collected by the Franchisor or its affiliate on behalf of a third party or paid directly to the designated supplier (the Franchisor further reserves the right to coordinate the services provided under such maintenance agreement). The Franchisee shall be responsible for all maintenance costs associated with the point-of-sale system and any computer hardware or software used in the Barbershop. Additionally, the Franchisee shall be required to obtain information technology services for the Barbershop from the Franchisor's designated or approved supplier. If required to do so by the Franchisor, the Franchisee, at the Franchisee's sole cost, shall join an Internet electronic network connection service, contract for high-speed Internet access, if available, and join an enterprise system to facilitate communication between the Franchisor and the Franchisee and/or among all FLOYD'S 99 franchisees, and to facilitate the Franchisor's access to operating information. The Franchisee shall reimburse the Franchisor for any point-of-sale system license or related fees that the Franchisor pays on the Franchisee's behalf.

5.7 Data Security and Access. The Franchisee must purchase, install and implement computer data security hardware and software, firewall protection, and security breach insurance through the Franchisor's designated or approved supplier. Franchisee agrees to comply with Franchisor's standards and specifications which include, without limitation, using Franchisor's designated credit card processing

service (which operates through the POS System) and taking security measures that comply with PCI Security Standards. If a data security breach occurs, the Franchisee must immediately notify the Franchisor and comply with all investigation and remediation efforts related to such breach consistent with the Franchisor's standards and specifications. The Franchisee authorizes vendors designated or approved by the Franchisor to conduct periodic data security and compliance audits and to perform remediation measures pursuant to the Franchisor's standards and specifications or the Franchisee shall provide proof of compliance to the Franchisor. Unless already incorporated into the point-of-sale system, the Franchisee must also purchase the Franchisor's designated point-of-sale system data backup software and services. The Franchisor reserves the right to require on 30 days' notice that the Franchisee purchase, install, and implement computer hardware and software upgrades, updates, maintenance services, monitoring services and revisions for use in the operation of the FLOYD'S 99 Shop. The Franchisor also reserves the right to require on 30 days' notice that the Franchisee purchase and install remote support and access software which meets Franchisor's standards. If the Franchisee fails to purchase or maintain services or equipment that meet the Franchisor's standards, the Franchisor may purchase such items on Franchisee's behalf, and the Franchisee must reimburse the Franchisor. The Franchisor reserves the right to charge a fee for creating and distributing proprietary in-shop music. The Franchisor also reserves the right to require the Franchisee to provide the Franchisor with reasonable access to information and data regarding the FLOYD'S 99 Shop by computer modem, Internet connection or by other means.

5.8 Permits and Licenses. The Franchisee agrees to obtain all such permits and certifications as may be required for the lawful construction and operation of the FLOYD'S 99 Shop, together with all certifications from government authorities having jurisdiction over the site, that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, local barbering and cosmetology permits and ratings and fire clearances. The Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee shall execute and deliver to the Franchisor the Permit, License and Construction Certification, in the form attached to this Agreement as Exhibit V, to confirm the Franchisee's compliance with the Americans With Disabilities Act and other provisions of this Section 5.8 not later than 30 days prior to the date the Barbershop begins operating. The Franchisee shall send a copy of its occupancy certificate to the Franchisor and keep copies of all health department, fire department, building department and other similar state and local agency and entity certifications, licenses, and reports of inspections on file and available for review by the Franchisor. Within 30 days after the Franchisee's Barbershop opens for business, the Franchisee will deliver to the Franchisor a copy of its barbershop license or permit, if applicable. Simultaneously, the Franchisee shall furnish the Franchisor with the address(es) and phone number for the applicable state and local barbering and cosmetology licensing agency(ies), if any.

5.9 Commencement of Operations. Unless otherwise agreed to in writing by the Franchisor and the Franchisee, the Franchisee has fifteen months from the date of this Agreement within which to: (1) secure all necessary financing for the Barbershop; (2) complete the initial training program described in Section 6.1 of this Agreement; (3) select, purchase or lease and build-out the Franchised Location (Franchisee has 270 days to locate an acceptable site and sign a lease on terms acceptable to the Franchisor); (4) purchase or lease and have installed such décor, furniture, equipment, fixtures, signs, point-of-sale system and software as meets the standards and specifications of the Franchisor; (5) purchase an opening inventory of products and supplies; (6) obtain and provide evidence of insurance as described in Section 22.1 below; (7) hire licensed and qualified employees; and (8) commence operation of the FLOYD'S 99 Shop. The Franchisor will extend the time in which the Franchisee has to commence operations for a reasonable period of time if factors beyond the Franchisee's reasonable control prevent the Franchisee from meeting this development schedule, so long as the Franchisee has made reasonable and continuing efforts to comply with such development obligations and the Franchisee requests, in writing, an extension of time in which

to have its FLOYD'S 99 Shop established before such development period lapses. The Franchisee shall obtain the Franchisor's approval prior to opening the Barbershop for business.

6. TRAINING

6.1 Initial Training Program. The Franchisee, if the Franchisee is an individual, or the principal owner of the Franchisee entity, or, if the Barbershop governed by this Agreement is not the first Barbershop developed by the Franchisee or an affiliate, the individual designated by the Franchisee to assume primary responsibility for the overall management of the FLOYD'S 99 Shop (the "**Principal Manager**"), must attend the initial training program which is conducted by the Franchisor at one of the Franchisor's designated training facilities. Successful completion of the initial training program by the Principal Manager is a prerequisite to perform the duties of the Principal Manager. The Franchisor permits the attendance of two management-level individuals in the Franchisor's initial training program without the imposition of any tuition or fee. However, the Franchisee is responsible for any and all traveling expenses, living expenses and wages incurred by the Franchisee and its employees in connection with their attendance at the training program. Participants in the training program do not receive compensation from the Franchisor during their training. It is mandatory that at least one individual successfully completes the initial training program prior to the commencement of operation of the FLOYD'S 99 Shop by the Franchisee. The primary objective of the initial training program is to provide comprehensive instruction on the Franchisor's Licensed Methods, trademark protection and brand consistency across FLOYD'S 99 locations.

6.2 Length of Initial Training. The initial training program consists of a total of approximately 40 hours of classroom training and 7 to 10 days of in Shop training, at a location designated by the Franchisor. The Franchisor reserves the right to waive a portion of the training program or alter the training schedule, if in the Franchisor's sole discretion, the Franchisee or the Principal Manager has sufficient prior experience or training. The Franchisor also reserves the right to provide training remotely by live video conferencing or other virtual means.

6.3 Manager Training Programs. If the Franchisee hires a new Principal Manager during the term of this Agreement, that person will be required to successfully complete the Franchisor's initial training program. The Franchisee will pay the Franchisor's then current tuition for the applicable training, in addition to the travel and living expenses incurred in connection with attending training. The Franchisee agrees to pay the Franchisor a tuition for each person who attends the initial training program. The Franchisee acknowledges and agrees that it is not permitted to send its Principal Managers or any of its other Barbershop managers to training programs other than those training programs conducted by the Franchisor or approved by the Franchisor in writing in advance. The Franchisor also reserves the right to provide the training described above remotely by live video conferencing or other virtual means.

6.4 Additional Training. From time to time, the Franchisor may present seminars, webinars, conventions, summits, manager retreats, or continuing development programs or conduct meetings for the benefit of the Franchisee. The Franchisee or its Principal Manager shall be required to attend in person any ongoing mandatory seminars, conventions, programs or meetings as may be offered by the Franchisor from time to time during the term of this Agreement. The Franchisor shall give the Franchisee at least 30 days prior written notice of any ongoing seminar, convention or program that is deemed mandatory. The Franchisor shall not require that the Franchisee attend any national convention, summit or ongoing training in person more often than twice a year. The Franchisor shall have the right to require the Franchisee, its Principal Manager and other designated management level employees to attend a local or regional meeting or manager retreat in person up to two times each calendar year. All mandatory training will be offered without charging tuition or a fee; provided, however, the Franchisee will be responsible to pay all travel and living expenses associated with attending training. The Franchisor also reserves the right to provide additional training remotely by live video conferencing or other virtual means.

7. DEVELOPMENT ASSISTANCE

7.1 Franchisor's Development Assistance. The Franchisor, or its designee, shall provide the Franchisee with assistance in the initial establishment of the FLOYD'S 99 Shop as follows:

a. Provision of the initial training program to be conducted at the Franchisor's designated training facilities or at another location designated by the Franchisor, as described in Article 6 above.

b. Provision of assistance from the Franchisor's designated site selection service provider that shall include, without limitation, one on-site visit to the market area by a representative who will assist the Franchisee with specifications for space requirements, build out and the demographics and character of the surrounding market area. The Franchisee acknowledges that the Franchisor shall have no other obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of such assistance from the Franchisor's designated provider, and approval or disapproval of a proposed Franchised Location, which approval or disapproval shall be based on information submitted to the Franchisor in a form sufficient to assess the proposed location as may be reasonably required by the Franchisor.

c. Design plans and specifications, directives regarding the required construction, conversion, design and decoration of the FLOYD'S 99 Shop premises, plus services from the Franchisor's designated suppliers, if any, regarding specifications for signs, decor, color, products, inventory, software, equipment, furnishings and layout.

d. Information regarding the selection of suppliers of equipment, inventory, items and materials used, hair care products and merchandise offered for sale in connection with the FLOYD'S 99 Shop. The Franchisor shall make available to the Franchisee a list of designated and approved suppliers, if any, of such equipment, inventory, items, materials, products, merchandise and, if available, a description of any regional or central purchase and supply agreements offered by such designated and approved suppliers for the benefit of FLOYD'S 99 franchisees.

e. Provision of an operations manual in accordance with Section 8.1 below.

f. The Franchisor will assist the Franchisee in the grand opening and grand opening marketing of the FLOYD'S 99 Shop.

8. OPERATIONS MANUAL

8.1 Operations Manual. The Franchisor shall provide to the Franchisee, either electronically or in such other manner as the Franchisor shall determine, one or more manuals, technical bulletins, or other written materials (collectively referred to as "**Operations Manual**") covering certain standards, specifications and operating and marketing procedures that the Franchisor requires the Franchisee to utilize in operating its FLOYD'S 99 Shop. The Operations Manual is designed to protect the Licensed Methods and the Marks and is not intended to control the day-to-day operations of the Franchisee's FLOYD'S 99 Shop. The Franchisee shall comply with the Operations Manual as an essential aspect of its obligations under this Agreement, that the Operations Manual shall be deemed to be incorporated herein by reference, and failure by the Franchisee to substantially comply with the Operations Manual may be considered by the Franchisor to be a breach of this Agreement.

8.2 Confidentiality of Operations Manual Contents. The Franchisee shall use the Marks and Licensed Methods only as specified in the Operations Manual. The Operations Manual is the sole property of the Franchisor and shall be used by the Franchisee only during the term of this Agreement and in strict

accordance with the terms and conditions hereof. The Franchisee shall not print or duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who have signed a confidentiality and noncompetition agreement in a form approved by the Franchisor. The Franchisee shall return the Operations Manual to the Franchisor upon the expiration, termination or assignment of this Agreement.

8.3 Changes to Operations Manual. The Franchisor reserves the right to revise the Operations Manual from time to time as it deems necessary to update or change operating and marketing techniques or standards and specifications. The Franchisee shall download and update its copy of the Operations Manual as instructed by the Franchisor and shall conform its operations to the updated provisions within 30 days of receipt of each update. The Franchisee acknowledges that a master copy of the Operations Manual maintained by the Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

9. OPERATING ASSISTANCE

9.1 Franchisor's Services. The Franchisor, or its designee, shall, during the Franchisee's operation of the FLOYD'S 99 Shop, make available to the Franchisee the following services:

a. The Franchisor shall give the Franchisee access to advertising and promotional materials as may be developed by the Franchisor, the cost of which may be passed on to the Franchisee or charged to the National Marketing Fund (defined in Section 13.2 below), at the Franchisor's option.

b. Upon the reasonable request of the Franchisee, consultation by telephone, facsimile or electronic mail regarding the continued operation and management of a FLOYD'S 99 Shop and advice regarding hair care services, styling trends, client relations, product purchase, supply and sale and similar advice.

c. Provision of seminars, webinars or programs, at a frequency to be determined by the Franchisor, on new methods, services, marketing techniques, equipment and products.

d. Updates of information and programs regarding the franchised business, the FLOYD'S 99 concept, the hair care industry generally, and the Licensed Methods, at a frequency to be determined by the Franchisor, including, without limitation, information about improvements to existing hair care services offered, new hair care service offerings, styling trends and products and merchandise which may be developed and made available to FLOYD'S 99 franchisees as a part of the Licensed Methods. The Licensed Methods may address (to the extent allowed by law) the maximum, minimum or other price requirements for products and services the FLOYD'S 99 Shop sells, including requirements for special offers, discounts and promotions.

e. The Franchisor shall make the initial training program available to replacement or additional Principal Managers and Barbershop managers, as applicable, during the term of this Agreement. The Franchisor reserves the right to charge a tuition or fee in an amount payable in advance, commensurate with the then current published prices of the Franchisor for such training. The Franchisee shall be responsible for all wages, travel and living expenses incurred by its personnel during the training program. The availability of the training programs shall be subject to space considerations and prior commitments to new FLOYD'S 99 franchisees.

9.2 Additional Franchisor Services. Although not obligated to do so, the Franchisor may make its employees or designated agents available to the Franchisee for on-site advice and assistance in connection with the on-going operation of the FLOYD'S 99 Shop governed by this Agreement. If the Franchisee

requests such additional assistance and the Franchisor agrees to provide the same, the Franchisor reserves the right to charge the Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of the Franchisee, which fee will be charged in accordance with the then current daily or hourly rates being charged by the Franchisor for assistance.

10. FRANCHISEE'S OPERATIONAL COVENANTS

10.1 Business Operations. The Franchisee shall comply with this Agreement and the Operations Manual. In addition to all other obligations contained in this Agreement and in the Operations Manual, the Franchisee shall comply with the following operational obligations.

a. Quality of Operations. The Franchisee shall maintain clean, efficient and high quality FLOYD'S 99 Shop operations and shall operate the business in accordance with the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of the Franchisor and the goodwill associated with the Floyd's 99 Franchising, LLC name and the Marks.

b. Compliance with Laws and Good Business Practices. The Franchisee shall conduct itself and operate its FLOYD'S 99 Shop in compliance with all applicable federal, state and local laws, regulations and other ordinances, including, without limitation, barbering and cosmetology regulations, health and public safety orders and regulations, barbering and cosmetology licensing laws, music licensing laws, data security laws, privacy laws, and other orders, ordinances and regulations in such a manner so as to promote a good public image in the business community. In connection therewith, the Franchisee will be solely and fully responsible for obtaining any and all licenses to carry on business at the FLOYD'S 99 Shop. The Franchisee shall provide the Franchisor with copies of all barbering and cosmetology licenses held by the Franchisee and each of its employees upon request. Each of the Franchisee's employees shall provide only those services to clients that they are licensed to provide. In addition, the Franchisee shall provide to the Franchisor immediately copies of all barbering and cosmetology board, health and sanitation department, fire department, building department, and other state or local entity or agency warnings, notices of deficiency or non-compliance, reports of inspections and other documents indicating that the Franchisee has not met or maintained the highest governmental standards as and when such reports, notices and documents become available. The Franchisee shall be solely responsible for any penalties or fines assessed for failure to abide by such laws and regulations.

c. Management. The Franchisee acknowledges that proper management of the FLOYD'S 99 Shop is important and shall insure that one of the principal owners of the Franchisee entity and, if applicable, the designated Principal Manager who has completed the Franchisor's initial training program, are responsible for the management of the FLOYD'S 99 Shop at all times. The Franchisee acknowledges and agrees that if this is the first Franchise Agreement between the Franchisee and the Franchisor, the Franchisee's principal owner shall be actively involved in the day-to-day management of the FLOYD'S 99 Shop.

d. Approved Services and Products. The Franchisee shall offer only services and products through its Barbershop which meet or exceed the minimum standards and specifications established by the Franchisor more fully described in the Operations Manual. The Franchisee shall offer all types of services and products, including specific brands, as from time to time may be prescribed by the Franchisor and shall refrain from offering any other types of services or products, including specific brands, or operating or engaging in any other type of business or profession,

from or through the FLOYD'S 99 Shop that are not authorized by the Franchisor, including, without limitation, filling "wholesale orders," defined below, or any off-premises, Internet, catalog or mail order sales, without the prior written consent of the Franchisor. "**Wholesale Orders**" are defined as those orders or sales where the principal purpose of the purchase is for resale, not use, or any sale other than those sold over the counter at a price other than that price charged to the general public; provided, however, that volume discounted sales made on the premises at the Franchised Location to a single purchaser, not for resale, shall not be considered a "wholesale order."

e. Payment of Obligations. The Franchisee shall pay on a timely basis all amounts due and owing to the Franchisor pursuant to any separate agreements between the Franchisee and the Franchisor and all amounts due and owing by the Franchisee to all third parties, including affiliates of the Franchisor, national vendors and taxing authorities, with whom the Franchisee does business at or through the Barbershop. In connection with any amounts due and owing by the Franchisee to third parties, the Franchisee expressly acknowledges that a default by the Franchisee with respect to such indebtedness may be considered a default hereunder and the Franchisor may avail itself of all remedies provided for herein in the event of default.

f. Other Agreements. The Franchisee shall comply with all agreements with third parties related to the FLOYD'S 99 Shop including, in particular, all provisions of any premises lease or equipment lease. In addition, the Franchisee shall obtain the Franchisor's prior written consent to any changes to the premises lease or any equipment lease during the term of this Agreement.

g. Employees. The Franchisee shall be exclusively responsible for the conduct and control of its employees and employment practices, including hiring, disciplining, firing, training, scheduling, and compensation of its employees. The Franchisee shall not solicit, employ, divert or attempt to employ any employee of the Franchisor, Franchisor's affiliates or other franchisees of Franchisor. The Franchisee shall be fully responsible for all of its employees' compliance with the operational standards which are part of the Licensed Methods. The Franchisee must conduct its employee training in a manner which ensures that Franchisee's employees comply with such operational standards and all laws and regulations affecting Barbershop operations. Any employee who does not satisfactorily complete the Franchisee's training, as described in this section, shall not work in any capacity in the Franchisee's FLOYD'S 99 Shop. The Franchisee shall be responsible for hiring fully licensed barbers and cosmetologists who meet the Franchisor's guidelines related to experience. The Franchisee and all employees of the Franchisee shall present a professional appearance, as described in the Operations Manual, and shall render competent and courteous service to clients of the FLOYD'S 99 Shop while working at the Franchised Location. All Principal Managers, employees of the Franchisee, the Franchisee and its owners, shall at all times while working at the Franchised Location wear clothing that meets such standards and specifications as may be prescribed by the Franchisor from time to time. The Franchisor has the right, in its sole and absolute discretion, to change or modify such dress code guidelines. Nothing in this Agreement shall be deemed to make the Franchisee's employees, representatives or agents (i) subject to the control of the Franchisor or (ii) employees of the Franchisor.

h. Remodeling and Upgrading. The Franchisee shall renovate, refurbish, remodel or replace, at its own expense, the real and personal property, furnishings and equipment used in the operation of the FLOYD'S 99 Shop, when reasonably required by the Franchisor in order to comply with the image, standards of operation and performance capability established by the Franchisor from time to time. If the Franchisor changes its image or standards of operation, it shall give the Franchisee a reasonable period of time within which to comply with such changes.

i. **Ownership of Business.** The Franchisee shall at all times during the term of this Agreement own and control the FLOYD'S 99 Shop authorized hereunder. Upon request of the Franchisor, the Franchisee shall promptly provide satisfactory proof of such ownership to the Franchisor. The Franchisee represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the FLOYD'S 99 Shop is held by the Franchisee. The Franchisee shall promptly provide the Franchisor with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 17 herein. In addition, if the Franchisee is an entity, all of the owners of the Franchisee shall sign the Guaranty and Assumption of Franchisee's Obligations attached hereto as Exhibit II.

j. **Hours of Operation.** The Franchisee shall at all times during the term of this Agreement keep its FLOYD'S 99 Shop open during the business hours as may be designated by the Franchisor from time to time in the Operations Manual, except as such designated business hours are superseded by mall requirements, as applicable, and shall maintain sufficient staffing of licensed employees, supplies of branded products and merchandise and employ adequate personnel at all times so as to operate the Barbershop at its maximum capacity and efficiency.

10.2 Anti-Terrorism Representation. Franchisee and its principal shareholders, members or owners (“principals”) agree to comply with or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its principals certify, represent, and warrant that none of their respective property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that neither Franchisee nor any of its principals are otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section, the term “Anti-Terrorism Laws” shall mean Executive Order 13224 issued by the President of the United States (“**Executive Order 13224**”), the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement or their actions) addressing or in any way relating to terrorist acts or acts of war. Franchisee and its principals certify that none of them, their respective employees, or anyone associated with any of them is listed in the Annex to Executive Order 13224 (the “**Annex**”), which is available at: <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>. Franchisee agrees not to knowingly hire any individual who is listed in the Annex (or, if he or she is already employed, retain the employment of that individual). Franchisee also agrees not to knowingly: (a) establish a new relationship with a person as an employee, principal, banker, or otherwise who is listed in the Annex (whether or not Franchisor has consented to a transfer involving such new principal); and (b) maintain a business relationship (whether with an employee, principal, banker, or otherwise) with a person who is added to the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee or its principals, its employees, or anyone else associated with Franchisee to be listed in the Annex. Franchisee understands that it is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its principals, its employees, or their respective affiliates shall constitute grounds for immediate termination of this Agreement, and any other Agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates.

11. PURCHASES OF PRODUCTS

11.1 Inventory. Prior to commencement of operation of the FLOYD'S 99 Shop, the Franchisee shall purchase and stock the Barbershop with hair care products, merchandise and related items in such mix and quantities as the Franchisor may determine and prescribe based on the size of and demand at the Barbershop. The Franchisee shall, during the term of the Franchise Agreement, maintain product inventory levels and product inventory mix sufficient to meet client demands and in compliance with the Franchisor's standards and specifications as may be described in the Operations Manual from time to time. The Franchisor reserves the right to require the Franchisee to purchase and maintain inventories of products of designated brands, including the "FLOYD'S 99" brand. The Franchisee may be required to purchase products from the Franchisor, its affiliate or designated supplier.

11.2 Limitations on Supply Obligations. Delivery of products as may be purchased from the Franchisor or its affiliates is subject to and conditioned upon availability. Nothing in this Agreement shall be construed by the Franchisee to be a promise or guarantee as to the continued availability of a particular product sold by the Franchisor or its affiliated companies, nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its affiliates to sell products to the Franchisee if the Franchisee is in arrears on any payment to the Franchisor and its affiliates or otherwise in default under this Agreement.

11.3 No Product Warranties. The products purchased by the Franchisee from the Franchisor or its affiliated companies shall be subject only to manufacturers' warranties. THE FRANCHISOR AND ITS AFFILIATED COMPANIES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY OF THE PRODUCTS PURCHASED BY THE FRANCHISEE.

11.4 Changes in Product. It is understood that the Franchisor and its affiliates shall have the right, at any time and without notice, to add items to, or withdraw items from, the list of products; to add to or delete from the list of approved suppliers of products; to revise any product; and to change the prices, discounts, or terms of sale of any product, provided, however, no such changes in prices, discounts or terms shall affect accepted orders pending with the Franchisor and its affiliates at the time of change.

12. ROYALTIES

12.1 Weekly Royalty. The Franchisee shall pay to the Franchisor a weekly royalty ("**Royalty**") equal to 6% of the total amount of its "Gross Sales" (defined in Section 12.2 below), generated from or through its FLOYD'S 99 Shop.

12.2 Gross Sales. "**Gross Sales**" shall mean and include the aggregate amount of all sales of services, products or merchandise of every kind or nature sold from, at or in connection with or arising out of the operation or conduct of business at the Barbershop or, if the Franchisee is an entity, arising out of the operation or conduct of any business by such entity, including sales made at or away from the Barbershop, whether for cash or credit, and any revenues from vending machines and from sales of promotional items such as caps, T-shirts, jackets, and similar items, less merchandise returns for which refunds are made, and less service refunds, provided that no refund shall exceed the sales price, but excluding all: (i) federal, state or municipal sales or service taxes collected from clients and paid to the appropriate taxing authority; (ii) discounts that have been approved in advance by the Franchisor in writing; and (iii) other exclusions as may be authorized in writing by the Franchisor.

12.3 Royalty Payments. Royalty payments shall be made weekly and sent to the Franchisor by electronic funds transfer on the day of the week the Franchisor shall designate from time to time ("**Due Date**") based on Gross Sales for the immediately preceding week. No later than 30 days prior to the opening

of the Barbershop, the Franchisee shall execute an Authorization Agreement for Preauthorized Payments in the form attached to this Agreement as Exhibit IV to allow the electronic transfer of funds from the Franchisee's bank account to the Franchisor's bank account of delinquent Royalties, National Marketing Contributions and other past due amounts owed by the Franchisee to the Franchisor arising from or relating to this Agreement. The Franchisor reserves the right, upon 30 days prior written notice to the Franchisee, to require that the Franchisee execute an Authorization Agreement for Preauthorized Payments of all Royalties, National Marketing Contributions and other amounts owed by the Franchisee to the Franchisor arising from or relating to this Agreement. No later than the Due Date of each week, the Franchisee shall report to the Franchisor by electronic means or in written form, as may be reasonably directed by the Franchisor, with such information and pursuant to such standard transmittal procedures regarding the Franchisee's Gross Sales and such additional information as may be requested by the Franchisor. The Franchisor shall have the right to verify such Royalty payments from time to time as it deems necessary, in any reasonable manner. If the Franchisee fails to have sufficient funds in the account or otherwise fails to pay any Royalties as of the Due Date, the Franchisee shall, in addition to such Royalties, owe a \$25.00 late fee to be automatically assessed and debited or paid along with the late debit or payment of Royalties. In addition, the Franchisor shall have the right to charge interest on any payments made after the Due Date at the highest applicable legal rate for open account business credit, not to exceed 1½% per month. The Franchisee acknowledges that this Section 12.3 shall not constitute the Franchisor's or its affiliates' agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance operation of the Barbershop. In no event shall the Franchisee be required to pay a late payment and/or interest at a rate greater than the maximum interest rate permitted by applicable law.

12.4 Application of Payments. Notwithstanding any designation by the Franchisee, the Franchisor shall have sole discretion to apply any payments by the Franchisee, and any credits received by the Franchisor on the Franchisee's behalf from third party vendors, to any of Franchisee's past due indebtedness to Franchisor for Royalties, National Marketing Contributions, product purchases from the Franchisor or its affiliates, interest or any other indebtedness. The Franchisee acknowledges that the Franchisor has the right to set-off any amounts the Franchisee may owe to the Franchisor against any amounts the Franchisor might owe to the Franchisee.

13. ADVERTISING

13.1 Approval of Advertising. The Franchisee shall obtain the Franchisor's prior written approval of all written advertising or other marketing or promotional programs regarding the FLOYD'S 99 Shop, including, without limitation, "Yellow Pages" and other directory listing advertising, newspaper ads, flyers, brochures, magazines, coupons, direct mail pieces, specialty and novelty items and radio, television. See Section 13.6 below regarding electronic advertising. The Franchisee shall also obtain the Franchisor's prior written approval before using any promotional materials as may be provided by vendors. The proposed written advertising or a description of the marketing or promotional program shall be submitted to the Franchisor at least 30 days prior to publication, broadcast or use. The Franchisee acknowledges that advertising and promoting the FLOYD'S 99 Shop in accordance with the Franchisor's standards and specifications is an essential aspect of the Licensed Methods, and the Franchisee agrees to comply with all advertising standards and specifications. The Franchisee shall display all required promotional materials, signs, point of purchase displays and other marketing materials in its FLOYD'S 99 Shop and in the manner prescribed by the Franchisor. The Franchisee agrees to participate in any mandatory gift card or customer loyalty card programs implemented by the Franchisor in accordance with all of the Franchisor's standards and specifications. The Franchisee acknowledges and agrees that participation in a gift card or customer loyalty card program, whether voluntary or required, may require the Franchisee to pay fees, enter into agreements or purchase equipment or other products or services from the Franchisor or from a designated third-party supplier.

13.2 National Marketing Contribution. The Franchisee shall make contributions (“**National Marketing Contributions**”) to a national advertising fund established by the Franchisor (“**National Marketing Fund**”). The amount of the National Marketing Contribution is currently 1.5% of Franchisee’s Gross Sales and can be changed by Franchisor from time to time. The National Marketing Contribution shall be paid to the Franchisor in addition to Royalties and in addition to any amounts spent on local or regional advertising, and the following terms and conditions shall apply:

a. The National Marketing Contribution shall be payable concurrently with (or on another designated Due Date), and in the same manner as, the payment of the Royalties as described in Section 12.3.

b. When combined with Franchisee’s Local Advertising Allocation (described below in Section 13.3), Franchisee’s total advertising obligation (the National Marketing Contribution plus Local Advertising Allocation) will not exceed 4% of Franchisee’s Gross Sales.

c. Franchisor may increase the amount of the National Marketing Contribution (up to a maximum of 3% of Gross Sales) by providing Franchisee with at least 90 days’ prior written notice.

d. The Franchisor shall have the right to verify National Marketing Contribution payments from time to time as it deems necessary, in any reasonable manner.

e. The National Marketing Contributions will be subject to the same late charges and interest as the Royalties, in an amount and manner set forth in Section 12.3 above.

f. Upon the request of the Franchisee, the Franchisor will make available to the Franchisee, no later than 120 days after the end of each fiscal year, an unaudited financial statement which indicates how the National Marketing Fund has been spent.

g. The Franchisor shall direct all advertising and marketing programs financed by the National Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used therein, geographic, market and media placement and allocation, and the administration thereof. The Franchisee agrees that the National Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials, and Electronic Advertising (as defined in Section 13.6), including website design and maintenance and communication by social media and electronic mail; agency costs and commissions; implementing and administering gift card and stored value card programs and customer loyalty programs; creating and distributing proprietary in-shop music streaming programs; employee incentives and retention programs; training programs; administering multi-regional advertising programs, including, without limitation, purchasing and placing direct mail and other media advertising and employing advertising agencies and in-house staff to assist therewith; and supporting public relations, market research, brand recognition, third-party shopping services, and other advertising and marketing activities.

h. The National Marketing Fund shall be accounted for separately from the Franchisor’s other funds and shall not be used to defray any of the Franchisor’s general operating expenses, except for such reasonable administrative costs, salaries and overhead as the Franchisor may incur in activities related to the administration of the National Marketing Fund and the implementation of its programs, including, without limitation, conducting market research, incurring related accounting and legal expenses, preparing material and collecting and accounting for National Marketing Fund contributions. The Franchisor may spend in any fiscal year an amount

greater or less than the aggregate contribution of all FLOYD'S 99 Shops to the National Marketing Fund in that year and the National Marketing Fund may borrow from the Franchisor or other lenders to cover deficits or cause the National Marketing Fund to invest any surplus for future use. All interest earned on monies contributed to the National Marketing Fund will be first used to pay costs. The National Marketing Fund may be incorporated or operated through an entity separate from the Franchisor at such time as the Franchisor deems appropriate, and such successor entity shall have all rights and duties of the Franchisor necessary to administer the National Marketing Fund pursuant to this Section 13.2.

i. The Franchisee understands and acknowledges that the National Marketing Fund is intended to maximize recognition of the Marks and patronage of FLOYD'S 99 Shops. Although the Franchisor will endeavor to utilize the National Marketing Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all FLOYD'S 99 Shops, the Franchisor undertakes no obligation to ensure that expenditures by the National Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions by FLOYD'S 99 Shops operating in that geographic area or that any FLOYD'S 99 Shop will benefit directly or in proportion to its contribution from the development of advertising and marketing materials or the placement of advertising. The National Marketing Fund is not a trust fund, and the Franchisor does not owe the Franchisee a fiduciary duty with respect to the maintenance, direction or administration of the National Marketing Fund. Except as expressly provided in this Section 13.2, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee with respect to the maintenance, direction or administration of the National Marketing Fund.

j. The Franchisor reserves the right to terminate the National Marketing Fund, upon 30 days' written notice to the Franchisee. All unspent monies on the date of termination shall be distributed to the Franchisor's franchisees in proportion to their respective contributions to the National Marketing Fund during the preceding 12-month period. The Franchisor shall have the right to reinstate the National Marketing Fund upon the same terms and conditions set forth herein upon 30 days' prior written notice to the Franchisee.

13.3 Local Advertising. Franchisee shall spend at least 1% of the total amount of its quarterly Gross Sales on local advertising (the "**Local Advertising Allocation**") to create public awareness of the Franchisee's FLOYD'S 99 Shop. Funds spent on local advertising must be focused on the promotion of Franchisee's Shop to consumers. Funds spent through sites or networks such as Indeed, Craigslist or other similar sites or professional networks, whether to recruit employees or for other purposes, are not approved as local advertising. When combined with Franchisee's National Marketing Contribution (described above in Section 13.2), Franchisee's total advertising obligation (the National Marketing Contribution plus Local Advertising Allocation) will not exceed 4% of Franchisee's Gross Sales. The Franchisee will submit to the Franchisor an accounting of the amounts spent on local advertising within 20 days following the end of each calendar quarter. If the Franchisee's lease requires it to advertise locally, the Franchisor may, in its sole discretion, count such expenditures toward the Franchisee's Local Advertising Allocation under this Section 13.3. The Franchisee shall obtain the Franchisor's prior written approval of all written advertising and promotional materials before publication. If the Franchisee fails to spend the Local Advertising Allocation, this Agreement will be subject to termination under Section 20.2 below or, in the Franchisor's sole discretion, the Franchisor may purchase local advertising for the Franchisee and the Franchisee will be obligated to reimburse the Franchisor for all such purchases.

13.4 Regional Advertising Programs. The Franchisor reserves the right, upon 30 days prior written notice to the Franchisee, to create a regional advertising association ("**Co-op**") for the benefit of FLOYD'S 99 franchisees located within a particular geographic area. If a Co-op is established for the area where the Franchisee is located, the Franchisee will be required to participate in the Co-op for the purpose of selecting

and participating in regional marketing and promotion programs for FLOYD'S 99 Shops. The Franchisee will be required to remain a member of and be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues of the Co-op, to the extent that they are approved by the Franchisor. The Franchisor may require the Franchisee to allocate up to 1% of Gross Sales under Section 13.3 (the Franchisee's maximum Local Advertising Allocation) as a required advertising contribution to the Co-op. Each Co-op has the right, by majority vote, to require its members to pay additional monthly dues to the Co-op. The failure of the Franchisee to participate in the Co-op or pay any dues required by the Co-op, may, at the option of the Franchisor, be deemed to be a breach of this Agreement. The Franchisor has the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the implementation of such regional advertising and promotion campaigns and to require that the Franchisee participate in such regional advertising programs as and when they may be established by the Franchisor. If a regional advertising program is implemented on behalf of a particular region by the Franchisor, the Franchisor, to the extent reasonably calculable, will only use contributions from FLOYD'S 99 franchisees within such region for the particular regional advertising program. The Franchisor reserves the right to seek reimbursement from the Co-op for reasonable administrative costs, salaries and overhead as the Franchisor may incur in activities related to the implementation and administration of the Co-op and marketing programs. The Franchisor also reserves the right to establish an advertising cooperative for a particular region to enable the cooperative to self-administer the regional advertising program; provided that the Franchisor shall have the right to review and approve the governing documents of such a self-administering cooperative.

13.5 Grand Opening Promotion. The Franchisor reserves the right to require the Franchisee to conduct a grand opening advertising and promotional program for the FLOYD'S 99 Shop at a time to be mutually agreed upon by the Franchisor and the Franchisee at or around the time that the Barbershop opens. The grand opening advertising and promotional program typically consists of up to sixty (60) days of promotions and advertising. All of the Franchisee's grand opening advertising and promotional materials shall be subject to the Franchisor's prior written approval. At the Franchisee's option, the grand opening campaign may include offering discounted services; if the Franchisee offers discounted services, the dollar value of discounted services will not be credited toward the amount the Franchisee is required to spend on its grand opening campaign (the current grand opening spending obligation is up to \$25,000). If the Franchisee's lease requires it to participate in a grand opening campaign for the entire shopping center, in the Franchisor's sole discretion, all or a portion of the Franchisee's grand opening advertising monies may be spent for such campaign.

13.6 Electronic Advertising. The Franchisee shall not develop, create, contribute to, distribute, disseminate or use any electronic or Internet communication, including blogs, instant message services such as Twitter, social media sites such as Facebook, all other electronic communications methods, or any multimedia, telecommunications, mass electronic mail messages, facsimile or audio/visual advertising, promotional or marketing materials ("**Electronic Advertising**"), directly or indirectly related to the FLOYD'S 99 Shop, the Marks, the Licensed Methods, other franchisees, other FLOYD'S 99 Shops, the Franchisor, its employees and affiliates, without the Franchisor's prior written consent which may be withheld in the Franchisor's sole discretion. The Franchisee acknowledges and agrees that it will not post a blog, create or contribute to a website, engage in any type of social networking or conduct any type of Internet communication that refers to the Marks, the Licensed Methods, the Franchisor, its affiliates and employees, any FLOYD'S 99 Shops or other franchisees without the Franchisor's prior written permission. The Franchisor shall retain the exclusive right to develop, publish and control the content of all Electronic Advertising for FLOYD'S 99 Shops. The Franchisee acknowledges that the Franchisor shall own all Electronic Advertising related to or associated with the Marks and Licensed Methods including, without limitation, databases of customer contact information and other customer information. The Franchisor reserves the right, upon 30 days' prior written notice, to require the Franchisee to: (a) participate in any Electronic Advertising of FLOYDS 99 Shops sponsored by the Franchisor; or (b) create, customize, change,

delete or provide access to any websites, any social media or networking account, telecommunications or audio/visual advertising, promotional or marketing material as part of the Electronic Advertising. The Franchisor shall retain the exclusive right to develop and control the content of all Electronic Advertising for the FLOYD'S 99 Shops. If the Franchisor permits the Franchisee to develop any Electronic Advertising, the Franchisee shall do so in strict compliance with the Franchisor's policies and rules regarding the creation, maintenance, use, publication and content of such Electronic Advertising as set forth in this Agreement or the Operations Manual. The Franchisee shall not publish any of the Franchisor's confidential information on the Internet, and the Franchisee shall not publish any of the Franchisor's copyrighted material or information containing the Marks or any of the Licensed Methods on the Internet without the Franchisor's prior written permission; nor shall the Franchisee assist any other party in doing so. Any amounts that the Franchisee spends to participate in Electronic Advertising shall be credited toward the Franchisee's local advertising obligations.

14. QUALITY CONTROL

14.1 Compliance with Operations Manual. The Franchisee shall maintain and operate the FLOYD'S 99 Shop in compliance with this Agreement and the standards and specifications contained in the Operations Manual, as the same may be modified from time to time by the Franchisor.

14.2 Standards and Specifications. The Franchisor will make available to the Franchisee standards and specifications for products and services offered at or through the FLOYD'S 99 Shop and for the Franchised Location, equipment, furniture, fixtures, hair care products offered for sale, hair care products used, inventory policies, employee attire, supplies, forms, advertising material and other items used in connection with the Barbershop. The Franchisor reserves the right to change standards and specifications for services and products offered at or through the FLOYD'S 99 Shop and for the Franchised Location, equipment, furniture, fixtures, inventory policies, hair care products offered for sale and used, employee attire, supplies, forms, advertising material and other items used in connection with the Barbershop, upon 30 days prior written notice to the Franchisee. The Franchisee shall, at the Franchisee's expense and throughout the term of this Agreement, remain in compliance and strictly adhere to all of the Franchisor's current standards and specifications for the FLOYD'S 99 Shop as prescribed from time to time. The Franchisee acknowledges that compliance with the Operations Manual is vitally important to the Franchisor and other FLOYD'S 99 system franchisees and is necessary to protect the reputation and goodwill of the Marks and to maintain a uniform quality of operation throughout the FLOYD'S 99 system. However, while the Operations Manual is designed to protect the reputation and goodwill of the Marks, it is not designed to control the day-to-day operation of the FLOYD'S 99 Shop.

14.3 Inspections. The Franchisor shall have the right to examine the Franchised Location, including the services offered and the manner in which those services are provided, inventory, products, equipment, furniture, fixtures, materials, supplies or services used or sold there, to ensure compliance with all standards and specifications set by the Franchisor. The Franchisor shall conduct such inspections during regular business hours and the Franchisee may be present at such inspections. The Franchisor, however, reserves the right to conduct the inspections without prior notice to the Franchisee.

14.4 Restrictions on Products and Services. The Franchisee is prohibited from offering or selling any products or services not authorized by the Franchisor as being a part of the Licensed Methods. If the Franchisee proposes to offer, conduct or utilize any products, services, materials, forms, items, supplies or services for use in connection with or sale through the FLOYD'S 99 Shop which are not previously approved by the Franchisor as meeting its specifications, the Franchisee shall first notify the Franchisor in writing requesting approval. The Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, the Franchisor may require submission of specifications, information, or samples of such products, services, materials, forms, items or

supplies. The Franchisee shall pay and/or reimburse the Franchisor for the reasonable costs of investigation in determining whether such products, services, materials, forms, items or supplies meet the Franchisor's specifications. The Franchisor will advise the Franchisee within a reasonable time whether such products, services, materials, forms, items or supplies meet the Franchisor's specifications.

14.5 Approved Suppliers. The Franchisee shall purchase all products, equipment, materials, supplies and services required for the operation of the FLOYD'S 99 Shop from the Franchisor, from the Franchisor's affiliates, from suppliers designated or approved by the Franchisor or, if there is no designated or approved supplier for a particular product, piece of equipment, supply, material or service, from such other suppliers who meet all of the Franchisor's specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply the Franchisee's needs in the quantities, at the times, and with the reliability requisite to the efficient operation of the FLOYD'S 99 Shop.

14.6 Request to Approve Supplier. If the Franchisee desires to purchase or use products, equipment, supplies, materials or services from suppliers other than those previously approved by the Franchisor, the Franchisee shall, prior to purchasing from or otherwise utilizing any supplier give the Franchisor a written request to approve the supplier. If the Franchisor rejects the Franchisee's requested new supplier, the Franchisor must notify the Franchisee in writing within 30 days of Franchisor's receipt of the Franchisee's request to approve the supplier. The Franchisor may continue from time to time to inspect any suppliers' facilities and products to assure compliance with the Franchisor's standards and specifications. Permission for such inspection shall be a condition of the continued approval of such supplier. The Franchisor will not unreasonably withhold approval of the supplier; however, in order to make such determination, the Franchisor may require that samples from a proposed new supplier be delivered to the Franchisor for testing prior to approval and use. A charge not to exceed the reasonable cost of investigation may be made by the Franchisor and shall be paid by the Franchisee. Approval of a supplier may be revoked upon 30 days prior written notice of the reason for revocation of the approval of a supplier.

14.7 Shopping Service. The Franchisor reserves the right to use third party shopping services from time to time to evaluate the operation and quality of the Franchisee's FLOYD'S 99 Shop, including such things as quality of the services rendered, product availability, client service, cleanliness, merchandising and proper use of computers and registers. The Franchisor may use such shopping services to evaluate the Franchisee's FLOYD'S 99 Shop at any time at the Franchisor's expense, without prior notification to the Franchisee. The Franchisor may make the results of any such service evaluation available to the Franchisee, in the Franchisor's sole discretion.

15. MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

15.1 Marks. The Franchisee acknowledges that the Franchisor or the Franchisor's affiliate Floyd's 99 Holdings, LLC, has the sole right to own, license and control the Franchisee's use of the "FLOYD'S 99" service mark and other of the Marks, and that such Marks shall remain under the sole and exclusive ownership and control of the Franchisor or Floyd's 99 Holdings, LLC. The Franchisee shall display the Marks prominently at the Barbershop premises and on furnishings and packaging materials and in connection with forms, advertising and marketing, all in a manner as the Franchisor shall reasonably prescribe. The Franchisee acknowledges that it has not acquired any right, title or interest in such Marks except for the right to use such marks in the operation of its FLOYD'S 99 Shop as it is governed by this Agreement. Except as permitted in the Operations Manual, the Franchisee shall not use any of the Marks as part of an electronic mail address, or on any sites on the Internet and the Franchisee shall not use or register any of the Marks as part of a domain name on the Internet.

15.2 No Use of Other Marks. No service marks other than “FLOYD’S 99” or such other Marks as may be specified by the Franchisor shall be used in the identification, marketing, promotion or operation of the FLOYD’S 99 Shop.

15.3 Licensed Methods. The Franchisee acknowledges that the Franchisor owns and controls the distinctive plan for the establishment, operation and promotion of the FLOYD’S 99 Shop and all related licensed methods of doing business, previously defined as the “**Licensed Methods**,” which include, but are not limited to, the Franchisor’s standards and specifications for the franchised site, premises, leasehold improvements, interior finish, interior décor, furnishings, equipment, products, product formulas, supplies, materials, inventory type and control, technical equipment standards, order fulfillment methods, client relations, marketing techniques, written promotional materials, advertising, accounting systems, and service delivery methods, all of which constitute confidential trade secrets of the Franchisor. The Franchisee acknowledges that the Franchisor has valuable rights in and to such trade secrets. The Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of the FLOYD’S 99 Shop as it is governed by this Agreement and that it is obligated to maintain the confidentiality of the Licensed Methods in accordance with Section 22.3 below.

15.4 Mark Infringement. The Franchisee shall notify the Franchisor in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks or of any copyrighted work of the Franchisor which may come to its attention. The Franchisee acknowledges that the Franchisor shall have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. The Franchisor may commence or prosecute such action in the Franchisor’s own name, the name of Floyd’s 99 Holdings, LLC and may join the Franchisee as a party to the action if the Franchisor determines it to be reasonably necessary for the continued protection and quality control of the Marks, Licensed Methods and copyrighted works. The Franchisor shall bear the reasonable cost of any such action, including attorneys’ fees. The Franchisee must fully cooperate with the Franchisor in any such litigation. The Franchisor shall indemnify and hold the Franchisee harmless from, and reimburse the Franchisee for, any loss, liability, claim or damages (collectively, the “**Claims**”), and all reasonable costs, expenses and attorneys’ fees incurred defending any Claims brought against the Franchisee, or in any action in which the Franchisee is named as a party, which arises out of or is related to the Franchisee’s authorized use of any Mark or copyrighted work of the Franchisor, which use is in compliance with the terms of this Agreement. The Franchisee shall timely notify the Franchisor of any Claims for which it is seeking indemnity hereunder. The Franchisor, at its option, shall be entitled to control the defense of any action or proceeding involving any Claims.

15.5 Franchisee’s Business Name and Domain Name. The Franchisee acknowledges that the Franchisor and affiliates of the Franchisor have a prior and superior claim to the “FLOYD’S 99” trade name. The Franchisee shall not use the words “FLOYD’S 99” in the legal name of its corporation, limited liability company or any other business entity used in conducting the business provided for in this Agreement. The Franchisee also agrees not to register or attempt to register an Internet domain name or a trade name with a state using the words “FLOYD’S 99” unless such registration meets the Franchisor’s specifications and the Franchisee obtains the Franchisor’s prior written consent. When this Agreement expires or terminates, the Franchisee shall execute any assignment or other document the Franchisor requires to transfer to the Franchisor any rights the Franchisee may possess in a trade name or an Internet domain name utilizing the words “FLOYD’S 99” or any other Mark owned by the Franchisor. The Franchisee shall not identify itself as being “Floyd’s 99 Franchising, LLC” or as being associated with the Franchisor in any manner other than as a franchisee or licensee or as being associated with any affiliate of the Franchisor. The Franchisee shall, in all advertising and promotion and promotional materials, display its business name only in obvious conjunction with the phrase “FLOYD’S 99 Licensee” or “FLOYD’S 99

Franchisee” or with such other words and in such other phrases to identify itself as an independent owner of the FLOYD’S 99 Shop, as may from time to time be prescribed in the Operations Manual.

15.6 Change of Marks and Licensed Methods. The Franchisor may in its sole discretion, discontinue, change, modify or alter the Marks and the Licensed Methods by among other things, adopting or developing new trademarks, trade names, service marks, copyrighted materials, new services or products, new furnishings, equipment, new signage or new operational techniques (“**Alterations**”). If the Franchisor shall make any Alterations to the Marks or Licensed Methods, the Franchisee shall, within a reasonable time after receipt of written notice of such Alteration from the Franchisor, take such action, at the Franchisee’s sole expense, as may be necessary to comply with such required Alteration. The Franchisee shall not unilaterally change, alter or modify the Marks or Licensed Methods in any way without the Franchisor’s prior written consent which may be withheld in the Franchisor’s sole discretion. The Franchisee’s approved changes or improvements to the Licensed Methods or the Marks shall inure to the exclusive benefit of the Franchisor.

15.7 Creative Ownership. All copyrightable works created by the Franchisee or any of its owners, officers or employees in connection with the Barbershop shall be the sole property of the Franchisor. The Franchisee assigns all proprietary rights, including copyrights, in these works to the Franchisor without additional consideration. The Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, copyrights and trade secrets developed in part or in whole in relation to the Barbershop, during the term of this Agreement, as the Franchisor may deem necessary in order to enable it, at its expense, to apply for, prosecute and obtain copyrights, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to the Franchisor all right, title, and interest in said property. The Franchisee shall promptly disclose to the Franchisor all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the Barbershops and the Licensed Methods which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same. In addition to the foregoing, the Franchisee acknowledges and agrees that any improvements or modifications directly or indirectly related to the Barbershop, whether or not copyrightable, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of the Franchisor.

15.8 Alterations for Protection of Marks. The Franchisor may, in its sole discretion but with reasonable notice to the Franchisee, enter into the Franchised Location to make any Alterations required for the protection of the Marks and Licensed Methods, including but not limited to the signs, furniture, fixtures, trade dress or décor of the Barbershop, if the Franchisee refuses to make any Alterations required by the Operations Manual or under the terms of this Agreement. If the Franchisor elects to make such Alteration on the Franchisee’s behalf, the Franchisor reserves the right to charge the Franchisee for all expenses incurred by the Franchisor in connection with such Alteration including the Franchisor’s travel, lodging, living expenses, telephone charges and other identifiable expenses (such as construction and materials), plus a fee based on the time spent by each of Franchisor’s employees or agents on behalf of the Franchisee.

16. SOFTWARE LICENSE

16.1 Grant of License. The Franchisor will license one or more proprietary computer software programs (the “**Software**”) to the Franchisee for use in the operation of the FLOYD’S 99 Shop, including any modifications or revisions thereto, all documentation (other than the Software) related to the Software, the tangible media upon which such programs are recorded and the database file structure thereof (collectively, the “**Program**”). The Franchisor hereby grants to the Franchisee a nonexclusive,

nontransferable, fully paid license to use the Program (the “**License**”) for the term hereof, and agrees to provide updates for the Program for the term hereof. The parties agree as follows:

a. The Program shall be installed on the computer equipment designated by the Franchisor as meeting its specifications (the “**Designated Equipment**”).

b. Except with the prior written consent of the Franchisor, the Program shall not be: (i) operated by persons other than the Franchisee and employees of the Franchisee; (ii) operated on more than one computer at a time; (iii) operated on equipment other than the Designated Equipment; or (iv) operated at locations other than the Franchised Location.

c. The Program shall be used only to perform information processing in the Franchisee’s operation of the FLOYD’S 99 Shop and shall not be used to perform information processing for any other person, entity or business.

d. The Franchisee shall not, and shall not allow its employees or agents to: (i) sell, assign, lease, license, market or commercially exploit, in any way, the Program, any component thereof or any data generated by the use of the Program; (ii) disclose or grant access to the Program, any component thereof or any data generated by the use of the Program, to any third party other than one whom the Franchisor has approved in writing and who has agreed in writing with the Franchisor to keep the Program confidential; or (iii) copy or reproduce the Program, any component thereof or any data generated by the use of the Program, in any manner, except for one copy of the Program for normal back-up and operations thereof; provided nothing contained herein shall prohibit the Franchisee from using the data generated by the Program to the extent reasonably necessary to comply with local, state and federal law and for usual and customary business purposes.

e. The Franchisee shall keep the Program and any data generated by the use of the Program confidential during and after the term hereof, and shall establish and maintain such security precautions as are prescribed by the Franchisor from time to time to maintain the secrecy of the Program and any data generated by the use of the Program, and to prevent the unauthorized access to or use, disclosure or copying of the Program or any data generated by the use of the Program. The Franchisee shall cause each of its employees who has access to the Program to execute a written confidentiality agreement in a form prescribed or approved in writing by the Franchisor. The Franchisee shall immediately inform the Franchisor in writing if an employee breaches the written confidentiality agreement or otherwise violates the terms and conditions of this Section 16.1, or if the Franchisee learns of any actual or possible unauthorized disclosure of the Program or any data generated by the use of the Program, such as the loss or theft of any tangible medium (such as a diskette), documentation or other component thereof.

f. The Franchisee acknowledges and agrees that the Program and any data generated by the use of the Program is the valuable proprietary property and trade secret of the Franchisor and its affiliates, and the Franchisee agrees to use the utmost care to safeguard the Program and any data generated by the use of the Program and to maintain the secrecy and confidentiality thereof. The Franchisee shall not undertake to patent, copyright or otherwise assert proprietary rights to the Program or any data generated by the use of the Program or any portion thereof. The Franchisee shall not create any derivative works based on the Software without the prior written consent of the Franchisor. The Franchisee recognizes that all or part of the Program and any data generated by the use of the Program may be copyrighted and agrees that this shall not be construed as causing the copyrighted material to be public information. The Franchisee shall ensure that any copies of the Program and any data generated by the use of the Program or any components thereof

in its possession contain such copyright notice or other notice of proprietary rights specified by the Franchisor. The Franchisor retains the right to control the Program and all derivative works of the Program. The grant of this License to the Franchisee is not a sale by the Franchisor of the Program. The Franchisee agrees that the Program and concept of the Program is now and shall remain the sole property of the Franchisor or a third party that has customized the Program for the Franchisor.

g. The Franchisee shall not modify, adapt, translate, reverse engineer, decompile or disassemble the Program in any way without the prior written consent of the Franchisor. The Franchisor shall have the right to use any ideas and suggestions developed by the Franchisee for modifications to or enhancements of the Program.

h. The Franchisor reserves the right to require the Franchisee to install a modem or software program to enable the Franchisor to access the Program at all times and to retrieve, analyze and use all data in the files of the Franchisee for the Program.

i. The Franchisee acknowledges and agrees that any violation by the Franchisee of the provisions of this Section 16.1 would cause the Franchisor irreparable injury for which the Franchisor would have no adequate remedy at law and that, in addition to any other remedies which it may have, the Franchisor shall be entitled to preliminary and permanent injunctive relief against any such violation.

j. Upon expiration or termination of this Agreement, the Franchisee immediately shall cease further use of the Program, allow the Franchisor's employees or agents to remove the Program from the Designated Equipment, return the Program and any data generated by the use of the Program to the Franchisor and destroy any and all back-up or other copies of the Program or parts thereof, documentation for the Program and any data generated by the use of the Program, including invoices, and other materials or information which relate to or reveal the Program and its operation and any data generated by the use of the Program, and the Franchisor may cease performance of all of its obligations hereunder without liability of the Franchisor to the Franchisee.

k. During the term of this Agreement, the Franchisor shall provide in a timely manner to Franchisee, Program updates on the following terms:

(i) The Franchisor shall send to the Franchisee updates of the Program designed to reflect improvements. As compensation for each such update, the Franchisee agrees to reimburse the Franchisor for its actual costs of shipping and handling due and payable upon receipt; and

(ii) Any required payment not actually received by the Franchisor during regular business hours on the date due shall be deemed delinquent. If full payment required hereunder has not been received by the Franchisor, then interest shall accrue on the unpaid balance at the rate of two percent per month. The Franchisee shall be liable to the Franchisor for all costs of collection, including reasonable attorneys' fees, and the Franchisor may exercise its rights against the Franchisee in accordance with the provisions of Article 20 hereof on account of such delinquency.

16.2 Warranties. The Franchisor represents and warrants to the Franchisee that: (a) the Franchisor has all rights, titles, licenses and authorizations to license the Program to the Franchisee; and (b) the Program does not, and as a result of any updates or revisions, the Program will not, to the best of the Franchisor's knowledge, infringe on any United States patent, copyright or other proprietary right of any third party. If the Franchisee's use of the Program as provided by the Franchisor is enjoined as a result of a claim by a

third party of patent or copyright infringement or violation of proprietary rights, then the Franchisor shall use its best efforts, in its sole discretion, to either (i) procure for the Franchisee the right to continue use of the Program as contemplated hereunder, or (ii) replace the Program or modify it such that there is no infringement of the third party's rights; and such action by the Franchisor shall be the Franchisor's sole and exclusive obligation to the Franchisee with respect thereto and the Franchisor shall have no further liability to the Franchisee. The term "best efforts" as used in this Section 16.2 shall not be construed to include expenditures of money by the Franchisor in such event.

The Franchisor does not represent or warrant to the Franchisee, and expressly disclaims any warranty, that the Program is error-free or that the operation and use of the Program by the Franchisee will be uninterrupted or error-free. The Franchisor shall not have any obligation or liability for any expense or loss incurred by the Franchisee arising from use of the Program in conjunction with any other computer program. EXCEPT AS PROVIDED ABOVE, THE FRANCHISOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AND THERE ARE EXPRESSLY EXCLUDED ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

16.3 LIMITATION OF LIABILITY. IN NO EVENT SHALL THE FRANCHISOR HAVE ANY LIABILITY TO THE FRANCHISEE FOR CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER (EVEN IF THE FRANCHISOR HAS BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES), DIRECTLY OR INDIRECTLY RELATED TO THE PROGRAM OR THE LICENSE.

17. REPORTS, RECORDS AND FINANCIAL STATEMENTS

17.1 Franchisee Reports. The Franchisee shall establish and maintain, at its own expense, bookkeeping, accounting and data processing systems which conform to the specifications that the Franchisor may prescribe from time to time. Each transaction of the Barbershop shall be processed in the manner prescribed by the Franchisor. The Franchisor shall have the right of independent access to all data with respect to the Barbershop. The Franchisor reserves the right to require the Franchisee to provide the Franchisor with access to the Franchisee's data by installing a modem or joining and paying for an electronic network connection service which meets the Franchisor's standards and specifications. The Franchisee shall supply to the Franchisor such types of reports in a manner and form as the Franchisor may from time to time reasonably require, including:

- a. by a designated day of each week a report on the Barbershop's Gross Sales for the previous week;
- b. monthly financial statements, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), consistently applied, using the forms and chart of accounts as prescribed by the Franchisor, which shall include a profit and loss statement and balance sheet for the FLOYD'S 99 Shop or for the Franchisee entity, mailed or otherwise forwarded to the Franchisor by no later than the 15th day following the end of the month, based on operating results of the previous month, which shall be submitted in a form approved by the Franchisor;
- c. a report on the Franchisee's Local Advertising Allocation expenditures in each calendar quarter, as further described in Section 13.3 of this Agreement, on such date designated by Franchisor following such calendar quarter and in the Franchisor's recommended format;
- d. within 90 days after the end of the Franchisee's fiscal year, a balance sheet and profit and loss statement prepared in accordance with GAAP, consistently applied, for the Barbershop for such year;

e. within 10 days after such returns are filed, exact copies of federal and state income, sales and any other tax returns and such other forms, records, books and other information as the Franchisor may periodically require; and

f. any other data, information and supporting records reasonably requested by the Franchisor from time to time, including without limitation, daily, weekly or monthly reports of inventory and sales by category.

17.2 Financial Records Use and Access. The Franchisor reserves the right to disclose data derived from all financial and accounting reports received from the Franchisee to the other franchisees and affiliates in the FLOYD'S 99 system with information identifying the Franchisee. The Franchisor also reserves the right to disclose data derived from the Franchisee's financial and accounting reports to parties outside of the FLOYD'S 99 system, without identifying the Franchisee, except to the extent identification of the Franchisee is required by law. The Franchisee consents to the Franchisor obtaining financial and account information regarding the Barbershop and its operations from third parties with whom the Franchisee does business, as and when deemed necessary by the Franchisor.

17.3 Verification. Each report and financial statement to be submitted to the Franchisor pursuant to this Agreement shall be signed manually or electronically, as the case may be, and verified by the Franchisee.

17.4 Books and Records. The Franchisee shall maintain all books and records for its FLOYD'S 99 Shop in a manner as reasonably prescribed by the Franchisor, shall prepare all annual balance sheets and profit and loss statements in accordance with GAAP, consistently applied, and shall preserve these records for at least five years after the fiscal year to which they relate.

17.5 Audit of Books and Records. The Franchisee shall permit the Franchisor to inspect and audit the books and records of the FLOYD'S 99 Shop at any reasonable time, at the Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to the Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to the Franchisor by the Franchisee, with interest from the date such payments were due at the lesser of 1½% per month or the maximum rate allowed by law. If the Franchisee (1) fails to furnish required reports or supporting records on a timely basis for two or more consecutive reporting periods; (2) fails to have the books and records available for an audit after receiving reasonable, advance notice from the Franchisor; (3) otherwise fails to cooperate with the Franchisor's requested audit, or (4) understates its Gross Sales for the period of any audit by greater than 3%, then the Franchisee shall reimburse the Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of the Franchisor's employees.

18. TRANSFER

18.1 Transfer by Franchisee. The franchise granted herein is personal to the Franchisee and, except as stated below, the Franchisor shall not allow or permit any transfer, assignment, subfranchise or conveyance of this Agreement or any interest hereunder. As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift, merger, consolidation, exchange or other disposition by the Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of the Franchisee, if the Franchisee is an entity or consists of more than one individual; or (3) the Barbershop or any assets of the Barbershop. A "**transfer**" shall also include all transfers resulting from a divorce, insolvency, corporate or partnership dissolution proceeding, consolidation, exchange, public or private offering of stock or other ownership interests in an entity, merger

or otherwise by operation of law or, in the event of the death of the Franchisee, or an owner of the Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession.

18.2 Pre-Conditions to Franchisee's Transfer. The Franchisee shall not engage in a transfer, as defined above, unless the Franchisee obtains the Franchisor's written consent and complies with the following requirements:

a. Payment of all amounts due and owing pursuant to this Agreement by the Franchisee to the Franchisor or its affiliates or payment of all amounts due and owing to third parties holding a security interest in any asset of the franchised business;

b. Agreement by the proposed transferee to satisfactorily complete the initial training program described in this Agreement, which training may be completed by the transferee either prior to or immediately after assignment of this Agreement;

c. Execution by the transferee of a Franchise Agreement in a form then currently offered by the Franchisor, which shall supersede this Agreement in all respects. If a new Franchise Agreement is signed, the terms thereof may differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any additional initial franchise fee;

d. Provision by the Franchisee of written notice to the Franchisor at least 90 days prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed transfer. If the Franchisee is an entity and one or more owners of the Franchisee entity wish to transfer, sell, assign, or otherwise dispose of his or her interest in the Franchisee entity or if the Franchisee entity wishes to make a public or private offer of its stock or other ownership interests, the Franchisee must submit to Franchisor at least 90 days in advance of the proposed effective date, and obtain Franchisor's prior written approval, of the documents effectuating the transfer, sale, assignment, offering or disposition;

e. The proposed transferee shall have provided information to the Franchisor sufficient for the Franchisor to assess the proposed transferee's business experience, aptitude and financial qualification, and the Franchisor shall have ascertained that the proposed transferee meets such qualifications;

f. Execution by Franchisee of a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, its affiliates and their respective officers, directors, employees and agents;

g. Payment by the Franchisee or the proposed transferee of \$7,500;

h. Neither the proposed transferee nor any of its direct or indirect owners or affiliates operates, has an ownership interest in or performs services for a Competitive Business; and

i. Agreement by the Franchisee to abide by the post-termination covenant not to compete set forth in Section 22.2 below.

The Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer by the Franchisee which requires the Franchisor's consent under this Section 18.2.

18.3 Franchisor's Approval of Transfer. The Franchisor has 90 days from the date of the written notice of the proposed transfer to approve or disapprove in writing, of the Franchisee's proposed transfer.

The Franchisee acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new franchisees of the Franchisor and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If the Franchisee and the proposed transferee comply with all conditions for assignment set forth herein and the Franchisor has not given the Franchisee notice of its approval or disapproval within the 90-day period, approval is deemed granted. The Franchisor's approval of any transfer shall not constitute approval for any subsequent transfer or a waiver of any of the Franchisor's rights under this Article 18.

18.4 Right of First Refusal. If the Franchisee wishes to transfer its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it, or all or a substantial portion of the assets of the FLOYD'S 99 Shop, the Franchisee agrees to grant to the Franchisor a 90-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer to purchase submitted to the Franchisee by the proposed purchaser; provided, however, the following additional terms and conditions shall apply:

a. The Franchisee shall notify the Franchisor of such offer by sending a written notice to the Franchisor (which notice may be the same notice as required by Section 18.2.d. above), enclosing a copy of the written offer from the proposed purchaser;

b. The 90-day right of first refusal period will run concurrently with the period in which the Franchisor has to approve or disapprove the proposed transferee;

c. Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which a new 90-day right of first refusal shall be given to the Franchisor;

d. If the consideration or manner of payment offered by a third party is such that the Franchisor may not reasonably be required to furnish the same, then the Franchisor may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, an independent appraiser shall be designated by the Franchisor, whose determination will be binding upon the parties. All expenses of the appraiser shall be paid for equally between the Franchisor and the Franchisee; and

e. If the Franchisor chooses not to exercise its right of first refusal, the Franchisee shall be free to complete the sale, transfer or assignment, subject to compliance with Sections 18.2 and 18.3 above. Absence of a reply to the Franchisee's notice of a proposed sale within the 90-day period is deemed a waiver of such right of first refusal.

18.5 Specific Types of Transfers. The Franchisee acknowledges that the Franchisor's right to approve or disapprove of a proposed sale or transfer, and all other requirements and rights related to such proposed sale or transfer, as provided for above, shall apply (1) if the Franchisee is a partnership or other business association, to the addition or deletion of a partner or members of the association or the transfer of any partnership or membership among existing partners or members; (2) if the Franchisee is a corporation or limited liability company, to any proposed transfer or assignment of 25% or more of the ownership interests of the Franchisee, whether such transfer occurs in a single transaction or several transactions; and (3) if the Franchisee is an individual, to the transfer from such individual or individuals to a corporation or limited liability company controlled by them, in which case the Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) the issuance and/or transfer of ownership interests which would affect a change in ownership of 25% or more of the stock or membership units in the company being conditioned on the Franchisor's prior written approval; (iii) a limitation on the company's business activity to that of operating

the FLOYD'S 99 Shop and related activities; and (iv) other reasonable conditions. With respect to a proposed transfer as described in subsection (1) and (3) of this Section, the Franchisor's right of first refusal to purchase, as set forth above, shall not apply and the Franchisor will waive any transfer fee chargeable to the Franchisee for a transfer under these circumstances.

18.6 Assignment by the Franchisor. This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same.

18.7 Franchisee's Death or Disability. Upon the death or permanent disability of the Franchisee (or the individual controlling the Franchisee entity), the executor, administrator, conservator, guardian or other personal representative of such person shall transfer the Franchisee's interest in this Agreement or such interest in the Franchisee entity to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 180 days from the date of death or permanent disability, and shall be subject to all terms and conditions applicable to transfers contained in this Article 18. Failure to transfer the interest in this Agreement or such interest in the Franchisee entity within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "**permanent disability**" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Franchisee or the owner of a controlling interest in the Franchisee entity from supervising the management and operation of the FLOYD'S 99 Shop for a period of 120 days from the onset of such disability, impairment or condition.

19. TERM AND EXPIRATION

19.1 Term. The term of this Agreement is for a period of 10 years from the date of this Agreement, unless sooner terminated as provided herein.

19.2 Continuation. If for any reason, the Franchisee continues to operate the Barbershop beyond the term of this Agreement or any subsequent renewal period, it shall be deemed to be on a month-to-month basis under the terms of this Agreement and subject to termination upon 30 days' notice or as required by law. If said hold-over period exceeds 90 days, this Agreement is subject to immediate termination unless applicable law requires a longer period. Upon termination after any hold-over period, the Franchisee and those in active concert with the Franchisee, including family members, officers, directors, partners and managing agents, are subject to the terms of Sections 20.3, 20.4, 22.2 and 22.3 of this Agreement and all other applicable post-termination obligations contained in this Agreement.

19.3 Rights Upon Expiration. At the end of the initial term hereof, the Franchisee shall have the option to renew its franchise rights for an additional term, by acquiring successor franchise rights, if the Franchisor does not exercise its right not to offer a successor franchise in accordance with Section 19.5 below and if the Franchisee:

a. At least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by the Franchisor;

b. Has substantially complied with all provisions of this Agreement during the current term, including the payment on a timely basis of all Royalties, National Marketing Contributions and other fees due hereunder. "**Compliance**" shall mean, at a minimum, that the Franchisee has not received any written notification from the Franchisor of breach hereunder more than four times during the term hereof;

c. Upgrades and/or remodels the FLOYD'S 99 Shop and its operations at the Franchisee's sole expense (the necessity of which shall be in the sole discretion of the Franchisor) to conform with the then current Operations Manual;

d. Executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, and their respective officers, directors, employees and agents arising out of or relating to this Agreement; and

e. Pays a successor franchise fee of 20% of the then current initial franchise fee for a single (first) franchise.

19.4 Exercise of Option for Successor Franchise. The Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to the Franchisor not later than 180 days prior to the scheduled expiration of this Agreement. The Franchisee's successor franchise rights shall become effective by signing the Franchise Agreement then currently being offered to new franchisees of the Franchisor. The terms of the then current franchise agreement shall govern the renewal term except that the Franchisee will not have to pay another initial franchise fee.

19.5 Conditions of Refusal. The Franchisor shall not be obligated to offer the Franchisee a successor franchise upon the expiration of this Agreement if the Franchisee fails to comply with any of the above conditions of renewal. In such event (except for failure to execute the then current Franchise Agreement or pay the successor franchise fee), the Franchisor shall give notice of expiration at least 180 days prior to the expiration of the term, and such notice shall set forth the reasons for such refusal to offer successor franchise rights. Upon the expiration of this Agreement, the Franchisee shall comply with the provisions of Section 20.4 below.

19.6 Consent to Option. Upon execution of this Agreement, each owner of Franchisee not otherwise signing the Guaranty and Assumption of Franchisee's Obligations, and their respective spouses, will execute a consent to the provisions of Sections 18.4 and 20.3, the form of which is attached as Exhibit VI to this Agreement. Such consent will subject any interest they may have in this Agreement, in the Shop, or in the Franchisee covered by the option or right of first refusal provided for in said Sections, as applicable (whether a separate property interest, joint ownership property interest, community property interest, or otherwise), to the provisions of those Sections.

20. DEFAULT AND TERMINATION

20.1 Termination by Franchisor - Effective Upon Notice. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, without affording the Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon written notice to the Franchisee, addressed as provided in Section 24.12 upon the occurrence of any of the following events:

a. **Abandonment.** If the Franchisee ceases to operate the FLOYD'S 99 Shop or otherwise abandons the FLOYD'S 99 Shop for a period of three consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the FLOYD'S 99 Shop, unless and only to the extent that full operation of the FLOYD'S 99 Shop is suspended or terminated due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee;

b. **Insolvency; Assignments.** If the Franchisee becomes insolvent or is adjudicated a bankrupt; or if any action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under

federal bankruptcy law, 11 U.S.C. §§ 101 et seq.); or if the Franchisee makes an assignment for the benefit of creditors or a receiver is appointed by the Franchisee;

c. **Unsatisfied Judgments; Levy; Foreclosure.** If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Franchisee's business or any of the property used in the operation of the FLOYD'S 99 Shop and is not discharged within five days; or if the real or personal property of the Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

d. **Criminal Conviction.** If the Franchisee is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;

e. **Failure to Make Payments.** If the Franchisee fails to pay any Royalties, National Marketing Contributions, inventory payments, product payments or any other amounts due the Franchisor or its affiliates, including any amounts which may be due as a result of any subleases or lease assignments between the Franchisee and the Franchisor, within 10 days after receiving notice that such fees or amounts are overdue;

f. **Misuse of Marks.** If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Marks and fails to correct the misuse or failure within 10 days after notification from the Franchisor;

g. **Unauthorized Disclosure.** If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual or any other trade secrets or confidential information of the Franchisor;

h. **Repeated Noncompliance.** If the Franchisee has received two previous notices of default from the Franchisor and is again in default of this Agreement within a 12 month period, regardless of whether the previous defaults were cured by the Franchisee; or

i. **Unauthorized Transfer.** If the Franchisee sells, transfers or otherwise assigns the Franchise, an interest in the Franchise or the Franchisee entity, this Agreement, the FLOYD'S 99 Shop or a substantial portion of the assets of the FLOYD'S 99 Shop owned by the Franchisee without complying with the provisions of Article 18 above.

20.2 Termination by Franchisor - Thirty Days' Notice. The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to the Franchisee, if the Franchisee breaches any other provision of this Agreement and fails to cure the default during such 30 day period. In that event, this Agreement will terminate without further notice to the Franchisee, effective upon expiration of the 30 day period. Defaults shall include, but not be limited to, the following:

a. **Failure to Maintain Standards.** The Franchisee fails to maintain the then current operating procedures and adhere to the specifications and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to the Franchisee;

- b. **Deceptive Practices.** The Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the Franchisor's Marks or under a name or mark which is confusingly similar to the Franchisor's Marks;
- c. **Failure to Obtain Consent.** The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;
- d. **Failure to Comply with Manual.** The Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual; or
- e. **Breach of Related Agreement.** The Franchisee defaults under any term of any sublease or lease assignment for the Franchised Location, any product supply agreement, any security agreement, any other agreement material to the FLOYD'S 99 Shop or any other Franchise Agreement or other contract between the Franchisor, on the one hand, and the Franchisee or a Franchisee affiliate, on the other hand, and such default is not cured within the time specified in such sublease, product supply agreement, other agreement, contract or other Franchise Agreement. The Franchisor will provide the Franchisee the same cure rights with respect to defaults under such other agreements with the Franchisor as the Franchisee has under this Agreement.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within the 30-day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during the 30-day period, the Franchisee shall be given an additional reasonable period of time to cure the breach, and this Agreement shall not automatically terminate without written notice from the Franchisor.

20.3 Option to Purchase. Upon termination or expiration of this Agreement for any reason, the Franchisor shall have the option to purchase the FLOYD'S 99 Shop or all or a portion of the assets of the Barbershop, which may include, at the Franchisor's option, all of the Franchisee's interest, if any, in and to the real estate upon which the FLOYD'S 99 Shop is located, and all buildings and other improvements thereon, including leasehold interests, at fair market value, less any amount apportioned to the goodwill of the FLOYD'S 99 Shop which is attributable to the Franchisor's Marks and Licensed Methods, and less any amounts owed to the Franchisor by the Franchisee. The following additional terms shall apply to the Franchisor's exercise of this option:

- a. The Franchisor's option hereunder shall be exercisable by providing the Franchisee with written notice of its intention to exercise the option given to the Franchisee no later than the effective date of termination, in the case of termination, or at least 90 days prior to the expiration of the term of the franchise, in the case of non renewal;
- b. If the Franchisor and the Franchisee cannot agree on the fair market value of the FLOYD'S 99 Shop, then the fair market value shall be determined by an independent third-party appraisal. The Franchisor and the Franchisee shall each select one independent, qualified appraiser, and the two so selected shall select a third appraiser, all three to determine the fair market value of the FLOYD'S 99 Shop. The purchase price shall be the median of the fair market values as determined by the three appraisers operating independently. The parties shall bear the expenses of their selected appraiser and shall evenly split the expenses of the third appraiser.
- c. The Franchisor and the Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by the Franchisor, in the real property records and the Franchisor and the Franchisee further agree to execute such additional documentation as may be necessary and appropriate to effectuate such recording; and

d. The Franchisor shall set the closing for the purchase of the FLOYD'S 99 Shop to take place no later than 60 days after the termination or nonrenewal date. At the Franchisor's option, the Franchisee shall continue the Barbershop operations by extension of this Agreement through the closing date. The Franchisor will pay the purchase price in full at the closing, or, at its option, in 12 equal consecutive monthly installments with interest at a rate of 10% per annum. The Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the FLOYD'S 99 Shop or its assets by the Franchisor.

e. If the Franchisor does not exercise the Franchisor's right to purchase the Franchisee's FLOYD'S 99 Shop as set forth above, the Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of its FLOYD'S 99 Shop; provided, however, that all appearances of the Marks and the Franchisor's color scheme and trade dress are first removed in a manner approved in writing by the Franchisor.

20.4 Obligations of Franchisee Upon Termination or Expiration. The Franchisee is obligated upon termination or expiration of this Agreement to immediately:

a. Pay to the Franchisor all Royalties, National Marketing Contributions, other fees, and any and all amounts or accounts payable then owed the Franchisor or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or oral, including subleases and lease assignments, between the parties;

b. Cease to identify itself as a FLOYD'S 99 franchisee or publicly identify itself as a former Franchisee or use any of the Franchisor's trade secrets, signs, symbols, devices, trade names, trademarks or other materials;

c. If the Franchisor does not exercise its option to purchase described in Section 20.3 above, cease to identify the Franchised Location as being, or having been, associated with the Franchisor and, if deemed necessary by the Franchisor, paint or otherwise change the interior and exterior of the Barbershop to distinguish it from a FLOYD'S 99 Shop and immediately cease using any proprietary mark of the Franchisor or any mark in any way associated with the Marks and Licensed Methods;

d. Deliver to the Franchisor all signs, sign-faces, advertising materials, forms and other materials bearing any of the Marks or otherwise identified with the Franchisor and obtained by and in connection with this Agreement;

e. Immediately deliver to the Franchisor the Operations Manual and all other information, software, documents and copies thereof which are proprietary to the Franchisor, including but not limited to, all client lists and related client information contained in computer databases or otherwise;

f. Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks which are under the exclusive control of the Franchisor or, at the option of the Franchisor, assign the same to the Franchisor;

g. Notify the telephone company and all telephone directory publishers of the termination or expiration of the Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer thereof to the Franchisor or its designee. The Franchisee acknowledges that, as between the Franchisee and the Franchisor, the Franchisor has the sole rights to and interest in all telephone,

teletype or facsimile machine numbers and directory listings associated with any Mark. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any of its officers as the Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone, teletype or facsimile machine numbers and directory listings relating to the FLOYD'S 99 Shop to the Franchisor or its designee, should the Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of the Franchisor's exclusive rights in such telephone numbers and directory listings and the Franchisor's authority to direct their transfer;

h. If applicable, take such action as may be required to remove from the Internet all sites referring to the Franchisee's former FLOYD'S 99 Shop or any of the Marks and to cancel or assign to the Franchisor, in the Franchisor's sole discretion, all rights to any domain names for any sites on the Internet that refer to the Franchisee's former FLOYD'S 99 Shop or any of the Marks; and

i. Abide by all restrictive covenants set forth in Article 22 of this Agreement and, if exercised by the Franchisor, the Franchisor's option to purchase described in Section 20.3 of this Agreement.

20.5 Acknowledgement. If this Agreement is terminated by the Franchisor prior to its expiration as set forth in Sections 20.1 and 20.2 above, the Franchisee acknowledges and agrees that, in addition to all other available remedies, the Franchisor shall have the right to recover lost future royalties during any period in which the Franchisee fails to pay such royalties through and including the remainder of the then current term of this Agreement.

20.6 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IF THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

21. BUSINESS RELATIONSHIP

21.1 Independent Businesspersons. The parties acknowledge that each of them is an independent businessperson, that their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Neither the Franchisor nor the Franchisee will hold themselves out to be the agent, employer or partner of the other and neither the Franchisor nor the Franchisee has the authority to bind or incur liability on behalf of the other.

21.2 Payment of Other Obligations. The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, banks, other lenders, government agencies, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon the Franchisee, the Franchisee's property, the FLOYD'S 99 Shop or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor). In addition, the Franchisor shall not be liable for any claims arising from labor or employment law violations committed by the Franchisee or its employees.

21.3 Indemnification. The Franchisee shall indemnify, defend and hold harmless the Franchisor, its subsidiaries, parents and affiliates, and their respective shareholders, equity owners, partners, directors, officers, managers, members, employees, agents, representatives, successors and assigns (the "**Indemnified**

Parties”), against, and to reimburse them for all claims, obligations, fines, suits, proceedings, demands, actions of any kind and nature, and damages described in this Section 21.3, any and all obligations described in Section 21.2 and any and all claims and liabilities directly or indirectly arising out of or is based upon or related to this Agreement, the operation of the FLOYD’S 99 Shop or arising out of all acts and omissions of the Franchisee and its employees related to labor or employment practices, failure to comply with any applicable laws or regulations, or the use of the Marks and Licensed Methods in any manner not in accordance with this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties (including any claims Franchisee brings against the Indemnified Parties), including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

22. RESTRICTIVE COVENANTS

22.1 Non-Competition During Term. The Franchisee acknowledges that, in addition to the training provided pursuant to this Agreement and the license of the Marks hereunder, the Franchisor has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, operations, proprietary products, proprietary product formulas, vendor lists, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees of the Franchisor using the Marks and Licensed Methods. Therefore, other than the FLOYD’S 99 Shop licensed herein or authorized by separate agreement with the Franchisor, neither the Franchisee nor any of the Franchisee’s officers, directors, shareholders, Principal Managers, Barbershop managers, equity owners, members, managers or partners, nor any member of his or their immediate families, shall during the term of this Agreement:

- a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a “Competitive Business” as defined below;
- b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or
- c. divert or attempt to divert any business related to, or any client or account of the FLOYD’S 99 Shop, the Franchisor’s business or any other FLOYD’S 99 franchisee’s business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Franchisor or another franchisee licensed by the Franchisor to use the Marks and Licensed Methods, to any Competitive Business by any direct inducement or otherwise.
- d. The term “**Competitive Business**” as used in this Agreement shall mean any business operating or granting franchises or licenses to others to operate, either (i) a retail hair care business deriving more than 5% of its gross sales from the sale of haircuts or hair care products; or (ii) a wholesale business deriving more than 5% of its gross sales from the sale of hair care products. Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

22.2 Post-Termination Covenant Not to Compete. Upon termination or expiration of this Agreement for any reason, the Franchisee and its officers, directors, shareholders, Principal Managers, members, managers and/or partners agree that, for a period of two years commencing on the effective date of

termination or expiration, or the date on which the Franchisee ceases to conduct business, whichever is later, neither Franchisee nor its officers, directors, shareholders, Principal Managers, members, managers and/or partners shall have any direct or indirect interest (through a member of any immediate family of the Franchisee or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, defined in Section 22.1 above, located or operating within a 25 mile radius of the Franchised Location, within 25 miles of the Franchised Location of any other franchised FLOYD'S 99 Shop or, within 25 miles of the premises of any FLOYD'S 99 Shop owned by the Franchisor or affiliate of the Franchisor. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. The Franchisee and its officers, directors, shareholders, Principal Managers, members, managers and/or partners acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

22.3 Confidentiality of Proprietary Information. The Franchisee and the Franchisor acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, manuals, product formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Franchisor which are developed and utilized in connection with the Licensed Methods are proprietary and confidential ("**Confidential Information**"). Such Confidential Information is unique, exclusive property and a trade secret of the Franchisor and has valuable goodwill associated with it. The Franchisee acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor. It is understood that Confidential Information is deemed to include, without limitation, clients lists, vendor lists, product formulas, any and all information contained in the Operations Manual, and any information of whatever nature which gives the Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such lists, written materials, formulas or information. The Franchisee further acknowledges that the Franchisor has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor has taken numerous precautions to guard the secrecy of the Confidential Information, that it would be very costly for competitors to acquire or duplicate the Confidential Information and that any unauthorized disclosure of such Confidential Information shall cause irreparable harm to the Franchisor. Consequently, the Franchisee shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchisee's FLOYD'S 99 Shop, any of the Confidential Information of the Franchisor or its affiliates. The Franchisor and the Franchisee agree that the Confidential Information does not include information that is generally available to the public.

22.4 Confidentiality Agreement. The Franchisor requires and the Franchisee agrees to cause each of its officers, directors, partners, shareholders, equity owners, members, managers, Principal Managers, Barbershop managers, and, if the Franchisee is an individual, immediate family members, to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by the Franchisor.

23. INSURANCE

23.1 Insurance Coverage. The Franchisee shall procure, maintain and provide evidence of (i) comprehensive general liability insurance for the Franchised Location and its operations with a limit of not less than \$2,000,000.00 combined single limit or with such greater limits or such other terms and

conditions as may be described in the Operations Manual or required as part of any lease agreement for the Franchised Location; (ii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; (iii) employment practices liability insurance of not less than \$500,000 to \$1,000,000 per claim, including third-party liability, wage and hour defense costs and punitive and exemplary damages claims, where insurable; (iv) all-risk personal property insurance in an amount equal to at least 100% of the replacement costs of the contents and tenant improvements located at the FLOYD'S 99 Shop; and (v) cyber liability insurance with a limit of not less than \$1,000,000 per claim. All of the required policies of insurance shall name the Franchisor as an additional insured and shall provide for a 30-day advance written notice to the Franchisor of cancellation. The Franchisor shall have the right upon 60 days prior written notice to the Franchisee to revise the coverage limits and types of required insurance described in this Section 23.1.

23.2 Proof of Insurance Coverage. The Franchisee will provide proof of insurance to the Franchisor prior to commencement of operations at its FLOYD'S 99 Shop. This proof will show that the insurer has been authorized to inform the Franchisor if any policies lapse or are cancelled. Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement; in the event of any lapse in insurance coverage, in addition to all other remedies, the Franchisor shall have the right to demand that the Franchisee cease operations of the FLOYD'S 99 Shop until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to the Franchisee.

24. MISCELLANEOUS PROVISIONS

24.1 Modification. The Franchisor and/or the Franchisee may modify this Agreement only upon execution of a written agreement between the two parties. The Franchisee acknowledges that the Franchisor may modify its standards, specifications and operating and marketing procedures set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Franchisor, in its sole discretion, deems necessary to protect, promote or improve the Marks and the quality of the Licensed Methods, but under no circumstances will such modifications be made arbitrarily without such determination.

24.2 Entire Agreement. This Agreement, including all exhibits and addenda, and the Operations Manual, contain the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. No modifications of this Agreement shall be effective except those in writing and signed by both parties. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by the Franchisor in the franchise disclosure document that the Franchisor provided to the Franchisee.

24.3 Delegation by the Franchisor. From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.

24.4 Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the relationship between the parties and any claims or disputes arising therefrom shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Franchisee, its officers, directors or managers (collectively, "**Franchisee Affiliates**") and the Franchisor, its officers, directors, managers or sales employees (collectively, "**Franchisor Affiliates**"), all

parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, in Denver, Colorado and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

24.5 Injunctive Relief. The Franchisor and the Franchisee shall each have the right in the proper case to obtain injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling more than \$500, but upon due notice, and the Franchisee's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

24.6 Effective Date. This Agreement shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer or manager of the Franchisor. The effective date of this Agreement may be adjusted to an earlier date if the parties are signing it as a successor to an earlier franchise agreement in order to avoid giving the Franchisee a longer term under the successor franchise agreement if the term of the prior agreement was extended until the successor agreement became effective.

24.7 Review of Agreement. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 calendar days or 10 full business days, whichever is applicable.

24.8 Attorneys' Fees. In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

24.9 No Waiver. No delay, waiver, omission or forbearance on Franchisor's part to exercise any right, option, duty or power arising out of any breach or default by Franchisee or any other franchisee or developer under any of the terms, provisions, covenants or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Franchisee to enforce any such right, option, duty or power as against Franchisee, or as to subsequent breach or default by Franchisee. Franchisor's subsequent acceptance of any payments due to Franchisor hereunder shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, provisions, covenants or conditions of this Agreement.

24.10 No Right to Set Off. The Franchisee shall not be allowed to set off amounts owed to the Franchisor for Royalties, National Marketing Contributions, fees or other amounts due hereunder, against any monies owed to the Franchisee, nor shall the Franchisee in any event withhold such amounts due to any alleged nonperformance by the Franchisor hereunder, which right of set off is hereby expressly waived by the Franchisee.

24.11 Invalidity. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or other arbiter of any dispute arising hereunder, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect. If the restrictions concerning the time duration, geography, affected individuals or entities, or breadth of activity contained in Article 22 are held to be unenforceable under any

applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable.

24.12 Notices. All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the first Section of this Agreement or at such other addresses as the Franchisor or the Franchisee may designate from time to time, and shall be effectively given when deposited in the United States mail, postage prepaid, or when received via overnight delivery, as may be applicable.

24.13 No Third-Party Beneficiaries. The Franchisee acknowledges and agrees that neither the Franchisee nor any of its officers, directors, members, managers, employees, affiliates, successors or assigns shall be deemed a third-party beneficiary of any agreement between the Franchisor and another franchisee or any other party, unless specifically agreed to by the Franchisor in writing.

24.14 Survival of Provisions. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

24.15 Payment of Taxes. The Franchisee shall reimburse the Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by the Franchisor, or its affiliates or designees, on account of services or goods furnished by the Franchisor, its affiliates or designees, to the Franchisee through sale, lease or otherwise (except for any taxes the Franchisor or its affiliates are required by law to collect from the Franchisee with respect to products purchased from the Franchisor and its affiliates), or on account of collection by the Franchisor of the initial franchise fee, Royalties, National Marketing Contribution or any other payments made by the Franchisee to the Franchisor required under the terms of this Agreement.

24.16 Cumulative Rights. The rights and remedies of the Franchisor and the Franchisee hereunder are cumulative and no exercise or enforcement by the Franchisor or the Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Franchisee of any other right or remedy hereunder which the Franchisor or the Franchisee is entitled by law to enforce.

24.17 No Waiver; No Disclaimer. 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.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

FLOYD'S 99 FRANCHISING, LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

(Print Name)

Individually

Address: _____

City: _____

State: _____ Zip: _____

OR:

(if a corporation or partnership)

Company Name

By: _____

Name: _____

Title: _____

Address: _____

City: _____

State: _____ Zip: _____

**EXHIBIT I
TO FRANCHISE AGREEMENT**

**ADDENDUM TO
FLOYD’S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT**

1. **Franchised Location.** The “**Franchised Location**,” set forth in Section 3.1 of the Agreement shall be: _____;

OR

Designated Area. The Franchisor and the Franchisee acknowledge that the Franchised Location cannot be designated in Section 1 above as a specific address because the location has not been selected and approved; therefore, within 90 days following the date of the Agreement, the Franchisee shall choose and acquire an approved location for its FLOYD’S 99 Shop within the following geographic area (“**Designated Area**”):

_____.

2. **Protected Territory.** The “**Protected Territory**” referred to in Section 3.2 of the Agreement shall be described as _____

3. **Initial Franchise Fee.** The Franchisee shall pay to the Franchisor an initial franchise fee of \$ _____, due and payable in the manner set forth in Section 4.1 of the Agreement.

4. **Acknowledgement.** By executing this Exhibit and/or the Rider hereto, the Franchisee acknowledges that the Franchisor’s approval of a site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a FLOYD’S 99 Shop or for any other purpose and that the Franchisee’s acceptance of a franchise for the operation of a FLOYD’S 99 Shop at the site is based on its own independent investigation of the suitability of the site.

Fully executed this _____ day of _____, 20____.

FLOYD’S 99 FRANCHISING, LLC

By: _____
Title: _____

FRANCHISEE

By: _____
Title: _____

**EXHIBIT I-1
TO FRANCHISE AGREEMENT**

RIDER TO ADDENDUM - LOCATION APPROVAL

1. Franchised Location. The Franchised Location, set forth in Section 3.1 of the Agreement shall be: _____ and the “**Protected Territory**,” referred to in Section 3.2 of the Agreement, shall be described as:

2. Legal Address. The business address for any notices mailed pursuant to Section 24.12 of the Agreement shall be changed to read as follows: _____.

Fully executed this _____ day of _____, 20__.

FLOYD’S 99 FRANCHISING, LLC

By: _____
Title: _____

FRANCHISEE

By: _____
Title: _____

**EXHIBIT II
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the “**Agreement**”) by Floyd’s 99 Franchising, LLC (the “**Franchisor**”), each of the undersigned hereby personally and unconditionally:

Guarantees to the Franchisor and its affiliates and their respective successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the Franchisee as that term is defined in the Agreement (the “**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor and its affiliates of the foregoing undertakings;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against the Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;
2. He or she shall render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so;
3. This liability shall not be contingent or conditioned upon pursuit by the Franchisor or its affiliates of any remedies against the Franchisee or any other person;
4. He or she will be bound by the covenant not to compete and other restrictive covenants, the confidentiality provisions, the audit provisions, and the indemnification provisions contained in the Agreement;
5. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor or its affiliates may from time to time grant to the Franchisee or to any other person; including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty,

(REG 4/30/2024)

which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof; and

6. Such liability shall not be diminished, relieved or otherwise affected by the occurrence of any of the following events: (a) the commencement by the Franchisee of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended or replaced, or any other applicable federal or state bankruptcy, insolvency or other similar law (collectively, the “**Bankruptcy Laws**”), (b) the consent by the Franchisee to the appointment of or taking possession by a receiver, liquidator, assignee, trustee or custodian of the Franchisee or for any substantial part of the assets of the Franchisee, (c) any assignment by the Franchisee for the benefit of creditors, (d) the failure of the Franchisee generally to pay its debts as such debts become due, (e) the taking of corporate action by the Franchisee in the furtherance of any of the foregoing, or (f) the entry of a decree or order for relief by a court having jurisdiction in respect of the Franchisee in any involuntary case under the Bankruptcy Laws, or appointing a receiver, liquidator, assignee, custodian or trustee of the Franchisee or for any substantial part of its assets, or ordering the winding-up or liquidation of any of its affairs and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days. In addition, such liability shall not be affected or impaired by any payment made to the Franchisor under or related to the Agreement for which the Franchisor is required to reimburse the Franchisee pursuant to any court order or in settlement of any dispute, controversy or litigation in any bankruptcy, reorganization, arrangement, moratorium or other federal or state debtor relief proceeding;

7. His or her obligation and liability hereunder shall not be affected by any amendment or modification of the Agreement and he or she has no right to approve or consent to any such amendment or modification.

8. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this guaranty shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The undersigned and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the undersigned and the Franchisor, its officers, directors, managers or sales employees (collectively, “**Franchisor Affiliates**”), all parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, in Denver, Colorado and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. **THE FRANCHISOR, THE FRANCHISOR AFFILIATES, AND THE UNDERSIGNED EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

9. In the event of any default on the part of either party to this guaranty, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys’ fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

GUARANTOR(S)

**EXHIBIT III
TO FRANCHISE AGREEMENT**

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

Individual
 Partnership
 Corporation
 Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the date and state in which the partnership was formed.

If a Limited Liability Company, provide name and address of each member and each manager showing percentage owned and indicate the state and date of organization.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

<u>Name and Address</u>	<u>Percentage Ownership</u>	<u>Active in Ownership (Yes/No)</u>

State and Date of Incorporation/Organization/Formation:

State _____
Date _____

Franchisee acknowledges that this Statement of Ownership applies to the FLOYD'S 99 Shop authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date

Name

**EXHIBIT IV
TO FRANCHISE AGREEMENT**

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

The undersigned depositor (“**Franchisee**”) agrees to electronic funds transfer from Franchisee’s account designated below to the designated account(s) of Floyd’s 99 Franchising, LLC (“**Franchisor**”) for payment of Royalties, National Marketing Contributions, and other obligations owed to Franchisor related to Franchisee’s FLOYD’S 99 franchise(s).

Franchisee authorizes and requests the financial institution (the “**Bank**”) to accept the payment entries presented to the Bank by Franchisor, and to deduct them from the Franchisee’s account without responsibility for the correctness of these payments.

Franchisee’s Name: _____

Franchisee’s Address: _____

Contact Name: _____

Franchisee’s Bank Account Information: _____

Bank Name: _____

Bank Address: _____

Attach a voided check to this form and Franchisor will complete the following information for Franchisee:
Transit Routing Number: _____ Checking Account Number: _____

Franchisee agrees: (1) that this authorization will remain in effect for its FLOYD’S 99 franchise throughout the duration of the Franchise Agreement for that franchise, unless Franchisor agrees to an earlier termination of the authorization; (2) not to revoke any authorization for funds transfer prior to the termination of the applicable Franchise Agreement, without prior written consent of Franchisor; (3) that the Bank cannot cancel this authorization without receiving written consent from Franchisor; and (4) that termination of this authorization does not relieve Franchisee of its obligation to make payments to Franchisor.

If Franchisee is an entity:

If Franchisee is one or more individuals:

By: _____
Title: _____
Date: _____

Signature

Signature

**EXHIBIT V
TO FRANCHISE AGREEMENT**

PERMIT, LICENSE AND CONSTRUCTION CERTIFICATION

Floyd's 99 Franchising, LLC ("**Franchisor**") and Franchisee are parties to a Franchise Agreement dated _____, 20__ for the development and operation of a FLOYD'S 99 Shop located at _____ (the "**Franchised Location**"). In accordance with Section 5.7 of the Franchise Agreement, Franchisee certifies to the Franchisor that the Franchised Location complies with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards including, but not limited to, the federal Americans with Disabilities Act and any similar state or local laws. The Franchisee has obtained all such permits and certifications as may be required for the lawful construction and operation of the FLOYD'S 99 Shop, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. The Franchisee has obtained all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee acknowledges that it is an independent contractor and that the requirement of this certification does not constitute ownership, control, leasing or operation of the Barbershop or the Franchised Location but rather provides notice to the Franchisor that the Franchisee has complied with all applicable laws. The Franchisee asserts that the Franchisor may justifiably rely on the information contained in this certification.

FRANCHISEE:

Individually

AND:
(if a corporation, partnership or LLC)

Company Name

By: _____

Title: _____

**EXHIBIT VI
TO FRANCHISE AGREEMENT**

CONSENT TO OPTION

The undersigned owners (who are not otherwise identified as owners in the Franchise Agreement) and their respective spouses, and the undersigned spouses of those owners identified in the Franchise Agreement, hereby consent to the provisions of Sections 18.4 and 20.3 of the Franchise Agreement and agree that any interest which he or she owns in the Franchise Agreement, in the business operated thereunder, or in Franchisee (whether a separate property interest, community property interest, joint ownership interest, or otherwise) will be subject to Franchisor's option to purchase or right of first refusal, as applicable, described in said Sections.

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

Name of Owner

By: _____
Signature of Owner (if applicable)

Name of Owner's Spouse

By: _____
Signature of Owner's Spouse

**EXHIBIT D
(TO DISCLOSURE DOCUMENT)**

**AMENDMENT TO
FLOYD’S 99 FRANCHISING, LLC FRANCHISE AGREEMENT
(RENEWAL)**

FLOYD’S 99 FRANCHISING, LLC (“**Franchisor**”) and _____ (“**Franchisee**”) entered into a certain Franchise Agreement (“**Agreement**”) on _____, 20__, and desire to supplement and amend certain terms and conditions of such Agreement by this Amendment (“**Amendment**”). The parties therefore agree as follows:

1. **Initial Franchise Fees.** Section 4.1 is deleted in its entirety.
2. **Approval of Franchised Location.** Section 5.1 is deleted in its entirety.
3. **Shop Upgrades.** Sections 5.3, 5.4, 5.5, 5.6 and 5.7 are amended to include the following:

Within _____ (__) days of the date of this Amendment, Franchisee agrees to upgrade and remodel the FLOYD’S 99 Shop and its operations as described on Exhibit A to this Amendment.

4. **Commencement of Operations.** Section 5.9 is deleted in its entirety.
5. **Initial Training.** Section 6.1 is deleted in its entirety.
6. **Franchisor’s Development Assistance.** Section 7.1 is deleted in its entirety.

7. **Release.** Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives (“**Franchisee Affiliates**”), hereby fully and forever unconditionally release and discharge Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as “**Franchisor Affiliates**”) from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever (“**Released Claims**”), in law or in equity, whether known or unknown, which Franchisee or Franchisee Affiliates may now have against Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Amendment. In addition, to the extent California or South Dakota law applies to this Release, the Franchisee, on behalf of itself and Franchisee Affiliates, agrees as follows:

(a) **Release of Unknown Claims and Waiver of California Law.** Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected his or her settlement with the debtor.”

Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Amendment), to the fullest extent that Franchisee and Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Amendment. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Amendment, but that it is Franchisee's and Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(a) of this Amendment.

(b) Release of Unknown Claims and Waiver of South Dakota Law. Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Amendment), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Amendment. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that Franchisee and Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Amendment, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on behalf of Releasor) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(b) of this Amendment.

8. Successor Franchise Fee. Franchisor acknowledges receipt of \$_____ from Franchisee in payment of the successor franchise fee.

9. Effectiveness of Agreement. The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this ____ day of _____, 20__.

FLOYD’S 99 FRANCHISING, LLC

By: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Title: _____
Date: _____

OR

Individually

EXHIBIT A
SHOP UPGRADES

1. _____

2. _____

3. _____

**EXHIBIT E
(TO DISCLOSURE DOCUMENT)**

**FLOYD'S 99 FRANCHISED BARBERSHOP LOCATIONS
As of December 31, 2023**

ARKANSAS

Fayetteville, AR

Shear Drive, LLC^{1, 2}

Courtney Lindley

courtney.l@floydsbarbershop.com

2410 N. College Avenue Unit 4

Fayetteville, AR 72703

(479) 202-8393

CALIFORNIA

San Diego, CA

Roise Barbers, LLC

Jon Roise

jon.r@floydsbarbershop.com

899 Market St.

San Diego, CA 92101

(619) 546-6860

407 W. Washington, Unit 2

San Diego, CA 92103

(619) 220-4970

5658 Mission Center Road, Suite 306

San Diego, CA 92108

(619) 487-1014

4603 Mission Blvd., Suite 101

San Diego, CA 92109

(858) 732-7111

COLORADO

Boulder, CO

The Palmer Group, LLC²

Jay Palmer

jay@floydsbarbershop.com

2790 Pearl Street

Boulder, CO 80302

(303) 442-2279

2540 Baseline Road

Boulder, CO 80305

(303) 317-2110

Erie, CO

The Palmer Group, LLC²

Jay Palmer

jay@floydsbarbershop.com

2120 Village Vista Dr., Suite 120

Erie, CO 80516

(720) 735-3910

Ft. Collins, CO

The Palmer Group, LLC²

Jay Palmer

jay@floydsbarbershop.com

2120 Harmony Road, Ste. 103

Ft. Collins, CO 80525

(970) 377-4222

2109 S. College Ave

Ft. Collins, CO 80525

(970) 224-9791

1335 W. Elizabeth

Ft. Collins, CO 80521

(970) 212-779

Johnstown, CO

The Palmer Group, LLC²

Jay Palmer

jay@floydsbarbershop.com

4934 Thompson Parkway

Johnstown, CO 80534

(303) 970) 744-2929

Lafayette, CO

The Palmer Group, LLC²

Jay Palmer

jay@floydsbarbershop.com

548 West South Boulder Road, Unit C

Lafayette, CO 80026

(720) 890-3868

Longmont, CO

The Palmer Group, LLC²

Jay Palmer

jay@floydsbarbershop.com

589 S. Hover St., Ste. 600

Longmont, CO 80501

(303) 485-1150

Parker, CO

Lowell Industries, LLC
Pete Vercellin
pete@floydsbarbershop.com

17051 Lincoln Avenue, Unit M
Parker, CO 80134
(720) 414-5151

13097 S. Parker Ave.
Parker, CO 80134
(720) 386-2178

Superior, CO

The Palmer Group, LLC²
Jay Palmer
jay@floydsbarbershop.com

1 Superior Dr. Unit F
Superior, CO 80027
(303) 531-1234

Windsor, CO

The Palmer Group, LLC²
Jay Palmer
jay@floydsbarbershop.com

1540 Main Street
Windsor, CO 80550
(970) 509-4080

FLORIDA

Clearwater, FL

Floyd's 99 of Safety Harbor, LLC²
Stephanie Noyes

2519 McMullen Booth Rd., #202
Clearwater, FL 33761
(727) 428-6970

Maitland, FL

Sleeth Enterprises, LLC²
Kyle and Sarah Sleeth
kyle.s@floydsbarbershop.com
sarah.s@floydsbarbershop.com

111 N. Orlando Ave.
Maitland, FL 32751
(407) 554-4842

Orlando, FL

Sleeth Enterprises, LLC²
Kyle and Sarah Sleeth
kyle.s@floydsbarbershop.com
sarah.s@floydsbarbershop.com

3150 S. Orange Ave., Ste. 107
Orlando, FL 32806
(407) 601-5960

842 N. Mills Ave.
Orlando, FL 32803
(407) 985-3500

12101 University Blvd. Suite 249
Orlando, FL 32817
(407) 482-0200

3097 Curry Ford Road
Orlando, FL 32806
(407) 379-7840

Oviedo, FL

Sleeth Enterprises, LLC²
Kyle and Sarah Sleeth
kyle.s@floydsbarbershop.com
sarah.s@floydsbarbershop.com

25 W. Mitchell Hammock Rd.
Oviedo, FL 32765
(407) 706-9060

Winter Park, FL

Sleeth Enterprises, LLC²
Kyle and Sarah Sleeth
kyle.s@floydsbarbershop.com
sarah.s@floydsbarbershop.com

610 W. Fairbanks Ave.
Winter Park, FL 32789
(407) 790-7799

KENTUCKY

Lexington, KY

PG Lex, LLC

Jay Palmer

jay@floydsbarbershop.com

124 Malabu Dr, Suite 150
Lexington, KY 40503
(859) 551-3470

560 S. Broadway
Lexington, KY 40508
(859) 788-2290

2901 Richmond Road, Suite 120
Lexington, KY 40509
(859) 721-2280

MINNESOTA

Chanhassen, MN

Chartino 99 CO²

Andy Charles

acharles@floydsbarbershop.com

530 W. 79th Street, #104
Chanhassen, MN 55317
(952) 213-1838

Minneapolis, MN

Chartino 99 CO²

Andy Charles

acharles@floydsbarbershop.com

424 N. Washington Ave. Suite 109
Minneapolis, MN 55401
(612) 216-5080

1220 West Lake Street
Minneapolis, MN 55408
(612) 822-2240

5051 France Ave S
Minneapolis, MN 55410
(952) 248-2660

NEVADA

Las Vegas, NV

Lowell Industries, LLC

Pete Vercellin

pete@floydsbarbershop.com

6580 South Rainbow, Suite 101
Las Vegas, NV 89118
(702) 448-5050

TEXAS

Addison, TX

Shear Drive, LLC^{1,2}

Courtney Lindley

courtney.l@floydsbarbershop.com

4532 Beltline Road
Addison, TX 75001
(972) 809-0401

Allen, TX

Shear Drive, LLC^{1,2}

Courtney Lindley

courtney.l@floydsbarbershop.com

829 W. Stacy, Bldg. B, Suite 110
Allen, TX 75013
(469) 393-0636

Austin, TX

The Palmer Austin Group, LLC

Dan and David Spiranac

dan.s@floydsbarbershop.com

dave.s@floydsbarbershop.com

10515 N. Mopac Expy, Ste. 305
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(719) 331-3630

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(719) 331-3630

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The Palmer Austin Group, LLC
Dan and David Spiranac
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Coppell, TX

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Flower Mound, TX

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Frisco, TX

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Houston, TX

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Katy, TX

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Mansfield, TX

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Murphy, TX

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Richardson, TX

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Round Rock, TX

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Webster, TX

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¹ Locations that were transferred to a new franchisee, Shear Drive Group, LLC, in January 2024. The new franchisee maintains some of the same ownership and has the same contact information as noted above.

² Indicates Area Developer with an active Development Agreement.

**EXHIBIT F
(TO DISCLOSURE DOCUMENT)**

**FRANCHISEES WHO HAVE LEFT THE SYSTEM
As of December 31, 2023**

Listed below are the names, city, state and telephone numbers of every Franchisee who has had a franchise terminated, cancelled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement within the most recently completed fiscal year; or who has not communicated with Floyd's 99 within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed in the future to other buyers when you leave the franchise system.

None.

NOTE: In January 2024, Shear Drive, LLC transferred a FLOYD'S 99 Barbershop in Arkansas and multiple Barbershops in Texas to a new franchisee with some common ownership, as noted in Exhibit E.

**EXHIBIT G
(TO DISCLOSURE DOCUMENT)**

FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS OF
FLOYD'S 99 FRANCHISING, LLC
FOR THE PERIOD ENDED MARCH 31, 2024

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

and

AUDITED FINANCIAL STATEMENTS OF
FLOYD'S 99 FRANCHISING, LLC
FOR THE PERIODS ENDED DECEMBER 26, 2021,
DECEMBER 25, 2022, AND
DECEMBER 31, 2023

Floyd's 99 Franchising, LLC
Balance Sheet - Unaudited
For the three months ending 03/31/2024

	2024 Q1
Assets	
Current Assets	
Cash	\$ 222,918
Restricted Cash	\$ 221,257
Accounts Receivable	\$ 204,775
Due From Related Party	\$ 1,971,605
Prepaid and other	\$ 79,908
Total Current Assets	\$ 2,700,463
Capitalized Software - Net	\$ 65,295
Note Receivable	\$ -
Total assets	\$ 2,765,758
Liabilities and Member's Equity	
Current Liabilities	
Accounts Payable	\$ 45,986
Short-term portion of deferred franchise revenue	\$ 138,862
Accrued payroll and other accrued liabilities	\$ (69,320)
Total current liabilities	\$ 115,528
Other Long-term Liabilities -Deferred franchise revenue	\$ 1,287,190
Total Liabilities	\$ 1,402,718
Member's Equity	\$ 1,363,040
Total Liabilities and member's equity	\$ 2,765,758

Floyd's 99 Franchising, LLC
Statement of Operations - Unaudited
For the three months ending 03/31/2024

2024 Q1

Net Sales

Franchise royalties	\$ 1,439,807
National Marketing Agency Fund revenue	\$ 413,925
Franchise Fees	<u>\$ 33,602</u>
Total net sales	<u>\$ 1,887,334</u>

Operating Expenses

General and administrative expenses	\$ 325,580
Marketing Expenses	<u>\$ 269,538</u>
Total operating expenses	<u>\$ 595,118</u>

Net Income

\$ 1,292,216

Floyd's 99 Franchising, LLC
Statement of Member's Equity - Unaudited
For the three months ending 03/31/2024

Balance - December 31, 2023	\$ 70,824
Net Income	\$ 1,292,216
Distributions	\$ -
Balance - March 31, 2024	<u>\$ 1,363,040</u>

Floyd's 99 Franchising, LLC
Statement of Cash Flows - Unaudited
For the three months ending 03/31/2024

2024 Q1

Cash Flows from Operating Activities

Net Income	\$	1,292,216
Adjustments to reconcile net income to net cash and restricted cash from operating activities:		
Amoritization Expense	\$	11,775
Changes in operating assets and liabilities that (used) provided cash and restricted cash:		
Accounts receivable	\$	79,998
Prepaid expenses	\$	(66,250)
Accounts payable and accrued liabilities	\$	(197,251)
Deferred franchise revenue	\$	125,407
Due from related party	\$	<u>(1,081,605)</u>

Net cash and restricted cash provided by operating activities	\$	164,290
---	----	---------

Cash Flows from Investing Activities

Purchase of computer software and equipment	\$	(5,000)
Repayments of notes receivable	\$	<u>-</u>

Net cash and restricted cash used in investing activities	\$	(5,000)
---	----	---------

Cash Flows from Financing Activities

Distributions	\$	-
Payments on notes payable - related party	\$	<u>-</u>

Net cash and restricted cash used in Financing activities	\$	<u>-</u>
---	----	----------

Net (Decrease) Increase in Cash and Restricted Cash	\$	159,290
Cash and Restricted Cash - Beginning of year	\$	284,886
Cash and Restricted Cash - End of year	\$	<u><u>444,176</u></u>

Classification of Cash and Restrcted Cash

Cash	\$	222,918
Restrcted cash	\$	221,257
Total cash and restricted cash	\$	<u><u>444,176</u></u>

Floyd's 99 Franchising, LLC

(a wholly owned subsidiary of Floyd's 99 Holdings, LLC)

Financial Report
December 31, 2023

Independent Auditor's Report	1-2
Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Member's Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7-10

Independent Auditor's Report

To the Member
Floyd's 99 Franchising, LLC

Opinion

We have audited the financial statements of Floyd's 99 Franchising, LLC (the "Company"), which comprise the balance sheet as of December 31, 2023; December 25, 2022; and December 26, 2021 and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023; December 25, 2022; and December 26, 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 (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Company and to meet our 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 issued or available to be issued.

Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Member
Floyd's 99 Franchising, LLC

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

April 17, 2024

Balance Sheet

December 31, 2023; December 25, 2022; and December 26, 2021

	2023	2022	2021
Assets			
Current Assets			
Cash	\$ 54,680	\$ 571,813	\$ 958,654
Restricted cash	230,206	319,880	757,989
Accounts receivable	284,773	172,607	77,185
Due from related party	890,000	314,476	-
Prepaid and other	13,658	56,046	-
Total current assets	1,473,317	1,434,822	1,793,828
Capitalized Software - Net	72,069	248,910	376,202
Notes Receivable	-	-	80,322
Total assets	\$ 1,545,386	\$ 1,683,732	\$ 2,250,352
Liabilities and Member's Equity			
Current Liabilities			
Accounts payable	\$ 92,690	\$ 43,607	\$ 93,660
Short-term portion of deferred franchise revenue	126,650	101,483	104,325
Accrued payroll and other accrued liabilities	81,227	77,862	72,389
Total current liabilities	300,567	222,952	270,374
Other Long-term Liabilities - Deferred franchise revenue	1,173,995	1,145,636	1,184,961
Total liabilities	1,474,562	1,368,588	1,455,335
Member's Equity	70,824	315,144	795,017
Total liabilities and member's equity	\$ 1,545,386	\$ 1,683,732	\$ 2,250,352

Statement of Operations**Years Ended December 31, 2023; December 25, 2022; and December 26, 2021**

	2023	2022	2021
Net Sales			
Franchise royalties	\$ 6,035,653	\$ 5,450,629	\$ 2,058,019
National Marketing Agency Fund revenue	1,741,763	1,440,821	850,202
Franchise fees	150,470	210,343	196,083
Total net sales	7,927,886	7,101,793	3,104,304
Operating Expenses			
General and administrative expenses	1,341,222	1,646,434	890,810
Marketing expenses	1,392,392	2,030,114	1,327,124
Total operating expenses	2,733,614	3,676,548	2,217,934
Net Income	\$ 5,194,272	\$ 3,425,245	\$ 886,370

Statement of Member's Equity

Years Ended December 31, 2023; December 25, 2022; and December 26, 2021

Balance - December 28, 2020	\$	818,173
Net income		886,370
Distributions		<u>(909,526)</u>
Balance - December 26, 2021		795,017
Net income		3,425,245
Distributions		<u>(3,905,118)</u>
Balance - December 25, 2022		315,144
Net income		5,194,272
Distributions		<u>(5,438,592)</u>
Balance - December 31, 2023	\$	<u><u>70,824</u></u>

Statement of Cash Flows

Years Ended December 31, 2023; December 25, 2022; and December 26, 2021

	2023	2022	2021
Cash Flows from Operating Activities			
Net income	\$ 5,194,272	\$ 3,425,245	\$ 886,370
Adjustments to reconcile net income to net cash and restricted cash from operating activities:			
Amortization expense	211,841	214,803	181,963
Changes in operating assets and liabilities that (used) provided cash and restricted cash:			
Accounts receivable	(112,166)	(95,422)	65,639
Prepaid expenses	42,388	(56,046)	-
Accounts payable and accrued liabilities	52,448	(44,580)	140,904
Deferred franchise revenue	53,526	(42,167)	32,940
Due from related party	(575,524)	(314,476)	-
Net cash and restricted cash provided by operating activities	4,866,785	3,087,357	1,307,816
Cash Flows from Investing Activities			
Purchase of computer software and equipment	(35,000)	(87,511)	(102,861)
Repayments of notes receivable	-	80,322	65,042
Net cash and restricted cash used in investing activities	(35,000)	(7,189)	(37,819)
Cash Flows from Financing Activities			
Distributions	(5,438,592)	(3,905,118)	(909,526)
Payments on notes payable - Related party	-	-	(27,399)
Net cash and restricted cash used in financing activities	(5,438,592)	(3,905,118)	(936,925)
Net (Decrease) Increase in Cash and Restricted Cash	(606,807)	(824,950)	333,072
Cash and Restricted Cash - Beginning of year	891,693	1,716,643	1,383,571
Cash and Restricted Cash - End of year	\$ 284,886	\$ 891,693	\$ 1,716,643
Classification of Cash and Restricted Cash			
Cash	\$ 54,680	\$ 571,813	\$ 958,654
Restricted cash	230,206	319,880	757,989
Total cash and restricted cash	\$ 284,886	\$ 891,693	\$ 1,716,643

Notes to Financial Statements

December 31, 2023; December 25, 2022; and December 26, 2021

Note 1 - Nature of Business

Floyd's 99 Franchising, LLC (the "Company") is a limited liability company that was organized on February 23, 2005 in the state of Colorado. The Company is engaged in the business of franchising Floyd's 99 Barbershop facilities domestically. The Company is a wholly owned subsidiary of Floyd's 99 Holdings, LLC (Holdings).

The Company is part of a group of companies affiliated by common ownership. The operating results of the Company could vary significantly from those that would have occurred had the Company operated independently.

The Company enters into franchise agreements with unrelated third parties to build and operate barbershops using the Floyd's 99 brand within a defined geographical area. The franchisees are required to operate their barbershops in compliance with their franchise agreements, which includes adherence to operating and quality control procedures established by the Company.

The following table summarizes the number of shops in operation and the number of shops sold but not yet operational:

	2023	2022	2021
Shops open at beginning of period	52	49	44
New shops opened during the year	10	3	6
Shops closed or reacquired by franchisor	-	-	(1)
Shops in operation at end of the period	<u>62</u>	<u>52</u>	<u>49</u>
Shops sold but not yet operational	<u>2</u>	<u>2</u>	<u>2</u>

Note 2 - Significant Accounting Policies

Fiscal Years

The Company operates on a 52-/53-week fiscal year ending on the Sunday nearest to December 31. The fiscal year ended December 31, 2023 contained 53 weeks and the fiscal years ended December 25, 2022 and December 26, 2021 contained 52 weeks.

Restricted Cash

The Company established and has collected contributions for a National Marketing Agency Fund pursuant to the Franchise Disclosure Document and individual franchise agreements, which are reflected as restricted cash on the balance sheet.

Accounts Receivable

The Company's accounts receivable balance consists of franchise fees, pass-through expenses due from franchisees, and royalties. Trade accounts receivable are stated at invoice amounts. An allowance for expected credit losses is considered by the Company on an ongoing basis. At December 31, 2023; December 25, 2022; and December 26, 2021, the Company did not record an allowance for credit losses, as the Company determined that there is minimal risk of credit losses based on historical losses, as well as current and future conditions, and that any such credit losses would be insignificant to these financial statements. Accordingly, for the years ended December 31, 2023; December 25, 2022; and December 26, 2021, there were no write-offs of trade accounts receivable.

December 31, 2023; December 25, 2022; and December 26, 2021

Note 2 - Significant Accounting Policies (Continued)

Notes Receivable

Notes receivable are reported at original issue amount plus accrued interest, less principal repaid. Interest is recognized according to the terms of the specific notes. An allowance for loan losses is based on a specific assessment of all notes that are delinquent or determined to be doubtful to be collected. Notes are considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for loan losses in the period that determination is made. Management deems all such amounts collectible for 2021. The notes were repaid in full during 2022.

Capitalized Software Costs

The Company incurred costs related to the development of a website and the new point-of-sale system. The software is being amortized over a three-year period. The total cost capitalized as of December 31, 2023; December 25, 2022; and December 26, 2021 was \$758,679, \$758,679, and \$671,168, respectively. Costs incurred prior to the final selection of software and costs not qualifying for capitalization are charged to expense. Amortization expense was \$211,841, \$214,803, and \$181,963 for the fiscal years ended in 2023, 2022, and 2021, respectively. Total accumulated amortization was \$721,610, \$509,769, and \$294,966 as of December 31, 2023; December 25, 2022; and December 26, 2021, respectively.

Revenue Recognition

The Company's revenue mainly consists of franchise fees, royalties, and marketing fund revenue. The Company sells individual franchisees the right to operate a company location within a defined territory using the Company's brand name. The initial term of franchise agreements is typically 10 years with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer or renewal fee is typically paid.

The Company has obligations to provide franchisees with the franchise rights to operate a barbershop, training, and site selection, as well as to provide technology and marketing, for which fees are charged. The Company has concluded that these items represent a single performance obligation. Therefore, initial franchise fees for each agreement are allocated to each individual franchise and recognized over the term of the respective franchise agreement, beginning on the date the store is opened. Renewal fees are recognized over the renewal term for the respective franchise. Transfer fees are recognized over the remaining term of the franchise agreement, beginning at the time of transfer. Income for royalties and advertising fees is recognized over the term of the respective franchise agreement as the underlying sales occur.

When a franchise agreement is terminated voluntarily by the franchisee or due to the default of the franchisee, the Company recognizes the remaining initial franchise fee as revenue earned, as no further performance obligations need to be satisfied, and the initial franchise fee is not refundable per the franchise agreement.

The Company also enters into area development agreements with franchisees. The development agreement is for a specified territory and requires an upfront development fee for each expected location, payable upon execution of the development agreement, with the balance of the full franchise fee for each location due upon lease execution. The number of units in the development agreement, the geographic territory outline, and the length of time that the franchisee has the exclusive right to develop those units vary by the territory and the agreement between the Company and the franchisee. The area development agreement is considered a part of the overall contract between the Company and the franchisee, as it is negotiated with a single commercial objective to open a specific number of locations in a defined geographic territory or market. These area development agreements represent an attribute of the franchise right (single performance obligation with the franchise right).

December 31, 2023; December 25, 2022; and December 26, 2021

Note 2 - Significant Accounting Policies (Continued)

Payment Terms

The Company's franchise agreements require the payment of various fixed and variable fees. Initial franchise, renewal, and transfer fees are due and typically paid when a franchise agreement is executed and are nonrefundable. These fees are collected prior to the satisfaction of the Company's performance obligations, resulting in the Company recognizing deferred revenue contract liabilities. Royalties and marketing fees are paid on a monthly basis based upon a percentage of franchisee gross sales. Deferred revenue as of December 31, 2023; December 25, 2022; December 26, 2021; and December 27, 2020 was \$1,300,645, \$1,247,119, \$1,289,286, and \$1,256,346, respectively.

Allocating the Transaction Price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees the franchise rights to open and operate a shop. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that the agreements will not be canceled or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and marketing fees, as the transaction price is based on the franchisees sales. The variable consideration is recognized based on the actual amounts earned each month.

National Marketing Agency Fund Revenue Recognition

Under the terms of the standard franchise agreement, the Company has established a National Marketing Agency Fund (the "Fund") and charges a fee of up to 2 percent of each franchisee's gross receipts to pay for marketing costs that benefit multiple franchisees and promote the brand. The Company recognizes this sales-based marketing revenue as earned monthly and recognizes the related marketing expenses as incurred.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. The member is taxed individually on its pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated to the member in accordance with the Company's operating agreement.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 17, 2024, which is the date the financial statements were available to be issued.

Notes to Financial Statements

December 31, 2023; December 25, 2022; and December 26, 2021

Note 3 - Notes Receivable

During 2020, the Company entered into notes receivable with various franchisees. The loans were uncollateralized; did not bear interest; and were due on December 31, 2021. Interest has not been imputed, as it is not material to the financial statements. During 2022, all payments on outstanding notes receivable were received.

Note 4 - Related Party Transactions

Joint and Several Liabilities

During 2020, Holdings received funding through the Main Street Loan Program, for which the Company is jointly and severally liable. In the event of a default by the affiliate, the Company, together with its affiliates, could be obligated to repay the full amount outstanding on these loans. The outstanding balance on the loan as of December 31, 2023 was \$6,895,497. As of December 31, 2023, none of the indebtedness has been recorded in the Company's financial statements as the Company is unaware of any circumstances that would require performance under this joint and several arrangement.

Royalty and Marketing Fees

In 2022, the Company began charging royalty and marketing fees to corporate-owned stores, which are held in entities affiliated through common ownership. The following is a summary of royalty and marketing fee revenue with affiliates for the years ended December 31, 2023 and December 25, 2022:

	<u>2023</u>	<u>2022</u>
Floyd's 99 Arizona, LLC	\$ 182,080	\$ 154,053
Floyd's 99 California, LLC	323,293	264,277
Floyd's 99 Colorado, LLC	1,254,097	1,174,048
Floyd's 99 Illinois, LLC	617,815	594,652
Floyd's 99 Massachusetts, LLC	92,559	81,819
Floyd's 99 Maryland, LLC	267,213	258,662
Floyd's 99 Michigan, LLC	93,567	82,821
Floyd's 99 Growth IV, LLC	234,664	209,024
Floyd's 99 Minnesota, LLC	-	13,434
	<u>\$ 3,065,288</u>	<u>\$ 2,832,790</u>
Total		

As of December 31, 2023 and December 25, 2022, total royalty and marketing fees due from such corporate-owned shops are \$890,000 and \$314,476, respectively. During 2023 and 2022, the remaining royalty and marketing fees due from such corporate-owned shops were noncash transactions that the Company did not expect to receive, and, as such, these transactions were deemed to be distributions.

**EXHIBIT H
(TO DISCLOSURE DOCUMENT)**

**TABLE OF CONTENTS
Franchise Operations Manual**



TABLE OF CONTENTS

CHAPTER ONE - INTRODUCTION.....	4
Importance of Confidentiality	5
Trademarks	5
Content Updates.....	6
History	6
Floyd's Nation.....	7
Purpose	7
Guiding Principals	7
CHAPTER TWO - ADMINISTRATIVE.....	9
Independently Owned and Operated	9
Professional Advisors	9
Technology *Update	9
Requirements.....	9
Data Management.....	10
Merchant Services	11
Security Breaches	11
Franchise Support	11
Initial Training.....	12
Initial On-Site Assistance	12
Visits from the Home Office	12
Variations Request.....	12
Communication	13
Conferences & Regional Meetings.....	14
Franchise Advisory Council (FAC)	14
Validation Process	14
Insurance Requirements.....	15
Finance.....	15
Professional Advisor	15
Pricing Strategy.....	16
Reports	16



®

Fees	16
Managing Taxes.....	17
Payroll	17
Key Performance Indicators	17
CHAPTER THREE - OPERATIONS	18
Hours of Operation	18
Floyd's Experience	18
Client Services.....	19
The Floyd's Cut.....	19
The Buzz Cut	19
The Full Service Cut.....	19
Other Services	19
Off-Site Hair Care.....	19
Floyd's Guarantee	19
Product Information	20
Client Service	20
Clients with Disabilities.....	20
Handling Dissatisfied Clients.....	21
Safety and Security.....	21
Security	21
Preventing Theft.....	22
Equipment Safety.....	22
Incidents.....	23
Nick and Cut Policy	23
Nick and Cut Treatment Steps	24
Cleanliness	25
Shop Management	25
CHAPTER FOUR - EMPLOYMENT.....	26
State and Federal Employment Laws.....	26
Employee Paperwork.....	27
Employee Policies	27
Employee Appearance.....	28
Licensed Stylists and Barbers.....	28



®

Harassment/Bullying	28
Other Topics	28
Staffing	28
CHAPTER FIVE - MARKETING.....	30
Marketing Budgets.....	30
National Marketing Contribution	30
Local Advertising Allocation	30
Marketing Approval.....	30

**EXHIBIT I
(TO DISCLOSURE DOCUMENT)**

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (the “**Agreement**”) is made and entered into effective the ____ day of _____, 20__ by and between Floyd’s 99 Franchising, LLC, a Colorado limited liability company (“**Company**”), located at 7900 E. Berry Place, Greenwood Village, CO 80111 and _____ (“**Associate**”), who resides at _____.

RECITALS

A. The Company has developed methods for establishing and operating franchises for the operation of retail hair care businesses (“**FLOYD’S 99 Shops**” or “**Barbershops**”) which use the service mark “FLOYD’S 99” and related service marks, trade names and trademarks (“**Marks**”);

B. The Company has developed methods for establishing, operating and promoting Barbershops pursuant to the Company’s distinctive business format, plans, methods, data, processes, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Company (“**Confidential Information**”) and such Confidential Information as may be further developed from time to time by the Company;

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of services and products available, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate is or will become involved with the Company in the capacity of an officer, partner, director, agent, Principal Manager, employee, principal, beneficial owner or as an immediate family member of one of the foregoing persons, all of whom are associated with a FLOYD’S 99 Shop (the “**Franchised Business**”) pursuant to the terms of a Franchise Agreement between the Company and the party identified as the “Franchisee” at the end of this Agreement, and in such capacity, Associate will become privileged as to certain Confidential Information; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Company.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Confidential Information. Associate and the Company acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, manuals, product formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Company which are developed and utilized in connection with the operation of the Franchise are the Company’s Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret of the Company. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Company. Associate further acknowledges that the Company has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Company has taken numerous precautions to guard the secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

2. Operations Manuals as Trade Secrets. It is understood that Confidential Information, constituting “trade secrets”, as used in this Agreement is deemed to include, without limitation, client lists, written information, vendor lists and product formulas and any and all information contained in the Company’s Operations Manual, which may be provided as one or more separate manuals, or written instructional guides, as the same are changed or supplemented from time to time, and any information of whatever nature which gives the Company and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such lists, written materials, formulas or information.

3. Nondisclosure of Confidential Information. Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchisee, any of the Confidential Information of the Company or its affiliates.

4. Noncompetition Covenant. Associate hereby covenants and agrees that, during the term of the Franchise Agreement governing the establishment and operation of the Franchised Business, except while associated with or operating the Franchised Business in a manner authorized by the Company, neither Associate nor any member of Associate’s immediate family, shall:

- a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;
- b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or
- c. divert or attempt to divert any business related to, or any client or account of the Franchised Business, the Company’s business or any other franchisee’s business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

The term “**Competitive Business**” as used in this Agreement shall mean any business operating, or granting franchises or licenses to others to operate, either (i) a retail hair care business deriving more than 5% of its gross sales from the sale of haircuts or hair care products; or (ii) a wholesale business deriving more than 5% of its gross sales from the sale of hair care products. Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

5. Post-Termination Covenant Not to Compete. Associate covenants and agrees that, for a period of two years after the effective date of termination, transfer or expiration of the Franchise Agreement for the Franchised Business, or for a period of two years after termination or cessation of Associate’s relationship with the Franchised Business, whichever is later, neither Associate, nor any member of Associate’s immediate family, shall have any direct or indirect interest as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within a 25 mile radius of the location of the Franchised Business, within 25 miles of any other franchised Barbershop or within 25 miles of any Company or affiliate-owned Barbershop. The restrictions of this paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. Associate and its officers, directors, shareholders, and/or partners expressly acknowledge that

they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of this covenant will not deprive them of their personal goodwill or ability to earn a living.

6. **Injunction.** Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling more than \$500, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

7. **Effect of Waiver.** The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

8. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

9. **Entire Agreement.** This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. **Governing Law.** This instrument shall be governed by and construed under the laws of the state of Colorado.

11. **Jurisdiction and Venue.** In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Colorado, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Colorado. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Colorado. Notwithstanding the foregoing, if the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. **Severability.** If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

13. **Attorneys' Fees.** In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

FLOYD'S 99 FRANCHISING, LLC

By: _____

Title: _____

ASSOCIATE:

Print Name: _____

NAME OF FRANCHISEE

ASSOCIATE'S CAPACITY WITH FRANCHISED
BUSINESS

LOCATION OF FRANCHISED BUSINESS

**EXHIBIT J
(TO DISCLOSURE DOCUMENT)**

**STATE ADDENDA AND RIDERS TO
THE FRANCHISE DISCLOSURE DOCUMENT,
DEVELOPMENT AGREEMENT, FRANCHISE AGREEMENT
AND OTHER EXHIBITS**

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA**

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

OUR WEBSITE (www.floydsbarbershops.com) 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.

1. The following Risk Factor is added to the State Cover Page:

YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR-OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

2. The following paragraph is added to the end of Item 3:

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

3. The following sentence is added to Item 6:

The highest interest rate in California is 10%.

4. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Section 20000 through 20043 provides you certain rights including (i) limitations on our ability to terminate a franchise except for good cause, (ii) restrictions on our ability to deny renewal of a franchise, (iii) circumstances under which we may be required to purchase certain inventory of a franchisee when a franchise is terminated or not renewed in violation of the statute, and (iv) provisions relating to arbitration. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Section 31125 of the California Corporation Code requires us to give you a disclosure document, in a form and containing information as the Commissioner may by rule or otherwise require, prior to a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions

Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

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 contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires application of the laws of the State of Colorado. This provision may not be enforceable under California law.

Each owner of the franchise is required to execute a personal guarantee. Doing so could jeopardize the marital assets of non-owner spouses domiciled in a community property state such as California.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OR A FINDING BY THE COMMISSIONER OF SECURITIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The Franchisor's registered agent in the state authorized to receive service of process is:

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

1. The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:
 - A. This proposed registration is effective in the following states: None
 - B. This proposed registration is or will shortly be on file in the following states: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, Rhode Island, Virginia and Wisconsin.
 - C. States which have refused, by order or otherwise, to register these franchises are: None.
 - D. States which have revoked or suspended the right to offer the franchises are: None.
 - E. States in which the proposed registration of these franchises has been withdrawn are: None.

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS**

Illinois law governs the agreements.

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.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

We reserve the right to require You to pay up to \$25,000 for an opening advertising and marketing campaign for Your first Shop and each subsequent Shop that You establish.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS**

This Rider to the Development Agreement by and between Floyd's 99 Franchising, LLC and Developer is dated _____, 20__.

1. Section 13.4 is deleted in its entirety and the following is substituted in its place:

13.4 Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, Illinois law governs this Agreement.

2. The Franchisor reserves the right to require the Developer to pay up to \$25,000 for an opening advertising and marketing campaign for the first Shop and each subsequent Shop that the Developer establishes.

3. The Developer's rights upon termination and non-renewal of this Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

5. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Development Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

DEVELOPER (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

This Rider to the Franchise Agreement by and between Floyd's 99 Franchising, LLC and Franchisee is dated _____, 20__.

1. Section 24.4 is deleted in its entirety and the following is substituted in its place:

24.4 Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, Illinois law governs this Agreement.

2. The Franchisor reserves the right to require the Franchisee to pay up to \$25,000 for an opening advertising and marketing campaign for the Shop that the Franchisee establishes under this Franchise Agreement.

3. The Franchisee's rights upon termination and non-renewal of this Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

5. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA**

Indiana law prohibits us from establishing a company-owned Shop within a reasonable area of your Franchised Location which would compete unfairly with you.

In Items 17.c. and 17.m., any releases you sign will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Practices Act.

Item 17.r. may not be enforceable under the Indiana Deceptive Practices Act.

Item 17.w. Indiana franchise laws apply even though Colorado law applies generally.

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

The following provisions apply to all Franchises offered and sold to residents of the State of Maryland and Franchises to be operated in the State of Maryland:

Item 17 is amended as follows:

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

b. Pursuant to the Code of Maryland Regulations (COMAR) 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

c. You may bring any cause of action against us in any court of competent jurisdiction, including the state or federal courts of Maryland.

d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

The following statement is added to the Franchise Disclosure Document:

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.

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

This Rider to the Development Agreement by and between Floyd's 99 Franchising, LLC and Developer is dated _____, 20_____.

1. The following statement is added at the end of Section 8.2.f:

Pursuant to the Code of Maryland Regulations (COMAR) 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. The following statement is added at the end of Section 13.4:

The Developer may commence any cause of action against the Franchisor in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

3. The following statement is added to the end of Sections 13.2 and 13.16:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Development Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

DEVELOPER (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

This Rider to the Franchise Agreement by and between Floyd's 99 Franchising, LLC and Franchisee is dated _____, 20____.

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.

1. The following statement is added at the end of Sections 18.2.f and 19.3.d:

Provided, however, that the provision requiring the execution of a general release will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

2. The following statement is added at the end of Section 24.4:

The Franchisee may commence any cause of action against the Franchisor in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

3. The following statement is added to the end of Sections 24.1 and 24.17:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

We are contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition with respect to your use of the Marks, when in the opinion of our legal counsel, your rights granted therein warrant protection.

Minnesota law provides a Franchisee with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 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 nonrenewal of the applicable agreement.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor 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 any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In Items 17.c and 17.m of the Franchise Agreement, any releases you sign will not apply to any claims that may arise under the Minnesota Franchise Act.

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF MINNESOTA**

This Rider to the Development Agreement by and between Floyd's 99 Franchising, LLC and Developer is dated _____, 20_____.

1. The following sentence is added at the end of Section 8.2.f:

Any release executed in connection herewith will not apply to any claims that may arise under the Minnesota Franchise Act.

2. The following statement is added at the end of Section 9.5:

Minnesota law provides the Franchisee with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of this Agreement.

3. The last sentence of Section 13.4 is deleted, with the following statement inserted in its place:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor 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 any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. Section 13.5 is deleted and the following is inserted in its place:

13.5 Injunctive Relief. The Franchisor and the Developer shall each have the right in the proper case to seek injunctive relief from a court of competent jurisdiction. The Developer agrees that the Franchisor may seek such injunctive relief, without posting a bond or bonds totaling more than \$500, but upon due notice, and the Developer's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Developer.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota Rider concurrently with the execution of the Development Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

DEVELOPER (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

This Rider to the Franchise Agreement by and between Floyd's 99 Franchising, LLC and Franchisee is dated _____, 20_____.

1. The following paragraph is added to Section 15.4 of the Franchise Agreement:

The Franchisor agrees to protect the Franchisee against claims of infringement or unfair competition with respect to the Franchisee's authorized use of the Marks when, in the opinion of counsel to the Franchisor, the Franchisee's rights granted therein warrant protection.

2. The following sentence is added at the end of Sections 18.2.f. and 19.3.d:

Any release executed in connection herewith will not apply to any claims that may arise under the Minnesota Franchise Act.

3. The following statement is added at the end of Sections 19.4, 20.1, 20.2 and 20.6:

Minnesota law provides the Franchisee with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of this Agreement.

4. The last sentence of Section 24.4 is deleted, with the following statement inserted in its place:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor 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 any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. Section 24.5 is deleted, and the following is inserted in its place:

24.5 Injunctive Relief. The Franchisor and the Franchisee shall each have the right in the proper case to seek injunctive relief from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may seek such injunctive relief, without posting a bond or bonds totaling more than \$500, but upon due notice, and the Franchisee's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK**

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, the following applies 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**,” Item 17(i), titled “**Franchisee’s obligations on termination/nonrenewal**,” and Item 17(m), titled “**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.

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK**

This Rider to the Development Agreement by and between Floyd's 99 Franchising, LLC and Developer is dated _____, 20__.

1. The following shall be added at the end of Section 8.2.f.:

Provided however, that all rights enjoyed by the Franchisee and any causes of action arising in the Franchisee's 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 provision of GBL 687.4 and 687.5 be satisfied.

2. Section 8.6 is deleted and the following is inserted in its place:

This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same, provided no assignment shall be made except to an assignee who, in the Franchisor's good faith judgment, is willing and able to assume the Franchisor's obligations under this Agreement.

3. The following shall be added at the end of Section 9.1:

The Developer may terminate the Agreement upon any grounds available by law.

4. After the first sentence of Section 10.3, the following sentence shall be added:

However, the Developer shall not be required to indemnify the Franchisor for any liabilities which arose as a result of the Franchisor's breach of this Agreement or other civil wrongs committed by the Franchisor.

5. The following shall be added to Section 13.4:

However, the foregoing choice of law shall not be considered a waiver of any right conferred upon the Developer by the provisions of Article 33 of the New York State General Business Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Rider concurrently with the execution of the Development Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

DEVELOPER (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

This Rider to the Franchise Agreement by and between Floyd's 99 Franchising, LLC and Franchisee is dated _____, 20__.

1. The following sentence shall be added after the first sentence of Section 8.3:

Any new or different requirement set forth in the Operations Manual shall not unreasonably increase the Franchisee's obligations or place an excessive burden on the Franchisee's operation of its Floyd's 99 Shop.

2. The following shall be added at the end of Sections 18.2.f and 19.3.d:

Provided however, that all rights enjoyed by the Franchisee and any causes of action arising in the Franchisee's 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 provision of GBL 687.4 and 687.5 be satisfied.

3. Section 18.6 is deleted and the following is inserted in its place:

This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same, provided no assignment shall be made except to an assignee who, in the Franchisor's good faith judgment, is willing and able to assume the Franchisor's obligations under this Agreement.

4. The following shall be added at the end of Section 20.1:

The Franchisee may terminate the Agreement upon any grounds available by law.

5. After the first sentence of Section 21.3, the following sentence shall be added:

However, the Franchisee shall not be required to indemnify the Franchisor for any liabilities which arose as a result of the Franchisor's breach of this Agreement or other civil wrongs committed by the Franchisor.

6. The following shall be added to Section 24.4:

However, the foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the New York State General Business Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

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.

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Rider apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

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.

2. Any capitalized terms that are not defined in this Rider shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Rider, the Franchise Agreement remains unmodified and in full force and effect.

This Rider is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Rider and the Franchise Agreement, the terms and conditions of this Rider shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Rider as of the date of the Franchise Agreement.

FLOYD'S 99 FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND**

1. The following paragraph is added at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA**

1. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. 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.

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON**

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

Item 17, Additional Disclosure:

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting

or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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.

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT, DEVELOPMENT AGREEMENT AND
RELATED AGREEMENTS
FOR THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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.

The undersigned does hereby acknowledge receipt of this Rider as of the date of the Franchise Agreement.

FLOYD'S 99 FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**ADDENDUM TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WISCONSIN**

REGISTRATION OF THIS FRANCHISE IN WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF WISCONSIN**

This Rider to the Development Agreement by and between Floyd's 99 Franchising, LLC and Developer is dated _____, 20____.

1. The following paragraph is added to Section 9.4:

The conditions under which this Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Wisconsin Rider concurrently with the execution of the Development Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

DEVELOPER (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**RIDER TO THE
FLOYD'S 99 FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN**

This Rider to the Franchise Agreement by and between Floyd's 99 Franchising, LLC and Franchisee is dated _____, 20____.

1. The following paragraph is added to Section 20.6:

The conditions under which this Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Wisconsin Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

FLOYD'S 99 FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____
Title: _____

By: _____
Title: _____

**EXHIBIT K
(TO DISCLOSURE DOCUMENT)**

GENERAL RELEASE

THIS GENERAL RELEASE (“**Release**”) is made effective as of the ____ day of _____, 20____ by _____ (“**Franchisee**”) in favor of FLOYD’S 99 FRANCHISING, LLC, a Colorado limited liability company (“**Franchisor**”) (collectively referred to as “**Parties**”).

A. The Parties have entered into that certain Franchise Agreement dated _____ (“**Franchise Agreement**”) which governs the development and operation of a FLOYD’S 99 Barbershop (“**FLOYD’S 99 Shop**” or “**Barbershop**”) (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement).

B. The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the FLOYD’S 99 Shops or some or all of the assets of the Barbershop.

OR

B. The Franchisee desires to enter into a successor to the Franchise Agreement.

The Franchisor desires to consent to the Franchisee’s request subject to the Franchisee’s compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

1. **Release.** The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives (“**Franchisee Affiliates**”), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as “**Franchisor Affiliates**”) from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever (“**Released Claims**”), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release. In addition, to the extent California or South Dakota law applies to this Release, the Franchisee, on behalf of itself and Franchisee Affiliates, agrees as follows:

(a) **Release of Unknown Claims and Waiver of California Law.** The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor.”

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that the Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is the Franchisee's and the Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

(b) Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of this Release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Release, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on behalf of Releasor) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(b) of this Release.

2. General. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter

hereof, and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegates, successors and assigns.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

FLOYD’S 99 FRANCHISING, LLC

Date: _____

By: _____

Name: _____

Title: _____

FRANCHISEE:

Date: _____

Individually

Date: _____

Individually

AND

(if a corporation, limited liability company or partnership)

Date: _____

Company Name

By: _____

Title: _____

**EXHIBIT L
(TO DISCLOSURE DOCUMENT)**

**LEASE ADDENDUM
AND
CONDITIONAL ASSIGNMENT OF LEASE**

LEASE ADDENDUM

This Addendum is attached to and made a part of that certain Lease (the “**Lease**”) by and between _____ (“**Landlord**”) and _____ (“**Tenant**”) for certain premises located at _____ (the “**Premises**”) in the _____ (“**Shopping Center**”). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

1. **BACKGROUND.** Tenant will operate a FLOYD’S 99 Barbershop at the Premises pursuant to the terms of a Franchise Agreement dated _____, 20__ (“**Franchise Agreement**”) with Floyd’s 99 Franchising, LLC (“**Franchisor**”). In connection with the Franchise Agreement, Tenant has agreed to grant Franchisor additional security by agreeing to enter into a Conditional Assignment of Lease (“**Conditional Assignment**”) in the form attached hereto as Exhibit A. However, the assignment is conditional and not effective until such time that certain events have occurred, as explained in the Conditional Assignment. Additionally, the Franchise Agreement requires that the Lease contain certain provisions which, to the extent not incorporated into the Lease, are set forth herein.

2. **NON-DISTURBANCE.** Tenant shall agree to attorn to any assignee of Landlord provided such assignee will agree not to disturb Tenant's possession of the Premises. So long as the Lease term continues and Tenant is not in default beyond applicable notice and cure periods, Tenant’s use, possession and enjoyment of the Premises will not be interfered with by any lender of Landlord or any other person.

3. **ASSIGNMENT PROVISIONS.** Tenant shall have the right to assign this Lease or sublet the Premises, without charge and without Landlord's consent being required: (i) to Franchisor, its parents, subsidiaries or affiliates, (ii) to duly authorized franchisees of Franchisor, (iii) in connection with a merger, acquisition, reorganization or consolidation, or (iv) in connection with the sale of Tenant’s corporate stock or assets. In the event of such an assignment, Tenant shall automatically be released from all obligations under this Lease. Landlord understands and agrees that, in connection with Tenant’s assignment or subletting of the Lease to a duly authorized franchisee of Franchisor, Franchisor shall be permitted to charge “additional rent” or “percentage rent” or other charges to its franchisee as part of its regular plan of franchising, and Landlord shall not be entitled to any consideration or additional rent as a result of any fees paid to Franchisor by franchisee pursuant to the Lease or otherwise.

4. **NOTICE TO FRANCHISOR.** Prior to the enforcement of any remedies under the Lease, Landlord agrees to provide Franchisor with written notice of Tenant's default under the Lease. Franchisor shall have ten (10) days after such notice to cure monetary defaults and thirty (30) days after such notice to cure non-monetary defaults. Notice to Franchisor shall be addressed as follows:

Floyd's 99 Franchising, LLC
Attn: Leasing/Real Estate
7900 E. Berry Place
Greenwood Village, CO 80111

Franchisor shall have the right, but not the obligation, to succeed to Tenant's rights upon Tenant's default by taking an assignment of Tenant's interest under this Lease and curing such default.

5. **NO RADIUS CLAUSE.** Any radius restriction in the Lease related to Tenant or the operation of a FLOYD'S 99 barbershop shall be null and void.

6. **NO RELOCATION CLAUSE.** Any right in the Lease which allows Landlord to relocate Tenant is hereby deleted.

7. **EXCLUSIVE.** Throughout the Term, as it may be extended under the terms of this Lease, Tenant shall have the exclusive right in the Shopping Center to operate a retail hair care business which provides hair care services and sells related hair care products. Landlord agrees that it shall not enter into any lease of space or permit any tenant to sublease or assign its lease, or sell any premises, within the Shopping Center or on any adjacent land owned or controlled by Landlord or its partners, to a person or entity with the following use: (i) a retail hair care business deriving more than 5% of its gross sales from the sale of haircuts or hair care products; or (ii) a wholesale business deriving more than 5% of its gross sales from the sale of hair care products. If Landlord violates the terms and spirit of the exclusivity granted to Tenant above and, if such a violation occurs, in addition to any other remedies Tenant may have at law or in equity, Tenant shall have the right to terminate this Lease upon thirty (30) days prior written notice.

8. **FRANCHISOR'S MARKS & SIGNAGE.** Notwithstanding any sign criteria contained in the Lease, Landlord hereby grants and approves the following:

a. **Marks.** Tenant has the right to display Franchisor's trade and service marks in accordance with the specifications required by Franchisor, subject only to the provisions of applicable law, for the term of the Lease.

b. **Opening Signage.** Tenant shall have a license to display "Coming Soon," "Now Hiring" or "Grand Opening" banners on or near the Premises during such period from the date the Lease is executed and continuing until the date that is eight (8) weeks following the opening of the Premises; and

c. **Permanent Signage.** Tenant shall be able to erect the exterior signage and awning as described in Exhibit B attached hereto and incorporated herein by this reference. Subject to Tenant's receipt of required approvals by appropriate regulatory bodies, Tenant shall be allowed to: (a) place appropriate signage on the entrances to the Premises advertising Tenant's hours of operation and other information; (b) display its logo on signage displayed at the Premises; (c) display tasteful signage on sandwich board signs within the areas adjacent to the Premises during Tenant's regular business hours; and (d) project Tenant's signature "After Hours" feature on the windows of the Premises after business hours on nights it deems commercially reasonable as permitted by appropriate regulatory bodies.

9. **USE CLAUSE.** Tenant shall have the right to use the Premises for purposes of operating a retail hair care business which provides hair care services and sells related hair care products and other ancillary purposes associated therewith.

10. **BUSINESS HOURS.** Tenant may close its business once every 5 years for a reasonable time to refurbish and redecorate the Premises.

11. **ACCESS TO PREMISES.** During the term of the Lease, Landlord and Tenant acknowledge and agree that Franchisor will have unrestricted access to the Premises to inspect the Premises and Tenant's business operations in accordance with the Franchise Agreement and to take such actions as are reasonable and permitted under this Addendum to enforce Franchisor's rights.

12. **REMOVAL OF TRADE DRESS/PERSONAL PROPERTY.** Tenant shall have fifteen (15) days from the termination or expiration of the Lease to remove Tenant's property and trade dress from

(REG 4/30/2024)

the Premises. Landlord further agrees that, upon the earlier of the expiration or termination of the Franchise Agreement or the Lease or upon any Default under the Lease or any default under the Franchise Agreement, Franchisor will have the right, but not the obligation, at Franchisor's sole cost, to enter upon the Premises and to remove any or all furniture, fixtures, equipment and all trade names, trade dress and other trade indicia associated with Franchisor, including, without limitation, Tenant's property, external and internal signage and all trade dress and design characteristics identifying the Premises as a FLOYD'S 99 franchise. Franchisor agrees to promptly repair any damage to the Premises caused by such removal or modifications. Franchisor will have fifteen (15) days from the later of (1) receipt of such notice of expiration or termination to remove such items, and (2) Franchisor's discovery that Tenant has failed to remove such items.

13. **AMENDMENT.** Franchisor's prior written consent, which will not be unreasonably withheld, must be obtained by Landlord and Tenant to cancel, terminate (including Tenant's voluntary surrender), modify or amend the Lease including, without limitation, Franchisor's rights under this Addendum. Any attempted cancellation, termination, modification, acceptance of surrender or amendment without Franchisor's consent shall be null and void and have no effect as to Franchisor's interest thereunder.

14. **RELATIONSHIP OF TENANT AND FRANCHISOR.** Landlord acknowledges that Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum with the full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any Franchisor Party.

15. **BENEFITS AND SUCCESSORS.** The benefits of this Addendum inure to Franchisor and to its successor and assigns.

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

LANDLORD:

TENANT:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Address: _____

Address: _____

Phone: _____

Phone: _____

CONDITIONAL ASSIGNMENT OF LEASE

THIS CONDITIONAL ASSIGNMENT OF LEASE (“Agreement”) is made as of this ____ day of _____, 20__ by and between _____, a _____ (“Assignor”), **FLOYD’S 99 FRANCHISING, LLC**, a Colorado limited liability company (“Assignee”) and _____ (“Landlord”).

A. Assignor is a tenant (“**Tenant**”) of certain property generally known as _____, located in the City of _____, State of _____ (“**Property**”), pursuant to a lease by and between Landlord and Assignor, dated _____, 20____ (the “**Lease**”).

B. Assignor desires to construct, or have constructed by Landlord (whichever is applicable), and thereafter operate a FLOYD’S 99 Shop under a certain franchise agreement between Assignor and Assignee (the “**Franchise Agreement**”).

C. As a condition to the grant of rights under the Franchise Agreement to Assignor, Assignee requires that Assignor enter into this Agreement.

NOW, THEREFORE, for and in consideration of the sum of Five Dollars and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Assignor hereby assigns all of its right, title and interest in and to the Lease and the FLOYD’S 99 Shop to Assignee. Although it is the intention of the parties that this Agreement is a present assignment, it is expressly understood and agreed that until an event described in Section 2 below has occurred and Assignee has exercised its remedies hereunder, Landlord shall look to Assignor for full performance of Assignor’s obligations under the Lease.

2. With the exception of Sections 3, 4, 8, 9, 10, 11, 12 and 13 below which are effective as of the date this Agreement is fully executed by the parties, the assignment of Lease contemplated hereunder is conditional and shall not be effective until the “Effective Date,” as defined in Section 5 of this Agreement. Assignee shall have no right to pursue any remedy hereunder unless and until:

a. Default by Assignor under the terms of the Lease, which default (i) is not cured by Assignor within the time limits provided therein or (ii) results in a demand for performance under any guaranty of the Lease;

b. Default by Assignor under the terms of the Franchise Agreement or under any document or instrument securing the Franchise Agreement, which default is not cured by Assignor within the time limits provided therein;

c. Voluntary institution of any insolvency or bankruptcy proceedings as a debtor or insolvent on the part of Assignor (or any guarantor of the Lease) or involuntary insolvency or bankruptcy proceedings brought against Assignor (or any guarantor of the Lease) which are not dismissed within 60 days of the filing thereof;

d. Discontinuation by the Assignor of operation of a FLOYD’S 99 Shop on the Property, whether voluntarily or involuntarily;

e. Nonrenewal by Assignor of the Franchise Agreement; or

f. Nonrenewal by Landlord or Assignor of the Lease.

3. During the term of the Lease, Landlord agrees to give Assignee written notice of all defaults of Assignor concurrently with the giving of such notice to Assignor. Landlord further agrees to give Assignee a 30-day period to cure any default, or the period provided to the Assignor in the Lease, whichever period shall be longer.

4. If Assignee expends sums to cure a default, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent per month, or the highest rate allowed by law. Nothing in this Agreement shall obligate Assignee to cure any such default, unless Assignee elects to assume the Lease pursuant to Section 5 below. For purposes of clarification, the parties agree that Assignee shall have the right to cure Assignor's defaults under the Lease without electing to assume the Lease pursuant to Section 5 below.

5. The date upon which the assignment shall be effective (the "**Effective Date**"), is the date upon which Landlord and Assignor receive written notice from Assignee that:

a. Assignee will cure all prior defaults of Assignor in the Lease in which Landlord has given notice to Assignee pursuant to the provisions of Section 3 above, and that Assignee will assume the Lease; or

b. The events described in either subsections 2(b), 2(c), 2(d) or 2(f) above have occurred and that Assignee will assume the Lease.

6. As of the Effective Date, Assignee will assume all rights, duties, responsibilities and obligations of Assignor arising on or after the Effective Date pursuant to the terms and provisions of the Lease.

7. Landlord hereby consents to the terms and provisions of this Agreement, and to the conditional assignment of the Lease to Assignee. Landlord agrees that after the Effective Date, Assignee may (i) enter into a sublease with any FLOYD'S 99 franchisee without Landlord's further consent, or (ii) further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord. Landlord further agrees that upon the occurrence of any such assignment, Assignee shall have no further liability or obligation under the Lease as Assignee, tenant or otherwise, and that concurrent with such assignment, Landlord will enter into a replacement Conditional Assignment of Lease Agreement by and between Assignee and the new tenant.

8. Assignor agrees to indemnify and hold harmless Assignee from any loss, liability, cost or expense incurred or suffered by Assignee under this Agreement.

9. Assignor and Landlord agree not to allow any surrender, amendment, modification or termination or other assignment of the Lease without the prior written consent of Assignee. Throughout the term of the Lease, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day said option must be exercised, unless Assignee otherwise agrees in writing. Assignor hereby grants to Assignee a power of attorney to exercise an extension or renewal option for the Lease in the name, place and stead of Assignor and Landlord agrees to accept Assignee's exercise of such option. The foregoing power of attorney is irrevocable and coupled with an interest.

10. Assignor represents and warrants to Assignee that it has the full power and authority to assign the Lease and its interests therein and that Assignor has not previously assigned, transferred or pledged, and is not otherwise obligated to assign, transfer or pledge, any of its interests in the Lease or the leasehold estate created thereby.

11. Assignee shall have the right to assign any of its rights, duties or obligations under this Agreement to an affiliate or designee of Assignee.

12. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier to:

Assignee:

Floyd's 99 Franchising, LLC
7900 E. Berry Place
Greenwood Village, CO 80111

Assignor:

Landlord:

13. Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable, all other provisions of this Agreement shall be given effect separately therefrom and shall not be affected thereby.

[Signature Page to Follow]

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

WITNESS/ATTEST:

ASSIGNOR:

By: _____
Name: _____
Title: _____
Date: _____

WITNESS/ATTEST:

ASSIGNEE:

FLOYD'S 99 FRANCHISING, LLC,
a Colorado limited liability company

By: _____
Name: _____
Title: _____
Date: _____

WITNESS/ATTEST:

LANDLORD:

By: _____
Name: _____
Title: _____
Date: _____

TENANT'S APPROVED SIGNAGE

[To be attached]

**EXHIBIT M
(TO DISCLOSURE DOCUMENT)**

NOTICE OF RESTRICTIVE COVENANTS

This is a Notice of Restrictive Covenants (“**Notice**”) that Floyd’s 99 Franchising, LLC (“**Franchisor**”) requires the undersigned prospective franchisee (the “**Prospective Franchisee**”) and the undersigned Prospective Franchisee’s management personnel (which includes, the Principal Manager, Barbershop manager and owners of Prospective Franchisee; collectively, the “**Management Personnel**”) to sign. Prospective Franchisee and Management Personnel have received the following documents:

1. A Development Agreement (“**Development Agreement**”), the form of which is attached as Exhibit B to the Franchise Disclosure Document (“**FDD**”).
2. A Franchise Agreement (“**Franchise Agreement**”; the Development Agreement and Franchise Agreement are collectively referred to as the “**Agreements**”), the form of which is attached as Exhibit C to the FDD provided to Prospective Franchisee as noted above. The Agreements were provided to Prospective Franchisee as a condition of purchasing a franchise on _____, 202__.
3. The Nondisclosure and Noncompetition Agreement (“**NDA**”), a form of which is attached as Exhibit I to the FDD, is provided to the Prospective Franchisee and the Management Personnel.

This Notice is attached to the FDD as Exhibit M. Initial capitalized terms not defined in this Notice have the respective meanings set forth in the Franchise Agreement.

Article 11 of the Development Agreement and Article 22 of the Franchise Agreement contain covenants of confidentiality and covenants not to compete by engaging in a similar business that could restrict Prospective Franchisee’s activities during the term of each of the Agreements and following the termination of each of the Agreements. Sections 1, 3, 4 and 5 of the NDA contains a covenant of confidentiality and a covenant not to compete by engaging in a similar business that could restrict Management Personnel’s activities during the term of the Agreements and following the termination of the Agreements.

The effective date of the Agreements shall be not less than fourteen (14) days after (i) the date of this Notice; and (ii) the date Prospective Franchisee signs the FDD Receipt.

The effective date of the NDA shall not be less than fourteen (14) days after the date the Management Personnel have received this Notice.

The purpose of the restrictions contained in the Agreements or the NDA (as applicable) is not to prevent Prospective Franchisee or Management Personnel from earning a living. Rather, such restrictions are necessary and reasonable to protect Franchisor’s unique and valuable interests which include, without limitation, relationships with customers, goodwill, the protection of trade secrets and other confidential information, protection from unfair competition, and other protectable interests.

PROSPECTIVE FRANCHISEE AND MANAGEMENT PERSONNEL ARE ADVISED TO REVIEW THE AGREEMENTS AND NDA AND TO CONSULT AN ADVISOR OR ATTORNEY OF THEIR CHOICE BEFORE SIGNING THE AGREEMENTS OR NDA.

PROSPECTIVE FRANCHISEE

Signature: _____
Name: _____
Effective Date: _____

MANAGEMENT PERSONNEL

Principal Manager:

Signature: _____
Name: _____
Effective Date: _____

Barbershop Manager:

Signature: _____
Name: _____
Effective Date: _____

Owner of Prospective Franchisee:

Signature: _____
Name: _____
Effective Date: _____

Owner of Prospective Franchisee:

Signature: _____
Name: _____
Effective Date: _____

FRANCHISE DISCLOSURE DOCUMENT – STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Minnesota	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT N
(TO DISCLOSURE DOCUMENT)**

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 Floyd's 99 Franchising offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Floyd's 99 Franchising does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Floyd's 99 Franchising, LLC, located at 7900 E. Berry Place, Greenwood Village, CO 80111, Telephone: (303) 779-8400 or toll free (888) 771-2899.

Issuance date: April 30, 2024

The franchise sellers for this offering is/are: (1) Paul O'Brien or _____ with Floyd's 99 Franchising, LLC, located at 7900 E. Berry Place, Greenwood Village, CO 80111, (2) _____ with FranDevCo, LLC, located at 9820 Northcross Center Ct., Suite 200, Huntersville, NC 28078, (704) 703-9500, and/or (3) _____.

Floyd's 99 Franchising authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document with an issue date of April 30, 2024 that included the following Exhibits:

- | | |
|--|--|
| A List of State Agencies/Agents for Service of Process | I Nondisclosure and Noncompetition Agreement |
| B Development Agreement | J State Addenda and Riders to Disclosure Document, Franchise Agreement, Development Agreement and Other Exhibits |
| C Franchise Agreement | K General Release |
| D Amendment to Franchise Agreement (Renewal) | L Lease Addendum and Collateral Assignment of Lease |
| E FLOYD'S 99 Franchised Barbershop Locations | M Notice of Restrictive Covenants |
| F Franchisees Who Have Left the System | N Receipts |
| G Financial Statements | |
| H Operations Manual Table of Contents | |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

RECEIPT

(Return this copy to us)

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 Floyd's 99 Franchising offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Floyd's 99 Franchising does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Floyd's 99 Franchising, LLC, located at 7900 E. Berry Place, Greenwood Village, CO 80111, Telephone: (303) 779-8400 or toll free (888) 771-2899.

Issuance date: April 30, 2024

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- | | |
|--|--|
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| E FLOYD'S 99 Franchised Barbershop Locations | M Notice of Restrictive Covenants |
| F Franchisees Who Have Left the System | N Receipts |
| G Financial Statements | |
| H Operations Manual Table of Contents | |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and mailing it to 7900 E. Berry Place, Greenwood Village, CO 80111, or by faxing a copy of the signed and dated receipt to Floyd's 99 Franchising, LLC at (303) 779-8403.

(REG 4/30/2024)