

## FRANCHISE DISCLOSURE DOCUMENT



### J 'N C Real Estate Development, LLC

A Texas limited liability company

18402 US Hwy 281 N., Ste. 267

San Antonio, Texas 78259

210-314-3126

admin@salonsbyjc.com

www.salonsbyjc.com

SBJC Businesses provide high-end retail space to beauty and wellness practitioners (“SBJC Business”). We also offer qualified parties the right to own and operate multiple SBJC Businesses within a development area.

The total investment necessary to begin operation of a single SBJC Business ranges from \$1,310,355 to \$2,026,920. This includes between \$60,000 and \$61,000 that must be paid to the franchisor or affiliate(s).

The total investment necessary to develop multiple franchised SBJC Businesses under our form of development agreement (a “Development Agreement”) depends on the number of franchises we grant you the right to open. The total investment necessary to enter into a development agreement for the right to develop three (3) SBJC Businesses is \$1,375,355 to \$2,091,920 which includes (a) a development fee of \$125,000 that is paid to us or our affiliates prior to opening, and (b) the total estimated initial investment to begin operation of your initial SBJC Business. The total investment necessary to enter into a development agreement for the right to develop six (6) SBJC Businesses is \$1,475,355 to \$2,191,920 which includes (a) a development fee of \$225,000 that is paid to us or our affiliates prior to opening, and (b) the total estimated initial investment to begin operation of your initial SBJC Business. The total investment necessary to enter into a development agreement for the right to develop ten (10) SBJC Businesses is \$1,575,355 to \$2,291,920 which includes (a) a development fee of \$325,000 that is paid to us or our affiliates prior to opening, and (b) the total estimated initial investment to begin operation of your initial SBJC Business.

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 Drew Johnston at 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259 and (210) 314-3126.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTCHELP 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 17, 2023

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement and development agreement require you to resolve disputes with the franchisor by mediation and/or litigation only in Texas. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Texas than in your own state.
2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments**. You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

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

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 the 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 terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six 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 or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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

**TABLE OF CONTENTS**

<b><u>Item</u></b>	<b><u>Page</u></b>
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....	1
ITEM 2 BUSINESS EXPERIENCE.....	3
ITEM 3 LITIGATION.....	4
ITEM 4 BANKRUPTCY.....	4
ITEM 5 INITIAL FEES.....	4
ITEM 6 OTHER FEES .....	6
ITEM 7 ESTIMATED INITIAL INVESTMENT .....	10
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	14
ITEM 9 FRANCHISEE’S OBLIGATIONS.....	18
ITEM 10 FINANCING.....	19
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	19
ITEM 12 TERRITORY .....	30
ITEM 13 TRADEMARKS .....	32
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	34
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	35
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	35
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	36
ITEM 18 PUBLIC FIGURES .....	45
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....	45
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	58
ITEM 21 FINANCIAL STATEMENTS .....	63
ITEM 22 CONTRACTS .....	63
ITEM 23 RECEIPTS .....	64

**EXHIBITS:**

Exhibits:

- A. List of State Franchise Administrators/Agents for Service of Process
- B. Franchise Agreement (and Exhibits)
- C. Development Agreement (and Exhibits)
- D. Financial Statements
- E. State Specific Addenda to FDD and to the Franchise and Development Agreements
- F. List of Franchisees and Franchisees That Left Our System in the Past Fiscal Year or That Have Not Communicated to Us in the 10 Weeks Prior to the Issue Date of this Disclosure Document
- G. Operations Manual Table of Contents
- H. Sample Termination and Release Agreement
- I. Franchisee Questionnaire/Compliance Certification
- J. State Effective Page
- K. Receipts



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

To simplify the language of this Franchise Disclosure Document, “JNC”, “we,” “us” and “our” means J ‘N C Real Estate Development, LLC, the franchisor. “You”, “your” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from JNC.

The Franchisor

JNC is a Texas limited liability company formed in January 2008. We operate under our corporate name and the name Salons by JC. Our principal business address is at 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259. We offer franchises (“Franchise(s)”) for SBJC Businesses and have done so since March 2011. We do not conduct business under any other name or in any other line of business and we do not offer franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document.

Our agent for service of process in Texas is Steve Griffey, J ‘N C Real Estate Development, LLC 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Predecessors and Affiliates

We do not have any parents or predecessors. We do not have any affiliates that either offer franchises in any line of business or provide products or services to our franchisees. We have one affiliate that operates businesses that are similar to the SBJC Business.

The Franchise

SJBC Businesses offer and provide retail space to third-party practitioners under an independent contractor relationship (“Operator(s)”) to provide and perform their respective services. These services would typically be found in a full-service salon such as haircutting, hairstyling, nail-related services, facials and other skin-related services and massage therapy. Your SBJC Business will offer and provide: (i) high-end retail salon studio space within a retail or commercial location (“Facility”) to Operators under a lease agreement (the “Operator Agreement”); (ii) vending services (laundry and snack items); (iii) internet access; and (iv) any other services that we authorize, which may include the retail sale of salon products, merchandise and other inventory we approve from the Facility (the “Approved Products” and/or “Approved Services”).

Our operating system includes recognizable design, décor and color scheme; uniform standards, specifications, rules and procedures of operation; techniques; philosophies; quality and uniformity of products and services offered; and procedures (“System”). We grant franchises to operate SJBC Businesses using the System and our trade names, trademarks, service marks, emblems, logos, slogans and copyrights (“Marks”).

Your Facility will typically be between 6,000 and 9,000 square feet, but there are a few Facilities in our System that are as large as 10,000 square feet. Facilities are typically located in regional shopping centers or other commercial business areas.

To own and operate an SBJC Business, you must sign our current form of franchise agreement that is attached as Exhibit B to this Franchise Disclosure Document (the “Franchise Agreement”). If the franchisee is a business entity, then all of the individuals that have any type of ownership interest in the franchisee entity, as well as their spouses, must sign our form of personal guaranty (attached as an Exhibit to the Franchise Agreement) where each owner agrees to be personally bound by, and personally guarantee the entity’s obligations under, all terms of the Franchise Agreement (the “Personal Guaranty”).

You will be responsible for soliciting potential Operators to lease space within your Facility. You do not need to obtain our approval regarding the Operators you rent space to. We do not currently have any specific criteria or guidelines that you must follow with respect to the type of third party you may rent a suite in your Facility to (other than the fact that the third party must be a beauty or wellness practitioner), but we reserve the right to provide such criteria and/or guidelines in the future. Your Operators will be solely responsible for (a) scheduling their own appointments and generating their own clientele, and (b) otherwise owning and operating their respective businesses within the Facility.

Typically, once we agree on the location of your Facility, we will designate a geographical area around the Facility where we will not own or operate, or license a third party the right to own or operate, a Facility that utilizes the Marks and System (your “Designated Territory”). If you and we identify your Designated Territory at the time you execute your Franchise Agreement, you will need to secure a Facility that we approve within your Designated Territory.

#### Area Development

We also offer to select qualified persons the opportunity to sign our area development agreement (“Development Agreement”) and acquire the right to develop multiple SBJC Businesses in a designated development area (“Development Area”) in accordance with a specified development schedule (“Development Schedule”). The Development Area will be established based on the consumer demographics of the Development Area, geographical area, city, county and other boundaries. If you enter into a Development Agreement, you must sign a Franchise Agreement for your first SBJC Business at the same time that you sign the Development Agreement. You will be required to sign our then-current form of SBJC Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document for each SBJC Business that you develop under the Development Agreement. Unless otherwise stated, any reference in this Franchise Disclosure Document to “you” or “franchisee” includes you both as a franchise under a Development Agreement and as a franchisee under a Franchise Agreement.

#### Market and Competition

The “salon suite” industry is a form of retail real estate development and management. You will enter into a lease for a Facility that we approve and then build-out that location into individual “suites” that can be leased or sub-leased to third parties that provide personal care and other salon and wellness services to clientele.

The products and services offered by SBJC Businesses (and their Operators) are not seasonal in nature. The market for salon studio rental businesses is moderately developed and competitive, and the market for general commercial leasing is well-developed. You may face competition from other businesses including franchised operations, national chains and independently owned businesses that offer similar leasing and salon management services to third-party beauty and wellness practitioners.

Your competitive advantage in the marketplace will be based on your adherence to our System standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service.

### Industry-Specific Laws

Most states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your SBJC Business, including those that: (i) establish general standards, specifications and requirements for the construction, design and maintenance of the business premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as restrictions on smoking; (iii) set standards pertaining to employee health and safety; (iv) regulate matters affecting requirements for accommodating disabled persons, including the Americans with Disabilities Act; (v) set standards and requirements for fire safety and general emergency preparedness; and (vi) regulate, or otherwise relate to or govern, the operation of a business that leases/subleases space to third parties and/or the operation of a salon generally (businesses providing hair, nail, massage or other beauty or wellness-related services), including those that may require you to obtain certain permits, certificates, licenses or approvals to provide the Approved Products and Approved Services at your SBJC Business. Your Operators may also need to obtain certain permits, certificates, licenses or approval to provide their respective services from their respective suites within the Facility. We have not received formal legal opinions on the issue of whether the Approved Services can be provided under the laws of the state where you are looking. You must consult with your own attorney to ensure that the laws of the state where your SBJC Business is located permits you to provide the Approved Products and Approved Services from your Facility.

You are responsible for the knowledge and application of all federal and state data privacy laws, such as the Gramm-Leach-Bliley Act, the Fair Credit Reporting Act, the Telephone Consumer Protection Act, the Fair and Accurate Credit Transactions Act, the National Automated Clearinghouse Association and all related and associated regulations as well as any other applicable federal and state laws (collectively “Privacy Laws”).

You must ensure that the form of Operator Agreement you utilize in connection with your SBJC Business complies with all applicable laws, and you will need to work with your own attorneys and legal advisors to take whatever steps necessary to ensure that your Operator Agreement creates an independent contractor relationship between you and each of your Operators.

It is your sole responsibility to investigate any regulations in your territory, including those related to the leasing of any space by your SBJC Business at your Facility and those related to the establishment and operation of a business generally.

You must investigate and comply with all of these applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you. We have not researched any of these laws to determine their applicability to your SBJC Business.

## **ITEM 2 BUSINESS EXPERIENCE**

### Co-Founder: Jack Griffey

Jack Griffey has served as Co-Founder of our company since our inception in January 2008. Jack is also Co-Founder of our Affiliate, J'NC Investments in San Antonio, Texas and that has been operating

since 1997, which currently operates 10 SBJC Businesses in the areas of Dallas, Arlington and San Antonio, Texas.

President: Steve Griffey

Steve Griffey has served as our President since our inception in January 2008. Steve has also been President of our Affiliate since its inception in 1997, which currently operates 10 SBJC Businesses in the areas of Dallas, Arlington and San Antonio, Texas.

Vice President of Operations: Drew Johnston

Drew Johnston has served as our Vice President of Operations since April 2014. Prior to that time, Drew served as a Regional Director for Fantastic Sams Franchise Corporation, located in San Antonio, Texas, from December 2003 through January 2014.

Vice President of Marketing: Antonio Limon

Antonio Limon has served as our Vice President of Marketing since January 2021 in San Antonio, Texas. Prior to that time, Mr. Limon was the Head of Digital Marketing for Lifeline Screening in Austin, Texas from January 2018 to January 2021. Prior to that time, Antonio served as Director of Digital Marketing for Direct Energy LLP in Houston, Texas from April 2016 to January 2018.

Vice President of Corporate Salon Operations: Austin Miller

Austin Miller has served as our Vice President of Corporate Salon Operations since June 2016 in San Antonio, Texas.

**ITEM 3  
LITIGATION**

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**

Franchise Agreement

*Initial Franchise Fee*

You must pay us an initial franchise fee amounting to \$60,000 (the “Initial Franchise Fee”) when you sign the Franchise Agreement. The Initial Franchise Fee covers the franchise license to operate your SBJC Business and the tuition fees for you and up to two additional people to attend our proprietary initial training program (“Initial Training Program”). Your Initial Franchise Fee is deemed fully earned upon payment, and is not refundable under any circumstances.

*Training Fee*

We will provide our Initial Training Program for up to three individuals tuition-free. You will need to pay \$1,000 for any: (i) additional person; (ii) person that fails to complete the program and is required to re-attend; or (iii) replacement personnel that is required to attend our Initial Training Program. This fee is not refundable under any circumstances.

*Conversion Facility*

If you have an existing location that meets our then-current Conversion Criteria and we grant you the right to convert that existing business into a Franchised Business, you must pay us a reduced Initial Franchise Fee amounting to \$30,000 immediately upon execution of your Franchise Agreement. This reduced Initial Franchise Fee will also be deemed fully earned and non-refundable upon payment and will be uniformly imposed on conversion franchisees.

Development Agreement

*Development Fee*

If we grant you the right to develop multiple SBJC Businesses under a Development Agreement, you must pay us a one-time Development Fee when you sign the Development Agreement. Your Development Fee will depend on the number of SBJC Businesses we grant you the right to open within the Development Area based on the following calculations:

Number of SBJC Businesses	Development Fee
3	\$125,000
4-5	\$125,000 plus \$41,667 each for additional SBJC Business (up to 5)
6	\$225,000
7-9	\$225,000 plus \$37,500 for each additional SBJC Business (up to 9)
10	\$325,000
11+	\$325,000 plus \$32,500 for each additional SBJC Business beyond ten

You must enter into our then-current form of franchise agreement for each SBJC Business you wish to open under your Development Agreement, but you will not pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements. You must execute our current form of Franchise Agreement that will govern the first SBJC Business at that same time you execute your Development Agreement.

Your Development Fee will be deemed fully earned upon payment, and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all of our franchisees.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fee <sup>(2)(3)(4)</sup>	The greater of: (i) 5.5% of the " <u>Gross Sales</u> " of your SBJC Business (" <u>Royalty Fee</u> "); or (ii) a minimum royalty payment of \$500 per month (the " <u>Minimum Royalty</u> ")	On or before the 5th of each month	Your Royalty Fee will begin once your SBJC Business opens.  We will waive the Minimum Royalty for the first 90 days you are in operation.  We may require you to pay your Royalty Fee and other reoccurring amounts via electronic funds transfer (" <u>EFT</u> ").
Local Advertising Requirement	Up to \$1,000 per month, depending upon specific marketing deemed necessary by us	As incurred	We must approve all advertising materials prior to use/publication and we may require you to provide us with monthly reports detailing your local advertising expenditures.  If the occupancy rate of your SBJC Business falls below 90%, we reserve the right, in our sole discretion, to conduct a marketing evaluation with you and determine an appropriate monthly marketing expenditure for your market and the number of salons putting you below the occupancy threshold.  Your local advertising requirement obligation (if triggered) will commence upon the expiration of the period of time where you must expend your initial marketing spend (as we approve as part of your initial marketing plan) expires. If you fail to spend the Local Advertising Requirement, you will be required to pay the difference to the brand development fund.
Brand Development Fund <sup>(2)(3)(4)</sup>	1% of the Gross Sales	Same as Royalty Fee	This " <u>Fund Contribution</u> " is used for a system-wide " <u>Fund</u> " for our use in promoting and building the SJBC brand. We reserve the right to increase the Fund Contribution to up to 3% upon written notice to you. See Item 11 for more information.
Technology Fee	Our then-current fee  Currently, \$250	Monthly	We charge this fee in connection with the technology we currently provide in connection with the System and the System technology platform (the " <u>Technology Fee</u> "). We reserve the right to license, sublicense, and create software and technology that Salons by JC franchisees must pay for and use.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Property Management Software	Currently, \$90/month plus applicable merchant processing	As incurred	Our approved supplier for this property management software may modify its license fee upon prior written notice to you.
Audit Fees <sup>(5)</sup>	Actual cost of audit	Upon invoice	Payable if audit reveals that you have underreported the Gross Sales of your SBJC Business by 2% or more for any designated reporting period.
Renewal Fee	\$10,000	90 days prior to renewal	There are other conditions that you must meet in order for us to approve your renewal request.
Transfer-related fees (both Franchise Agreement and Development Agreement)	\$10,000	\$1,000 non-refundable deposit at time of transfer application submittal and the remainder upon execution of the new franchise agreement or development agreement by the transferee	There are other conditions that you and the proposed transferee must meet in order for us to approve any proposed transfer/assignment.
Securities Offering Fee	\$3,500	Due when you ask us to review a proposed securities offering	If you plan to offer securities by private offering under a Development Agreement, you must obtain our approval. You must submit all documents we reasonably request and pay this fee.
Additional Training or Assistance Fees	The then-current fee (currently \$1,000 per additional person for initial training and \$1,000 to \$3,000 per day per attendee per day for additional training)	Within ten days after invoicing	We provide initial training at no charge for up to three people. We may charge you for training additional persons, newly hired personnel, refresher training courses, remedial training, advanced training courses, and additional or special assistance or training you need or request. You are responsible for any expenses incurred by you or your employees in connection with attending training, including transportation, lodging, meals, wages and other incidentals. If the training program is conducted at your Facility, then you must reimburse us for the expenses we or our representatives incur in providing the training.
Collection Charges	Varies	On demand	You must pay all collection charges associated with our efforts in collecting any amounts owed to you or us under the Franchise Agreement.
Fees on Default and Indemnity	Attorneys' fees, costs, interest, audit costs, default fees	On demand	Payable in addition to other payments to us.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Late Reporting Fees	\$500 for each late report	On demand	Payable in addition to other payments to us.
Costs and Attorneys' Fees	Will vary according to circumstance	On demand	You must reimburse us for our attorneys' fees and any court costs that we are forced to incur in connection with enforcing or protecting our rights under your Franchise Agreement and/or Development Agreement.
Indemnification	Will vary according to circumstance	On demand	You must reimburse us for our attorneys' fees and other costs that we incur in connection with any third-party claims brought against us that arise out of, or are related to, the operation of your SBJC Business.
Insurance	Will vary according to circumstance	On demand	If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and charge you a service fee to do so. Otherwise, these payments are made directly to your third-party insurance provider.
Interest <sup>(6)</sup>	1.5% per month	On demand	Payable on all delinquent payments due to us for more than 30 days.
Non-Sufficient Funds Fee	\$100	On demand	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment or any similar event
Relocation Fee	\$2,000 if you decide to relocate your SBJC Business	When you submit a letter requesting consideration of a new location	Payable to us to defray our costs associated with evaluating and approving/rejecting your relocation proposal.
Local and Regional Advertising Cooperatives	No more than \$1,000 per month	On demand	Payable to us if we assign your SBJC Business to a local or regional advertising cooperative. Any payment for a cooperative will be credited against your monthly local advertising requirement. If there is an affiliate-owned SBJC Business in your cooperative, then our affiliate will be able to vote on all matters that you and the other cooperative members have the right to vote on.
Annual Conference Attendance Fee	Our then-current attendance fee  Currently, \$199	Prior to attending the conference	Payable to us to defray our costs associated with holding our annual conference
Failure to attend required training/conference	Our then-current non-attendance fee  Currently, \$500 per infraction	Upon notice of infraction. Will be collected by EFT.	Payable to compensate us for your failure to attend training/convention.



Notes:

1. Generally. All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. If you enter into a Development Agreement to operate multiple SBJC Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each SBJC Businesses. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.
2. Royalty Fee and Other Fees. Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your SBJC Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to your Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account. We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement.
3. Collection Interval. We reserve the right to change the interval at which we collect your Royalty Fee, Fund Contribution and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a weekly rather than a monthly basis. You are required to provide us with a Gross Sales report detailing your Gross Sales from the preceding reporting period (which is currently each calendar month), along with your calculated Royalty Fee, Fund Contribution (if appropriate) and other information that we reasonably require (the “Gross Sales Report”) on or before the date that we designated (currently, the 5th of each calendar month).
4. Gross Sales. “Gross Sales” means the total revenue generated by your SBJC Business, including all revenue generated from leasing salon suites at your Facility and all amounts paid by Operators and/or their clientele for vending, laundry and any other Approved Products or Approved Services offered at your Facility, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Sales does not include the sale of products or services for which refunds have been made in good faith to customers, the sale of equipment used in the operation of the SBJC Business, any sales tax or other taxes collected from customers by you and paid directly to the appropriate taxing authority, or any reduction in revenue due to coupon sales.
5. Right to Inspect/Audit. We have the right to inspect your books and other financial information associated with your SBJC Business during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Gross Sales by 2% or more, then we may require you to pay the costs we incur in connection with conducting the audit of your SBJC Business (including any fees paid to auditors and/or attorneys).
6. Interest on Late Payments. Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Franchise Agreement

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$60,000	\$60,000	Lump sum	Upon execution of the Franchise Agreement	Us
Initial Training <sup>(2)</sup>	\$0	\$1,000	Lump sum, if applicable	When training begins	Us
Travel and Living Expenses During Training <sup>(3)</sup>	\$1,500	\$2,500	As incurred	As incurred	Airlines, hotels, and restaurants
Site Selection Assistance and/or Site Evaluation Expenses <sup>(4)</sup>	\$0	\$1,000	As incurred	As incurred	Third-party supplier
Security Deposits – Lease and Utilities <sup>(5)</sup>	\$10,000	\$35,000	As incurred	When you sign your lease or start an account with a utility company	Landlord, utility company
Insurance Premium, 3 months <sup>(6)</sup>	\$900	\$1,500	As incurred	Prior to opening	Insurance agent or carrier
Business License and Permits <sup>(7)</sup>	\$100	\$300	As incurred	As incurred	Government agencies
Rent, 3 months <sup>(8)</sup>	\$0	\$65,000	As incurred	As incurred	Landlord
Blueprints, Plans, Permits, Architectural Fees	\$62,200	\$93,300	As incurred	As incurred	Approved Supplier, planner, city, county, or state
Leasehold Improvements <sup>(9)</sup>	\$1,002,000	\$1,503,000	As incurred	As incurred	Approved Supplier
Signage and Graphics <sup>(10)</sup>	\$12,480	\$18,720	As incurred	As incurred	Third-party supplier
Furniture, Fixtures and Equipment <sup>(11)</sup>	\$133,800	\$200,700	As incurred	As incurred	Third-party supplier
Internet, 3 months	\$375	\$900	As incurred	As incurred	Third-party provider
Initial Inventory and Operating Supplies <sup>(12)</sup>	\$2,000	\$4,000	As incurred	As incurred	Third-party supplier
Initial Marketing Spend <sup>(13)</sup>	\$15,000	\$20,000	As incurred	60 days from signing or 30 days prior to opening, whichever comes first	Third-party provider(s)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Additional Funds, 3 Months <sup>(14)</sup>	\$10,000	\$20,000	As incurred	As incurred	Employees, utilities, suppliers and other third parties, etc.
TOTAL ESTIMATED INITIAL INVESTMENT <sup>(15)</sup>	\$1,310,355	\$2,026,920			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your SBJC Business. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee. See Item 5 for additional information about your Initial Franchise Fee.
2. Initial Training. We will typically provide approximately three days of our initial training program at our headquarters, which is currently San Antonio, Texas, free of charge for up to three trainees (including you). If more than three trainees attend, the additional cost is \$1,000 per person. The low amount in this range assumes that you and up to two persons will attend the initial training program, while the high estimate assumes that four total individuals will attend.
3. Training and Living Expenses During Training. This is our estimated range of costs to cover the travel and living expenses including airfare, lodging and meals, which you will incur when you and your employees attend the initial training program. The cost you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. This estimate does not include any wages or salary for you or your trainees during training.
4. Site Selection Assistance and/or Site Evaluation Expenses. Currently, you are required to engage one of our third-party approved suppliers to provide site selection assistance or guidance. We have the right, but are under no obligation, to: (i) conduct an on-site evaluation of any site you propose; and (ii) require you to reimburse us for the actual costs that we incur in connection with sending our representative(s) to your Designated Territory to conduct this evaluation. We have accounted for reimbursement amounts as part of the Additional Funds estimate set forth in the chart above. The low end of this estimate assumes you engage our approved supplier for such services that charges its fee directly to the landlord, while the high end assumes that you engage one of our other approved suppliers that charges you directly for the site selection assistance they provide.
5. Security Deposits – Lease and Utilities. These are estimated amounts of your security deposit under the lease for the Facility as well as your initial utility deposits. These amounts will vary by market and may be refundable (as determined by the payee).

6. Insurance Premiums. This is an estimate of insurance premiums for the initial three months of business operation. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors.
7. Business Licenses and Permits. You must obtain all business licenses, permits, certificates or approvals before you open for business. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate.
8. Rent – 3 Months. You will need to rent or acquire a building for your SBJC Business. Rent varies considerably from market to market, and from location to location in each market. This figure estimates your rent for the Facility over the first three months of your lease, and this figure assumes that you will be leasing your Facility (rather than purchasing it). Some franchisees have received free rent over the first three months of operation.
9. Leasehold Improvements. You may need to construct improvements or “build out” the Facility at which you will operate your SBJC Business. You may be able to negotiate various terms with your landlord, including paying for some of the build out costs for your space. Also, you may seek to finance some or all of your build out costs through your landlord or other financing sources. A variety of factors may affect the availability of landlord and other financing, the monthly overall costs of the financing, and other terms relevant to your decision whether to pay or finance the build out costs. Your landlord may also agree to provide you with a tenant improvement credit, whereby the landlord credits some of the costs you incur in building out the Facility towards your monthly rent. This estimate is based on our standard franchise offering that assumes that the SBJC Business will be between 6,000 and 9,000 square feet in size.
10. Signage and Graphics. The cost of signage and graphics will vary from location to location depending on lease requirements, local ordinances and restrictions, store frontage, and related factors. We can provide assistance to you if needed. The final design must be submitted to us for review and approval, which will not be unreasonably withheld so long as you comply with our standards and specifications for these items.
11. Furniture, Fixtures and Equipment. You must purchase furniture, fixtures and equipment for the Facility that meet our specifications and are from approved or designated vendors (if we choose to designate vendors for these items). You may decide to lease the furniture and/or equipment needed rather than purchasing it with a lump sum payment. A variety of factors (such as the condition of the national and regional economy, availability of credit, number of suppliers leasing products in your area, the interest rates offered by suppliers, duration of leases offered, security requirements, and your credit history) may affect the availability of leased products, the monthly and overall costs of the leases, and other terms relevant to your decision whether to purchase or lease the furniture and/or equipment. The amounts listed are an estimate and may vary per your location and market. The estimate assumes that you will be purchasing these items and includes your required Computer System.
12. Initial Inventory and Operating Supplies. This estimate covers your initial stock of various inventory and supply items you are required to use in your initial phase of operations. You are required to obtain these items from us or from our designated sources.
13. Initial Marketing Spend. You are required to expend between \$15,000 and \$20,000 on marketing, advertising and other promotional efforts within your Designated Territory and where we otherwise direct regarding the initial launch and grand opening of your SBJC Business (the “Initial Marketing Spend”), which must be expended in connection with a written plan that you are responsible for

developing subject to our directives, requirements and approval. We will designate your exact Initial Marketing Spend once you have secured your approved Facility, and you may be required to expend all of some portion of your Initial Marketing Spend on materials and services that are provided by our approved supplier(s).

14. Additional Funds. You will need additional capital to support on-going expenses during the initial three months after you open your SBJC Business. The estimate includes items such as payroll, royalty, additional advertising, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, and other miscellaneous items, that may not be covered by sales revenues. The actual expenses you incur during the start-up period will depend on factors such as how much you follow our methods and procedures, your management skills, your experience and business acumen, location of your franchise, local economic conditions and market for your product, prevailing wage rate, competition, and sales level reached during this initial period.
15. Total Estimated Initial Investment. The figures in this table are only estimates. In calculating these estimates, we relied on (1) the experience of our affiliate that currently operates various SBJC Businesses in a similar manner to the SBJC Business being offered in this Franchise Disclosure Document, (2) for certain estimates, information that was provided by certain of our franchisees that were open and operating as of the end of our past fiscal year, and (3) estimates we have received from certain third-party vendors. We do not guarantee that you will not have greater start-up expenses other than these estimates or that you will not need more operating funds other than these estimates. We do not imply or guarantee that you will “break even” by any particular time. We do not offer direct or indirect financing to you for any items. The availability of financing through third-party lenders, if any, will depend on factors such as the lending policies of such financial institutions, the collateral you may have, your creditworthiness, and the general availability of financing.

Unless otherwise noted above, expenditures are non- refundable.

Development Agreement

Type of Expenditure <sup>(1)</sup>	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Development Fee <sup>(2)</sup>	\$125,000 for three (3) SBJC Businesses  \$225,000 for six (6) SBJC Businesses  \$325,000 for ten (10) SBJC Businesses	Lump sum	Upon execution of the Development Agreement	Us
Initial Investment to Open Initial SBJC Business <sup>(3)</sup>	\$1,250,355 to \$1,966,920	See franchise agreement table above		
TOTAL ESTIMATED INITIAL INVESTMENT FOR THREE SBJC BUSINESSES <sup>(3)</sup>	\$1,375,355 to \$2,091,920	This is the total estimated initial investment to enter into a Development Agreement for the right to develop a total of (a) three SBJC Businesses, (b) six SBJC Businesses, or (c) 10 SBJC Businesses, as well as the costs to open and commence operating your initial SBJC Business for the		

Type of Expenditure <sup>(1)</sup>	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
TOTAL ESTIMATED INVESTMENTS FOR SIX SBJC BUSINESSES <sup>(3)</sup>	\$1,475,355 to \$2,191,920	first three months (as described more fully in the franchise agreement table above of this Item 7).		
TOTAL ESTIMATED INVESTMENTS FOR TEN SBJC BUSINESSES <sup>(3)</sup>	\$1,575,355 to \$2,291,920			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your SBJC Business. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. General Note. This chart details the estimated initial investment associated with executing a Development Agreement for the right to develop (a) three SBJC Businesses, (b) six SBJC Businesses, or (c) 10 SBJC Businesses within your Development Area, as well as the initial investment to open your first SBJC Business under your Development Schedule.
2. Development Fee. The Development Fee is described in greater detail in Item 5 of this Franchise Disclosure Document, with the fees in the chart above detailing the Development Fee payable to us for the right to develop three, six or ten SBJC Businesses, respectively. Your Development Fee will depend on the number of SBJC Businesses we grant you the right to open within the Development Area based on the formula in Item 5.
3. Initial Investment to Open Initial SBJC Business. This figure represents the total estimated initial investment required to open the initial SBJC Business you agree to open and operate under the Development Agreement. You must enter into our then-current form of franchise agreement for initial SBJC Business you are granted the right to open within your Development Area at the same time that you execute your Development Agreement. The range includes all the items outlined in the franchise agreement chart of this Item, except for the \$60,000 Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for those SBJC Businesses you open under the Development Agreement). It does not include any of the costs you will incur in opening any additional SBJC Businesses that you are granted the right to open and operate under your Development Agreement.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your SBJC Business in strict conformance with the methods, standards and specifications of our System. We will communicate our methods, standards, and specifications in writing through our confidential manuals and other proprietary guidelines and writings that we prepare for your use in connection with the SBJC Business and System. We may periodically change

our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Our confidential operations manual and other proprietary manuals (“Manuals”) states our standards, specifications and guidelines for all products and services we require you to obtain in establishing and operating your SBJC Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications and guidelines through periodic amendments or supplements to the Manuals or through other written communication (including electronic communication such as email or through a system-wide intranet).

#### *Approved Products and Approved Services*

You must ensure that (a) you only provide the Approved Products and Approved Services we authorize are provided to your Operators, and (b) your Operators only provide their respective salon-related services in accordance with the terms of their agreements with you. These services must all be provided in a manner that meets our then-current System standards and specifications, as well as all applicable laws and regulations related to the provision of these services.

We will provide you with a list of our then-current Approved Products and Approved Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your SBJC Business. We may update or modify this list in writing at any time. If you or any of your Operators (as applicable) wish to offer any product or service in your SBJC Business that does not meet our System standards and specifications, or use any item in connection with your SBJC Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

#### *Approved Suppliers*

We may require you to purchase any products or services necessary to operate your SBJC Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate. We reserve the right to designate us or any of our affiliates as an Approved Supplier with respect to any item you must purchase in connection with your SBJC Business in the future. We may develop proprietary products for use in your SBJC Business, including private-label products that bear our Marks, and require you to purchase these items from us or our affiliate(s) or other designee.

Currently, we require that you purchase the following from our designated Approved Supplier(s): (i) certain millwork and furniture, fixtures and equipment needed to build out and equip the Facility; (ii) property management software, including software associated with your point of sale recording and processing; (iii) site selection assistance; (iv) construction management; (v) architectural services; and (vi) blueprints and due-diligence services.

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval. We may provide our standards and specifications for certain of our Approved Products and Approved Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

As of the date of this Franchise Disclosure Document: (i) neither we nor any of our affiliates are an Approved Supplier for any items you are required to purchase in connection with your SBJC Business; and (ii) none of our officers owns an interest in any of our Approved Suppliers.

#### *Required Purchases and Right to Derive Revenue*

The products or services we require you to purchase or lease from an Approved Supplier or purchase or lease in accordance with our standards and specifications are referred to collectively as your “Required Purchases.” We estimate that your Required Purchases will account for approximately 55% to 75% of your total costs incurred in establishing your SBJC Business, and approximately 2% to 5% of your ongoing costs to operate the SBJC Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Facility.

You must purchase certain equipment, furniture and fixtures necessary to establish and commence operations of your SBJC Business that meet our System standards and specifications, as well as engage a third-party provider we designate to assist you in locating and securing an approved Facility for your SBJC Business. You must purchase the proprietary products we or our affiliates periodically develop and purchase them only from us or a third party who we have licensed to prepare and sell the products.

We also reserve the right to derive revenue from any of the purchases our System franchisees are required to make in connection with the SBJC Business. During the past fiscal year ended December 31, 2022, we derived no revenue from the sale or lease of products or services to franchisees. During the past fiscal year ending December 31, 2022, we derived \$72,137.38 in revenue from rebates related to our franchisees’ Required Purchases from suppliers.

#### *Non-Approved Product/Service and Alternate Supplier Approval*

We may, but are not obligated to, grant your request to offer any products or services in connection with your SBJC Business that are not Approved Products and Approved Services or purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your SBJC Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request. We do not currently charge any evaluation fee, but reserve the right to do so in the future (in an amount not to exceed \$500 per request). We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier, we consider not only the quality of the particular product at issue, but also the supplier’s production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier’s facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any



circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

#### *Purchasing Cooperatives and Right to Receive Compensation*

We may negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the SBJC Businesses in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliates may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other SBJC Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

We currently have a purchasing cooperative with an Approved Supplier for certain furniture, fixtures and equipment you must purchase to buildout and continue operating your Facility, and, as part of this arrangement, this Approved Supplier provided us with rebates over our past fiscal year that were based on the volume of furniture, fixtures and equipment that this Approved Supplier sold to our System franchisees. We reserve the right to create more purchasing cooperatives in the future.

#### *Franchisee Compliance*

We consider many factors when determining whether to grant new or additional franchises, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

#### *Advertising*

All advertising and promotional materials and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements we prescribe in the Manuals or otherwise. You must obtain our approval before you use any advertising and promotional materials or plans in connection with your SBJC Business if we have not prepared or approved them during the 12 months prior to the date of your proposed use.

#### *Approved Location and Lease*

You must obtain our acceptance of the Facility for your SBJC Business before you acquire the site. You must also obtain our approval of any contract of sale or lease for the Facility before you execute the contract or lease, and we may condition our approval of any such lease on you and your landlord's execution of our prescribed forms of Consent and Agreement of Landlord form and Collateral Assignment of Lease. You must also ensure that you comply with all of our System standards and specifications related to the

build-out, remodeling and/or construction of your SBJC Business at the Facility. Please note that we may require you to reimburse us for the actual costs and expenses we incur in connection with sending any representatives to your Designated Territory to conduct an evaluation of any site you propose.

If we grant you the right to open and operate multiple SBJC Businesses under a Development Agreement, you may not enter into your Franchise Agreement for each SBJC Business opened under your Development Schedule until you have found a Facility for that SBJC Business that we approve.

*Insurance*

You must purchase and maintain the types and amounts of insurance that we designate in our Manuals or otherwise in writing, including a general liability policy with \$2,000,000 in total coverage and \$1,000,000 per incident, all of which we may modify from time to time as we deem appropriate in our reasonable discretion. You must also purchase and maintain: (i) employer’s liability and workers’ compensation as prescribed by law; (ii) comprehensive fire legal liability; (iii) comprehensive and liability coverage for any owned and non-owned motor vehicles used in connection with the SBJC Business; (iv) any professional liability associated with the facility management and other Approved Products and Approved Services that you directly provide at the Facility; and (v) any other coverage We may periodically require you to satisfy insurance-related obligations. We do not have an Approved Supplier for insurance, but you must furnish us with certificates of insurance (or, at our request, copies of all insurance policies), evidencing the existence and continuation of the insurance coverage required by the Franchise Agreement. All policies must contain a waiver of subrogation in our favor, and must name us and any additional parties we designate as additional insureds (except with regards to workers’ compensation insurance).

You may also be required to obtain professional liability insurance in the amounts required by the applicable laws where your SBJC Business is located due to the facility management and other Approved Products and Approved Services that you directly provide at your Facility.

*Computer Hardware and Software*

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications, including the customized property management software we designated for use in connection with the System. We may require you to purchase any of these items from one of our Approved Suppliers. Your Facility must have internet Wi-Fi that your Operators can access from their respective suites within your Facility.

**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 Franchise Agreement and Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2, 5, and 6; Section 8 of Development Agreement	Item 11
b. Pre-opening purchases/leases	Sections 5 and 6; Section 8 of Development Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 2, 5 and 6; Section 3 of Development Agreement	Items 6, 7 and 11

Obligation	Section in Franchise Agreement and Development Agreement	Disclosure Document Item
d. Initial and ongoing training	Sections 5 and 6	Item 11
e. Opening	Sections 5 and 6; Section 3 and Attachment C of Development Agreement	Item 11
f. Fees	Sections 3, 4, 9 and 13(E); Section 9 of Development Agreement	Items 5, 6, 7 and 11
g. Compliance with standards and policies/Confidential Operations Manual	Sections 5 and 6; Section 3 of Development Agreement	Items 6 and 11
h. Trademarks and proprietary information	Section 7; Section 13 of Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 5 and 6	Items 8, 11 and 16
j. Warranty and customer service requirements	Section 6	Not Applicable
k. Territorial development and sales quotas	Sections 1, 3 and Attachment C of Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 5 and 6	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 6	Items 8 and 11
n. Insurance	Section 6 and 11	Items 6, 11
o. Advertising	Sections 4, 5, 6 and 9	Items 6, 11
p. Indemnification	Section 11	Item 9
q. Owner's participation/management and staffing	Section 6; Section 7 of Development Agreement	Item 15
r. Records and reports	Sections 4, 6 and 10	Items 6, 9 and 21
s. Inspections and audits	Sections 5 and 10	Items 6, 11 and 21
t. Transfer	Section 13; Section 16 of Development Agreement	Item 17
u. Renewal	Section 3	Item 17
v. Post-termination obligations	Sections 14(B) and 16; Sections 14 and 15 of Development Agreement	Item 17
w. Non-competition covenants	Section 14, Section 11 of Development Agreement	Item 17
x. Dispute resolution	Sections 19 and 21; Sections 21 and 22 of Development Agreement	Item 17

## **ITEM 10 FINANCING**

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

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

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

### **PRE-OPENING OBLIGATIONS**

Before you open your SBJC Business, we (or our designee) will provide the following assistance

and services to you:

1. If you have entered into a Development Agreement, we will designate your Development Area where you will have the right to secure a Facility (each of which we must approve) for each of your SBJC Businesses. (Development Agreement, Section 3).

2. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion in connection with selecting the Facility for each of your SBJC Business(es). We will also review and accept or reject any proposed location or purchase agreement for each location that you propose as a Facility. (Franchise Agreement, Sections 2(B) and 5(E)).

3. We will define your Designated Territory once you secure a Facility that we approve and include its boundaries in a data sheet attached as an attachment to your Franchise Agreement. (Franchise Agreement, Section 2(D)).

4. We will loan you one copy of our confidential Manuals. You must operate your SBJC Business in accordance with the Manuals and all applicable laws and regulations. We may amend or modify the Manuals to reflect changes in the System. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You must keep a copy of the Manuals at your Facility, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as email, our website and any intranet or extranet that we establish in connection with the System. The table of contents for our operations manual as of the Issuance Date of this Franchise Disclosure Document is attached to this Franchise Disclosure Document as Exhibit G and is a total of approximately 66 pages (Franchise Agreement, Section 5(D)).

5. We will provide you with a list of our required items and Approved Suppliers (to the extent we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 5(D)).

6. We will provide you with our proprietary and confidential templates, standards and specifications associated with the design, layout, build-out and equipping of your Facility so that it can open and operate consistently with the System. We will also review and approve all modifications to the template design and layout documents you and your architect (our Approved Supplier) submit in order to fit in and otherwise utilize the specific Facility of your SBJC Business. Similarly, we will approve any proposed signage you submit and provide you with a list of the designated furniture, fixtures and equipment and other items that you will need to purchase and maintain at your Facility based on the final layout and design plans for your Facility that we approve. (Franchise Agreement, Section 6(D)).

7. We will provide you and up to two additional individuals you designate with our proprietary Initial Training Program regarding our System methods and techniques related to the establishment and operation of a Salons by JC franchise. We will provide this training to you and two other people tuition-free, but you are solely responsible for all costs and expenses you (and all other attendees) incur in connection with attending the Initial Training Program at our training facility in Texas over a period of time that typically lasts three days (including travel, lodging, meals and employee wages). You must complete our Initial Training Program to our satisfaction within 60 days of executing the lease for your SBJC Business. If you are unable to complete the Initial Training Program due to unavailability of our training personnel, we will offer you a reasonable extension to complete the Initial Training Program. If you are an entity, at least one of the trainees must be your general partner, principal shareholder, or managing member as appropriate. If you have appointed a manager to run the day-to-day operations of the SBJC Business (the "Concierge Manager"), the Concierge Manager need not attend the Initial Training Program, but must

complete limited training, which is currently provided as a webinar. (Franchise Agreement, Sections 5(A) and 6(N)). If you fail to engage a Concierge Manager, then you will be deemed the Concierge Manager for the SBJC Business.

## **SITE SELECTION**

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing a Facility for your SBJC Business; and (ii) constructing, equipping, remodeling and/or building out the Facility for use as an SBJC Business, all in accordance with our System standards and specifications. We will provide you with our then-current site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We will not typically own the Facility which is then leased to you.

We may then use these factors in determining the suitability of your proposed site for the Facility of your SBJC Business. In deciding whether to approve a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar products and services within the area and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site.

If you sign a franchise agreement to operate a single SBJC Business detailing only a site selection area (“Site Selection Area”), you will not have any territorial rights within that Site Selection Area, and we will have the right to review and approve sites that other System franchisees and developers propose within such areas on a “first come, first serve” basis.

If you sign a development agreement, we will not allow another person to select a site within that Development Area until your Development Agreement expires, so long as you comply with your development and other obligations.

We must also review and accept/reject any lease or purchase agreement for a proposed Facility before you enter into such an agreement. We may condition our acceptance on a number of conditions, including: (i) an agreement by you and the landlord of the Facility to enter into our prescribed form of Consent and Agreement of Landlord Form and Collateral Assignment of Lease and our then-current form of lease addendum (if any); and (ii) receiving a written representation from the landlord of the Facility that you will have the right to operate the SBJC Business, including subleasing/renting certain portions of your Facility to different Operators, throughout the term of your Franchise Agreement. (Franchise Agreement, Sections 5(E) and 6(A)). Under the Consent and Agreement of Landlord Form and Collateral Assignment of Lease, we will have the option, but not the obligation, to assume or renew the lease for the Facility (the “Lease”) for all or part of the remaining term of the Lease only if: (i) your Franchise Agreement or Lease is terminated, or subject to termination, for cause; or (ii) either your Franchise Agreement or Lease expires (and you do not renew in accordance with the respective terms of those agreements).

We will use reasonable efforts to accept or reject any proposed location and corresponding lease/purchase agreement within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for

obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation (including any costs/expenses that we incur in connection with sending our representative(s) to conduct an on-site evaluation of any proposed Facility). If we do not accept a proposed location within this 30-day period, the proposed location will be deemed rejected. Our acceptance only means that the site meets our minimum requirements for an SBJC Business. (Franchise Agreement, Section 5(E)).

We will require you to use our current Approved Supplier for site selection assistance and guidance. You must secure a Facility that we approve within 180 days of executing your Franchise Agreement for that SBJC Business, or we may terminate that Franchise Agreement. (Franchise Agreement, Section 6(A)).

## **SCHEDULE FOR OPENING**

### *Single SBJC Business under Franchise Agreement*

Except as provided in this Item, you must open and commence operations of your SBJC Business within 15 months of the date you execute your Franchise Agreement for that SBJC Business. We estimate that it will take between nine to 15 months to open your SBJC Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Facility, to obtain financing, to obtain the permits and licenses for the construction and operation of the SBJC Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the SBJC Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the SBJC Business, including purchasing any inventory (including Approved Products) or supplies needed prior to opening. If you do not begin operating your SBJC Business within this 15-month period (or extended period of time that we grant you upon your written request), then we may terminate your Franchise Agreement (Franchise Agreement, Section 6(D)).

### *Multiple SBJC Businesses under a Development Agreement*

If you have entered into a Development Agreement to develop multiple SBJC Businesses, your Development Agreement will include a Development Schedule with the deadline by which you must have each of your SBJC Businesses open and operating. Your Development Schedule will depend on the number of SBJC Businesses we grant you the right to open and operate. (Development Agreement, Section 4(B) and 4(C)). We may agree to extend your deadline(s) to open certain of your SBJC Businesses under the Development Agreement, provided you timely request such an extension in writing and we approve your request.

We may terminate your Development Agreement if you fail to open any SBJC Business within the appropriate time period outlined in the Development Agreement. You will not have any further development rights within your Development Area upon termination of your Development Agreement, except to continue operating the SBJC Business(es) that were already open and operating as of the termination date.

### *Extensions*

Subject to your compliance with your other agreements with us, we will provide you with a one-time extension (not to exceed 90 days) to: (i) comply with your development obligations under a Development Agreement within a single Development Period; or (ii) open and commence operations of your single-unit SBJC Business if you are not operating multiple SBJC Businesses under a Development Schedule. In order to take advantage of this extension, you must provide us with the proper amount of notice (at least 30 days before your opening deadline) and have secured an approved Facility for any SBJC

Business you are required to open. We must approve of the Facility you choose for each SBJC Business you are required to open under the Development Agreement.

### **CONTINUING OBLIGATIONS**

During the operation of your SBJC Business, we (or our designee) will provide the following assistance and services to you:

1. We may offer and/or require you and your Concierge Manager to attend additional training programs and/or refresher courses as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our classes, we may require that you and your Concierge Manager attend up to five days of Additional Training each year at our headquarters or other location we designate. We may also require that you and your Concierge Manager attend up to five days of remedial training that is designed to cure a given default or violation of your Franchise Agreement or failure to comply with the operational and other System standards and specifications stated in our Manuals as part of the actions you must undertake to cure that default/violation or failure. You will be required to pay our then-current training tuition fee for any Additional Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Sections 5(C) and 6(N)).

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the SBJC Business. We may provide this assistance by telephone, facsimile, or intranet communication, as we deem advisable and subject to the availability of our personnel. We may also provide you with on-site assistance, subject to the availability of our field representatives, provided you pay our then-current on-site assistance or consultation fee. (Franchise Agreement, Section 5(F)).

3. We will approve or deny any advertising/marketing materials you wish to use in connection with your SBJC Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(G)).

4. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the SBJC Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(K)).

5. We may schedule and hold an annual conference to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. If we schedule a conference, we may require you to attend for up to five days each year. You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.), and we reserve the right to charge you an attendance/registration fee that we designate. Currently, the registration fee is \$199. (Franchise Agreement, Section 5(P)).

6. We will display the contact information of your SBJC Business on the website that we or our designee maintains to advertise and promote the brand, our Marks and other SBJC Business locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information. (Franchise Agreement, Section 5(H)).

7. We may administer and maintain the Fund for the benefit of the System, as we deem necessary in our sole discretion. (Franchise Agreement, Section 5(L)).

8. We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the SBJC Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of your SBJC Business, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(K)).

9. We may supplement, revise or otherwise modify the Manuals which may, among other things, provide new operations concepts and ideas, and reserve the right to recommend certain pricing structures, though we are under no obligation to do so. We may provide you with these updates through various mediums, including mail, email and our System-wide intranet. (Franchise Agreement, Section 2(G)).

10. We may: (i) research new salon equipment, beauty supplies, services and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) research and designate additional Approved Products and Approved Services to be offered and provided at Facilities (which may include Approved Products sold under the marks we designate). (Franchise Agreement, Section 6(D)).

### **ADVERTISING**

We must approve all advertising and promotion that you use in connection with your SBJC Business and it must conform to the standards and requirements that we specify. We may periodically make available to you at your expense certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 9(A)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least 20 days prior to publication. We will use reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, the proposed materials are deemed disapproved and you may not use the materials. You may use the proposed materials for a period of 90 days once we approve them, unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

#### *Local Advertising*

Recognizing the importance of promoting your SBJC Business within your Designated Territory and surrounding area, we may require you to spend up to \$1,000 each month on local advertising and marketing (the "Local Advertising Requirement"). We will waive your minimum Local Advertising Requirement under the Franchise Agreement once the SBJC Business has reached an occupancy rate greater than 90%, for as long as the occupancy rate remains above this 90% threshold (the "Occupancy Threshold"). If the occupancy rate of the SBJC Business drops below this Occupancy Threshold, we reserve the right, exercisable in our sole discretion, to conduct a marketing evaluation with you and determine an appropriate monthly marketing expenditure for your market and the number of salons putting you below the occupancy



threshold until the occupancy rate once again exceeds the Occupancy Threshold. (Franchise Agreement, Section 9(D)).

You must use only those materials that we have previously approved or designated, and we may require that you provide us with reports and other evidence of your local advertising expenditure each month. (Franchise Agreement, Section 9(D)). Your Local Advertising Requirement (if triggered) will commence upon expiration of the period where we designate you must spend your Initial Marketing Spend.

#### *Initial Marketing Spend*

You are required to expend an Initial Marketing Spend of between \$15,000 to \$20,000 within your Designated Territory to promote and advertise the grand opening of your SBJC Business, which must be expended over the time period and in the manner we designate or approve as part of your initial launch marketing plan. We may designate or require that you expend all or some portion of the Initial Marketing Spend on (a) pre-opening sales activities designed to generate Operators and otherwise promote the Approved Services and SBJC Business prior to opening, or (b) other materials and/or services that are provided by our Approved Supplier(s). (Franchise Agreement, Section 9(C)).

#### *The Fund*

We have established and administer the Fund for the benefit and further development of the brand generally, Marks, System, SBJC Businesses and/or any of the Approved Services and Approved Products. We may use the Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials (via both digital and traditional channels and creative), and any other activities or purpose which we believe will enhance the image of the System. Your Fund Contribution is 1% of the Gross Sales of your SBJC Business. Our affiliate-owned SBJC Businesses contribute to the Fund in the same manner that each franchised SBJC Business contributes. (Franchise Agreement, Section 9(E)).

During our fiscal year ending December 31, 2022, the Fund was spent as follows: (i) 65% on production and new creative initiative; and (ii) 35% on marketing software.

We are not required to spend any of your Fund Contributions in your Designated Territory. We will provide you with an accounting of the Fund within 120 days after our fiscal year end upon your written request. We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for the audit. We do not presently intend to use the Fund to solicit new franchise sales but we reserve the right to do so. If we do not spend all Fund Contributions in a given year, any excess funds will rollover into the Fund for use during the following year. We will have the right to modify or discontinue the Fund in our sole discretion. (Franchise Agreement, Section 9(D)).

#### *Marketing Council*

We may establish a marketing council (the “Marketing Council”) to serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund. At our discretion, the Marketing Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve a Marketing Council at any time. (Franchise Agreement, Section 9(F)).

### *Regional and Local Advertising Cooperatives*

We reserve the right to establish regional and local advertising cooperatives that are comprised of a geographical market area that contain two or more SBJC Businesses (whether an SBJC Business or affiliate-owned) (each a “Cooperative”). If we assign your SBJC Business to an established Cooperative, you must work with the other SBJC Business owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the SBJC Businesses within the geographical boundaries of the Cooperative. We have not established any Cooperatives as of the Issuance Date of this Franchise Disclosure Document. We will not require your SBJC Business to contribute an amount that exceeds your Local Advertising Requirement of \$1,000 per month. We can establish, modify, merge and dissolve any Cooperative. Any amounts you expend on Cooperatives will be credited towards your Local Advertising Requirement.

### *Website and Internet Use*

We have established a website for SBJC Businesses (“System Website”). We intend that any franchisee website will be accessed only through our System Website.

If you wish to advertise online, you must follow our online policy which is contained in our Brand Standards Manual. Our online policy may change as technology and the Internet changes. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

We have the right to use the Fund’s assets to develop, maintain and update the System Website. We may update and modify the System Website from time to time. You must promptly notify us whenever any information on your listing changes or is not accurate. We have final approval rights of all information on the System Website. We may modify, update or add to the System Website at any time. We are only required to reference your SBJC Business on the System Website while you are in full compliance with your Franchise Agreement and all System standards.

## **COMPUTER SYSTEM**

We may specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the SBJC Business, including without limitation (i) a laptop or other computer that meets our System specifications and is capable of running accounting software such as QuickBooks and/or Operator scheduling software; (ii) printers and other peripheral hardware/devices; and (iii) equipment necessary to maintain a physical, electronic or other security system for the SBJC Business that we designate (collectively, the “Computer System”). You are also required to use designated software in connection with the Computer System and SBJC Business (the “Required Software”), including our current Property Management and POS-related software. The Property Management Software is currently \$90 per month, plus applicable merchant processing charges and fees. (Franchise Agreement, Sections 4(C) and 6(D)).

The computer/laptop you use in connection with your Computer System must have: (i) the ability to access high-speed internet (wirelessly); (ii) Windows 10, along with a Microsoft Office software suite containing at least Word and Excel; and (iii) the ability to run QuickBooks or similar accounting/bookkeeping software. The principal functions of the Computer System will be for running the property management and related POS software from you license from our Approved Supplier, bookkeeping, creating invoices, preparing materials, as well as for other general use in connection with the SBJC Business. We do not currently have any minimum requirements regarding the RAM storage that your

computer/laptop must have, but the hardware you are using must be able to perform the tasks outlined in this Item and the Manual. The computer/laptop you use in connection with the SBJC Business may not be used for any other business purpose. We may modify our System standards and specifications for our Computer System, and may otherwise require you to use any Required Software we designate. (Franchise Agreement, Sections 4(C), 5(J) and 6(D)). Your SBJC Business must also have a dedicated telephone line that is not used for any other purpose.

If you already have computer hardware and/or software that meets our then-current standards for a Computer System and/or Required Software, then you may use these items in connection with your SBJC Business provided you obtain our approval. Otherwise, we estimate the costs to purchase our current Computer System to be \$1,500 or less. You must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. The cost of maintaining, updating or upgrading the Computer System or its components will depend on your repair history, local costs of computer maintenance services in your area, and technological advances. We estimate the annual costs to be approximately \$300 to \$500 for maintenance and support contracts for your Computer System, but this could vary (as discussed above).

You must have the components necessary to ensure that the entire Facility of the SBJC Business has access to the internet via Wi-Fi connection. We may require you to comply with our standards and specifications for internet access and speed and that the Computer System be programmed to automatically transmit data and reports about the operation of the SBJC Business to us. We will also have the right to electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary) at any time without notice. There are no contractual limitations on our right to access the information and data on any component of your Computer System.

You must participate in any System-wide cloud-based network or other online intranet or website portal that we establish or otherwise require, which may be used to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manuals; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, Section 5(J)).

## **TRAINING**

### *Initial Training Program*

Prior to attending any portion of the Initial Training Program that takes place at our Corporate Headquarters in Texas or other designated training facility we designate, you must (i) demonstrate that you have obtained all required insurance coverages set forth in the Franchise Agreement and Manuals, (ii) undertake all steps to establish the EFT Account, including providing us with all authorizations and approvals necessary to access such EFT Account, (iii) submit and obtain our approval of the initial marketing plan and proposed budget for the Initial Marketing Spend, (iv) demonstrate that you have pre-paid all amounts in connection with the Initial Marketing Spend, and (v) provide us with completed copies of all agreements and contracts that are attached as Exhibits to the Franchise Agreement. (Franchise Agreement, Section 6(N)).

We will provide the Initial Training Program as follows:

**TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Welcome and Business Orientation	2	0	Our corporate headquarters in Texas or other training facility we designate (which may include remote/virtual learning as well as your SBJC Business)
Marketing and Advertising	4	0	Our corporate headquarters in Texas or other training facility we designate (which may include remote/virtual learning as well as your SBJC Business)
Layout and Setup	1	0	Our corporate headquarters in Texas or other training facility we designate (which may include remote/virtual learning as well as your SBJC Business)
Pre-Opening Sales Activities, Sales Presentations, Facility Operations	4	0	Our corporate headquarters in Texas or other training facility we designate (which may include remote/virtual learning as well as your SBJC Business)
Salon Practicum	3	4	Our corporate headquarters in Texas or other training facility we designate (which may include remote/virtual learning as well as your SBJC Business)
The Salon Industry and Working with Operators; the Operator Agreement	1	0	Our corporate headquarters in Texas or other training facility we designate (which may include remote/virtual learning as well as your SBJC Business)
Salon Management Software	4	0	Our corporate headquarters in Texas or other training facility we designate (which may include remote/virtual learning as well as your SBJC Business)

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
			learning as well as your SBJC Business)
TOTAL	19	4	

Notes:

1. We do not currently have a set training schedule, but our initial training described above will be made available on an as-needed basis subject to the availability of our personnel (subject to the availability and schedules of our training personnel). Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Initial Training Program. The Initial Training Program is subject to change without notice to reflect updates in the materials, methods and Manuals, and changes in personnel. The subjects and the time periods allocated for each subject may vary based on the experience of the people being trained. We may provide certain portions of your Initial Training Program via the internet or webinar. Failure to complete the Initial Training Program to our satisfaction within the applicable time period may result in termination of the Franchise Agreement. (Franchise Agreement, Section 5(A)).
2. Our Vice President of Operations, Drew Johnston, will provide training in connection with the Initial Training Program. Drew has over 20 years of experience in the industry and nine years of experience with us and our affiliates. Crystal Vorheier has 20 years of operational experience and seven years of experience with us and our affiliates. Mona Echard has over 20 years of training experience and three years of experience with us and our affiliates. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one year of experience in the subject matters that they teach.
3. We will loan you one copy of our proprietary instructional materials prior to or upon your attendance at certain components of our Initial Training Program, which is provided at our designated training facility, which may include our Manuals and certain other instructional materials that we develop. You, or another person that successfully completes our Initial Training Program will be required to train all other personnel that works at your SBJC Business. (Franchise Agreement, Section 6(N) and 6(O)).
4. If you wish to have more than three individuals attend the Initial Training Program, we will train these individuals, subject to the availability of our training staff, at our corporate headquarters or any other location we may select and we reserve the right to charge our then-current training tuition fee, which is currently \$1,000 per trainee. If you or any other trainee you designate fails to complete the Initial Training Program to our satisfaction, that person may repeat or you may send a replacement to our next available Initial Training Program session, provided there is availability. We may charge our then-current training tuition rate for these individuals to repeat the Initial Training Program. You are solely responsible for all expenses incurred related to your and your employee’s attendance at our Initial Training Program, including transportation to and from the training site, lodging, meals and employee wages. (Franchise Agreement, Section 5(A) and 6(N)).
5. Prior to attending the components of our Initial Training Program that take place at our designated training facility, you must: (i) submit, and obtain our approval of, your grand opening marketing plan; (ii) demonstrate that you have pre-paid all amounts in connection with that plan as part of your Initial Marketing Spend, or are otherwise in a position to do so; (iii) set up your designated

bank account for EFT payments required in connection with the SBJC Business, including provide us and our designee with all authorizations and approvals necessary access to such account; and (iv) otherwise sign all Exhibits to the Franchise Agreement to the extent they have not been previously executed and completed in their entirety. (Franchise Agreement, Section 6(N)).

## **ITEM 12 TERRITORY**

### Facility and Relocation

You may only operate your SBJC Business from the Facility we approve. Once we agree on the Facility, we will designate it on the Data Sheet attached to your Franchise Agreement. You may not relocate your SBJC Business without our written consent, which we will not unreasonably withhold provided: (i) the new location is located within your Designated Territory (described below) and meets our then-current criteria for a Facility; and (ii) you pay our then-current relocation fee (if any). When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate.

### Franchise Agreement: Designated Territory

Typically, we will not designate your Designated Territory until you have secured a Facility that we approve but we reserve the right to grant your Designated Territory at the time you execute your Franchise Agreement, in which case you will need to secure your approved Facility within the defined Designated Territory. Your Designated Territory will be stated in the data sheet attached to your Franchise Agreement.

Your Designated Territory will typically be up to a two-mile radius around your Facility, unless your SBJC Business is located in a major metropolitan downtown area or similarly-situated/populated central business district (a “Central Business District”). If your SBJC Business is located in such a major metropolitan downtown area or Central Business District, your Designated Territory will typically be less than a two-mile radius around your Facility, as we determine appropriate. The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Facility.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. If applicable, the sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

Your Designated Territory will be exclusive. During the term of your Franchise Agreement, we will not open or locate, or license a third party the right to open or locate, another SBJC Business utilizing the Marks and System within your Designated Territory. Your Designated Territory cannot be modified except by mutual written agreement signed by both parties.

There are no territorial restrictions from accepting and contracting with Operators that reside/work or are otherwise based outside of your Designated Territory if these prospective Operators contact you, and we do not typically restrict our other franchisees or affiliate-owned SBJC Businesses in this manner. Similarly, your Operators may solicit and accept business from clientele outside of your Designated Territory and provide such clientele with any services from a salon suite located within your Facility.

You will not be required to pay us any additional consideration for accepting Operators or clientele from those that reside outside of your Designated Territory. You may not use alternative channels of distribution, such as the internet, catalog sales, telemarketing or other direct marketing, to make any sales outside of your Designated Territory (including the sale of any Approved Products). You are also prohibited from actively soliciting customers outside of your Designated Territory without our prior written consent. We are not required to pay you any compensation for soliciting or accepting orders inside your Designated Territory. Your Franchise Agreement does not provide you with any right of first refusal, option or any other rights to acquire additional franchises.

#### Development Agreement: Development Area

If we grant you the right to open multiple SBJC Businesses under a Development Agreement, then we will provide you with a Development Area upon execution of this agreement. The size of your Development Area may vary substantially from other System developers based on: (i) the number of SBJC Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet.

Each SBJC Business you open and operate under our then-current form of franchise agreement will be operated: (i) from a distinct Facility located within the Development Area; and (ii) within its own Designated Territory that we will define once we have approved the Facility for that SBJC Business.

#### *Development Area*

We will not own or locate, or license a third party the right to own or locate, an SBJC Business utilizing the Marks and System within the Development Area, unless you default under the Development Schedule, which will result in the automatic termination of your territorial rights within the Development Area and, at our option, termination of your entire Development Agreement. Upon default, your territorial rights within the Development Area will be terminated, but each SBJC Business you opened and that are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Designated Territories that were granted under their governing forms of Franchise Agreement.

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your exclusive rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

#### Reserved Rights

We reserve all rights not expressly granted to you. These include the right to: (i) establish and operate, and license any third party the right to establish and operate, other SBJC Businesses using the Marks and System at any location outside of your Designated Territory(ies) and Development Area; (ii) market, offer and sell products and services that are similar to the Approved Products and Approved Services offered by the SBJC Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and Development Area; (iii) use the Marks and System, other such marks we designate, to distribute our Approved Products and/or Approved Services (including private label products that we may develop in the future) in any alternative or dissimilar channels of distribution, within

or outside the Designated Territory(ies) and Development Area (including by electronic means, such as the internet and by websites we establish, direct mail, wholesale stores, etc.); (iv) to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Designated Territory(ies) and, if appropriate, Development Area, provided that in such situations the newly acquired businesses may not operate under the Marks in the Designated Territory(ies) and, if appropriate, Development Area; and (v) to use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if appropriate, your Development Agreement.

Neither the Franchise Agreement nor Development Agreement grants you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. We have no obligation to provide you any compensation for soliciting or accepting orders inside your territory.

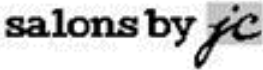
Additional Disclosures

Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional SBJC Businesses (other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights). Each SBJC Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

We have not established other franchised or company-owned outlets or another distribution channel for offering or selling products/services that are similar to the Approved Products and Approved Services under a different trademark. Neither we nor our Affiliate have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products and Approved Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

**ITEM 13  
TRADEMARKS**

We grant you a limited, non-exclusive license to use our then-current Marks we designate to identify the SBJC Business, such as our current primary mark SALONS BY JC (and design) and certain other Marks we authorize at this time provided you use these Marks as outlined in your Franchise Agreement(s) and our Manuals. You do not obtain any additional rights to use any of our Marks under any Development Agreement you enter into. We have registrations for the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Trademark	Registration Number	Date of Registration	Register
	4,752,098	June 9, 2015	Principal
<b>SALONS BY JC</b>	4,687,389	February 17, 2015	Principal
<b>SALONS BY JC</b>	4,755,055	June 16, 2015	Principal



We have filed all affidavits and other documents with the USPTO to maintain the federal registrations described above.

You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the Marks. The goodwill associated with our Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the SBJC Business during the term of the Franchise Agreement. Any increase in the goodwill associated with our Marks during the term of the Franchise Agreement will benefit us. All rights to use our Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of your Franchise Agreement.

As of the Issuance Date of this Franchise Disclosure Document, there is no litigation pending arising out of our Marks, and we are not aware of any superior rights in, or infringing uses of, our Marks that could materially affect your right to use these marks. Presently, there are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, and no pending infringement, opposition or cancellation proceedings or any material litigation involving the Marks. There are no agreements in effect that significantly limit our right to use, or license the use of, the Marks that are material to the franchise.

You may not use all or any portion of our Marks as part of your company name and, without our prior written consent, as part of your trade name or “d/b/a”. You may not modify the Marks with words, designs or symbols, except those that we license to you. You may not use our Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise System, or contest our sole right to register, use, or license others to use, our Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the word “Salons by JC” or any similar phrase.

You must immediately notify us in writing if you become aware of any unauthorized use of our Marks or other proprietary information and you must permit us to participate in any litigation involving you and our Marks. We will take the action we think appropriate. We will indemnify, defend and hold you harmless in connection with any third-party claims that are brought against you that arise solely out of your authorized use of any Marks in the manner we prescribe, provided you notify us of the proceeding within three days and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding.

We will not reimburse you for your expenses and legal fees for separate, independent legal counsel, unless we approve of your use of such counsel in writing prior to you engaging counsel. We will not reimburse you for disputes where we challenge your use of our Marks.

You must modify or discontinue using any of the Marks, and add new names, designs, logos or commercial symbols to the Marks as we instruct. We may, at our sole discretion, impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signage, marketing displays, trade dress and other advertising), at your sole expense.

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

We do not own any registered patents or pending patent applications that are material to the franchise. We do claim common law copyright and trade secret protection for several aspects of the franchise System including our Manuals, training materials, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. If you learn that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise Agreement and/or Development Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement and/or Development Agreement or any time after that, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any of these trade secrets, copyrighted materials, methods and other techniques and know-how concerning the operation of the SBJC Business (the “Confidential Information”). You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations.

You must require your Concierge Manager and any personnel having access to any of our Confidential Information to sign our then-current form of Confidentiality and Non-Competition Agreement attached as an Exhibit to the Franchise Agreement, where these individuals agree that they will maintain the confidentiality of information they receive in connection with their employment and restrict their right to work for a competitor while they are employed by you. This confidentiality agreement, which will be in a form that we prescribe, will identify us as a third-party beneficiary to the agreement and will give us independent enforcement rights.

The Franchise Agreement and Development Agreement provide that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of any SBJC Business, you will promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that these provisions in the Franchise Agreement and/or Development Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

We may revise any of our copyrighted materials at our discretion and require that you cease using any outdated item or portion of the Manuals.

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

You must hire a Concierge Manager to manage the day-to-day operation of your SBJC Business. Your Concierge Manager will be required to complete the virtual Concierge Manager training.

We will not unreasonably withhold our approval of any Concierge Manager you propose, provided the Concierge Manager has demonstrated that they have adequate knowledge of our System standards and specifications for daily operations of an SBJC Business. If the franchisee is a business entity, we do not require the Concierge Manager to own an interest in the entity, but the Concierge Manager must sign our prescribed form of Confidentiality and Non-Competition Agreement.

If you sign a Development Agreement, you must designate and retain an individual to act on behalf of the developer in all transactions (the “Representative”). The Representative must meet our standards and criteria for a Representative as set forth in the Manuals or otherwise in writing by us.

Under the terms of our Franchise Agreement, your principals, partners, or members, as applicable, are required to sign a Personal Guaranty (Exhibit B to the Franchise Agreement) agreeing to be bound by the non-competition agreement, confidentiality requirements and all of the other terms and obligations contained in the Franchise Agreement. Additionally, your spouse is required to sign the Franchise Owner Agreement, which binds your spouse to the obligations contained in the Franchise Agreement.

We are not your employer and you will control all decisions related to recruiting, hiring or firing any personnel, including any managers. Nothing in this Franchise Disclosure Document or any agreement you enter into with us will create any type of employer or joint employer relationship between you and/or your personnel and us.

Your SBJC Business must, at all times, be managed and staffed with a Concierge Manager. In the event that you operate more than one SBJC Business, you must have a properly trained Concierge Manager at each SBJC Business you own and operate. You must keep us informed at all times of the identity of any personnel acting as Concierge Manager, and obtain our approval before substituting a new Concierge Manager at any of your locations.

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

You and your Operators, as applicable, may only offer the Approved Products and Approved Services that we expressly authorize through your SBJC Business, and may only offer these products and services at the Facility and in the manner prescribed in your Franchise Agreement and our Manuals. We may supplement, revise and/or modify our Approved Products and Approved Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

Unless you obtain our prior written approval, you may only engage Operators to provide beauty and wellness services from a suite within your Facility, such as hair stylists, nail technicians, massage therapists, and skin care specialists.

If we discontinue any Approved Product or Approved Service offered by the SBJC Business, then you (and, if applicable, your Operators) must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard, in which case you must immediately comply upon receipt of notice from us.

You may not use the Facility of your SBJC Business for any other business purpose other than the operation of your SBJC Business.

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

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3	Ten years.
b. Renewal or extension	Section 3	Two additional (and successive) ten-year terms.
c. Requirements for franchisee to renew or extend	Section 3	In order to renew (which means renewing your franchise relationship with us), you must: not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us or the landlord of the Facility; not have received more than three separate, written notices of material default from us with respect to the Franchise Agreement in the 12-month period preceding the renewal request date or renewal date; be in good financial standing; have continued right of possession to the Facility; complete required renovation and modernization of your SBJC Business; pay us our then-current renewal fee; execute our then-current form of franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); complete our then-current refresher training course (typically three days) and pay the appropriate tuition fee (\$1,000); and execute a general release in our favor (as well as related parties).
d. Termination by franchisee	Not Applicable	Not Applicable (subject to state law).
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 chart.
g. "Cause" defined - curable defaults	Section 15(C)	You must cure all monetary defaults under your Franchise Agreement within ten days of being provided with notice by us, as well as the

Provision	Section in Franchise Agreement	Summary
		<p>following defaults: failure to purchase any Required Item; failure to purchase from our Approved Suppliers; any purchase of a non-approved item or offering of a product/service at the SBJC Business that we have not authorized; and failure of you to obtain any necessary permit/certificate/approval to operate the SBJC Business.</p> <p>Except as provided above and those defaults listed in (h) of this Item 17 chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).</p>
<p>h. "Cause" defined - non-curable defaults</p>	<p>Sections 15(A) and 15(B)</p>	<p>Your Franchise Agreement may be terminated automatically and without notice from us if: you become insolvent or make a general assignment for the benefit of creditors; a bankruptcy petition is filed by or against you and not dismissed within 30 days; a bill in equity or appointment of receivership is filed in connection with you or the SBJC Business; a receiver or custodian of your assets of property is appointed; a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement.</p> <p>Your Franchise Agreement may be terminated by us upon written notice and no opportunity to cure if: you commit any fraud or misrepresentation in connection with your SBJC Business; you or other required attendees fail to timely complete our Initial Training Program; you receive three or more notices to cure the same or similar defaults under Section 15(C) of your Franchise Agreement in any 12-month period (whether or not subsequently cured); you violate any in-term restrictive covenants; you misuse the Marks, Proprietary Information or other confidential information provided to you; misuse any proprietary software that might be developed; you fail to cure any default under any other agreement you have with our affiliates or any Approved Supplier within the appropriate cure period; you default under your lease for the Facility and fail to timely cure; you fail to open and commence operations within the required time period; you abandon your SBJC Business; you are convicted</p>

Provision	Section in Franchise Agreement	Summary
		of a felony or any other crime of moral turpitude or offense that will adversely affect the System; you take any property of the SBJC Business for personal use; there are insufficient funds in your EFT Account on three or more occasions in any 12-month period; or if you commit repeated violations of any applicable law.
i. Franchisee's obligations on termination/non-renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include: immediately discontinuing the use of the Marks and trade dress; cease doing business in a form or manner that may give the general public the impression that you are operating an SBJC Business; return of the Manuals of any other Proprietary Information to us; provide us with all customer information, lists and applicable contracts; cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the SBJC Business (as well as all related listings) to us or our designee; comply with all post-term restrictive covenants; at our written option, assign the lease for the Facility to us; provide us with written confirmation of compliance with these obligations within 30 days.
j. Assignment of contract by franchisor	Section 13	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Sections 13(A) and 13(C)	Includes any transfer of Franchise Agreement, assets of the SBJC Business, or ownership change in you.
l. Franchisor approval of transfer by franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m. Conditions for franchisor approval of transfer	Section 13(E)	We have the right to impose the following conditions on any transfer by you: all of your obligations under the Franchise Agreement have been satisfied; the new franchisee must meet our then-current qualifications and criteria for a new franchisee; transferee must assume all of your obligations under the Franchise Agreement; transferee must successfully complete our Initial Training Program; transferee must execute our then-current form of franchise agreement; you must pay our transfer fee (and pay the applicable training fee); and you must execute a general release in our favor (as well as related parties).  You will not be required to pay any transfer fee in the event: (i) you wish to transfer your rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by you and established solely for purposes of operating the SBJC Business under

Provision	Section in Franchise Agreement	Summary
		that Franchise Agreement; or (ii) you are required to encumber certain assets of the SBJC Business (or subordinate our security interest with respect to the SBJC Business) in order to receive SBA or other traditional bank financing, provided we otherwise approve of the transfer.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13(D)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party bona fide offer to purchase any interest in the Franchise Agreement or SBJC Business. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.
o. Franchisor's option to purchase franchisee's business	Section 16(G)	We have the right, but not the obligations, to purchase all or any portion of the assets of your SBJC Business upon expiration/termination of your Franchise Agreement at book value.
p. Death or disability of franchisee	Section 13(B)	<p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your SBJC Business, provided that person completes our Initial Training Program and pays the appropriate tuition fee.</p> <p>During this 90-day period, we may step in and operate the SBJC Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>
q. Non-competition covenants during the term of the franchise	Section 14(A)	Neither you, your principals, guarantors, owners or Concierge Manager, nor any immediate family member of you, your principals, guarantors, owners or Concierge Manager, may: (i) own, operate, or otherwise be involved with a Competing Business (as defined in the Franchise Agreement); or (ii) divert, or attempt to divert, any prospective customer to a Competing Business (subject to state law).

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 14(B)	<p>For a period of two years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Concierge Manager, nor any immediate family member of you, your principals, guarantors, owners, Concierge Manager, may own, operate or otherwise be involved with a Competing Business: (i) at the Facility or within your Designated Territory; (ii) within a 40-mile radius of your Designated Territory or any other designated territory granted by us in connection with any SBJC Business as of the date of expiration/termination of the Franchise Agreement (subject to state law).</p> <p>During this two-year period, these parties are also prohibited from: (i) soliciting business from customers of your former SBJC Business or (ii) contacting any of our suppliers/vendors for a competitive business purpose (subject to state law).</p>
s. Modification of agreement	Section 18(D)	Your Franchise Agreement may not be modified, except by a writing signed by both parties. We may modify the System and Manuals as we deem appropriate in our discretion from time to time.
t. Integration/merger clause	Sections 18 and 22	Only the terms of the Franchise Agreement and this Franchise Disclosure Document are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Sections 21(B) and 21(C)	<p>You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.</p> <p>At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place in San Antonio, Texas (subject to state law). You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.</p>



Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Sections 21(D) and 21(E)	Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to San Antonio, Texas or, if appropriate, the USDC for the Western District of Texas. (subject to state law).
w. Choice of law	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Texas, without reference to this state's conflict of laws principles. (subject to state law).

### **THE DEVELOPER RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section in Development Agreement	Summary
a. Length of the term	Section 1(B), Exhibit B	The Development Schedule will dictate the amount of time you have to develop a specific number of franchised SBJC Businesses, which will differ for each developer and will be specified in Attachment C of the Development Agreement.
b. Renewal or extension of the term	Not Applicable	Not Applicable.
c. Requirements for Area Developer to renew or extend	Not Applicable	Not Applicable.
d. Termination by Area Developer	Not Applicable	Not Applicable (subject to state law).
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with "cause"	Section 14	We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 chart.

Provision	Section in Development Agreement	Summary
g. "Cause" defined - curable defaults	Section 14(B)	We may terminate your Development Agreement after providing notice and a 30-day cure period (unless a different cure period is specified below) if: you fail to meet the Development Schedule; you fail to develop, open, and operate each SBJC Business and execute each Franchise Agreement in compliance with the Development Agreement; you fail to designate a qualified replacement Representative; you misappropriate or misuse the Marks or impair the goodwill of the Marks or System; fail to make monetary payment under the Development Agreement or any Franchise Agreement to us or our affiliate, and fail to cure within 14 days of receiving written notice from us; fail to correct a deficiency of a health, sanitation, or safety issue identified by a local, state or federal agency or regulatory authority; or you fail to comply with any other material term or material condition of the Development Agreement or any Franchise Agreement.
h. "Cause" defined – defaults which cannot be cured	Section 14(A)	We may terminate your Development Agreement automatically upon written notice if: you become insolvent or make a general assignment for the benefit of creditors; file a bankruptcy petition or are adjudicated bankrupt; a bill in equity or appointment of receivership is filed in connection with you; a receiver or custodian of your assets or property is appointed; a proceeding for a composition of creditors is initiated against you; a final judgment is entered against you and not satisfied within 30 days; if you are dissolved, execution is levied against you; a suit to foreclose any lien or mortgage against any of your SBJC Businesses is levied; the real or personal property of a Facility is sold after being levied upon; you fail to comply with the non-competition covenants of the Development Agreement; you or your principal discloses the contents of the Manuals or other confidential information; an immediate threat or danger to public health or safety results from the operation of an SBJC Business operated by you; you or your owner(s) has made a material misrepresentation in the franchise application; you fail on three or more occasions within a one-year period to comply with a provision of the Development Agreement; or you fail to comply with the transfer conditions of the Development Agreement.

Provision	Section in Development Agreement	Summary
i. Area Developer’s obligations on termination/non-renewal	Sections 14(D) and 15	Upon termination, you have no right to establish or operate any SBJC Business for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. All of your obligations under the Development Agreement which expressly or by their nature survive the expiration or termination of the Development Agreement (including the non-competition covenants of Section 11), continue in full force and effect until they are satisfied or by their nature expire.
j. Assignment of contract by franchisor	Section 16(A)	We have the absolute right to transfer or assign the Development Agreement and all or any part of its rights, duties or obligations to any person or legal entity without your consent.
k. “Transfer” by Area Developer – defined	Section 16(B)	A transfer includes voluntarily, involuntarily, directly or indirectly, assigning, selling, conveying, pledging, sub-franchising or otherwise transferring any of the rights created by the Development Agreement or any ownership interest in you.
l. Franchisor approval of transfer by Area Developer	Section 16(C)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m. Conditions for franchisor approval of transfer	Section 16(C)	Our conditions for approving a transfer include: all of you and your affiliates’ money obligations must be satisfied; you and your affiliates must not be in material default of the Development Agreement or any Franchise Agreement; you must execute a general release in our favor; the transferee must meet our then-current criteria for Developers; the transferee must sign a written assumption agreement assuming your liabilities under the Development Agreement; you must pay a transfer fee; and you must pay any referral fees or commissions that may be due to any franchise broker, sales agent, or any other third party.
n. Franchisor’s right of first refusal to acquire Area Developer’s business	Section 16(E)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party offer to purchase any ownership interest in the Development Agreement. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms. If the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.

Provision	Section in Development Agreement	Summary
o. Franchisor's option to purchase Area Developer's business	Not Applicable	Not Applicable.
p. Death or disability of Area Developer	Section 16(F)	<p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your SBJC Business, provided that person completes our Initial Training Program and executes either a Franchise Owner Agreement or a new Development Agreement.</p> <p>During this 90-day period, we may step in and operate the SBJC Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>
q. Non-competition covenants during the term of the Development Agreement	Section 11(B)(1)	<p>Neither you, your principals, guarantors, owners or key employees, nor any immediate family member of you, your principals, guarantors, owners or key employees, may: (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Development Agreement); or (ii) divert, or attempt to divert, any prospective customer to a Competing Business (subject to state law).</p>
r. Non-competition covenants after the Development Agreement is terminated or expires	Section 11(B)(2)	<p>For a period of two years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may own, operate or otherwise be involved with any Competing Business: (i) within the Development Area; (ii) within a 40-mile radius of your Development Area or any other designated territory or designated area licensed by us to an SBJC Business as of the date of expiration/termination of the Development Agreement (subject to state law).</p> <p>During this two-year period, these parties are also prohibited from: (i) soliciting business from customers of your former SBJC Businesses; and (ii) contacting any of our suppliers/vendors for a competitive business purpose (subject to state law).</p>
s. Modification of the Development Agreement	Section 23(F)	Your Development Agreement may not be modified except by a writing signed by both parties.

Provision	Section in Development Agreement	Summary
t. Integration/merger clause	Section 23(G)	Only the terms of the Development Agreement (and ancillary agreements) and this Franchise Disclosure Document are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and the Development Agreement may not be enforceable. Nothing in the Development Agreement or any related agreement is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration	Sections 21(B) and 21(C)	<p>You must first submit all dispute and controversies arising under the Development Agreement to our management and make every effort to resolve the dispute internally.</p> <p>At our option, all claims or disputes arising out of the Development Agreement must be submitted to non-binding mediation, which will take place in San Antonio, Texas (subject to state law). You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.</p>
v. Choice of forum	Section 22(A)	Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Development Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to San Antonio, Texas or, if appropriate, the USDC for the Western District of Texas. (subject to state law).
w. Choice of law	Section 21(A)	The Development Agreement is governed by the laws of the state of Texas, without reference to the state's conflict of laws principles. (subject to state law).

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote our franchise, but we reserve the right to use one in the future.

**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**

Part I.A of this Item 19 discloses certain historical data regarding the premises and lease costs for the 108 franchised SBJC Businesses that (a) were open and actively operating as of December 31, 2022, and (b) leased and built out their respective Facility and provided us with the requested data that is detailed in Part I.A (the “Part I Franchised Facilities”). Part I.A excludes: (i) four of our first franchised SBJC Businesses that are governed by a different form of franchise agreement that does not require them to report the relevant information to us (the “Non-Reporting Franchisees”); (ii) four franchised SBJC Businesses that own the building containing their facility; and (iii) eight franchised SBJC Businesses which were conversion facilities and, as such, could not provide applicable data. In certain instances, we were unable to gather leasable square footage values, in which case we have left these values as “unknown” or “N/A” in the table below.

Part I.B. of this Item 19 discloses Gross Sales generated by the 103 franchised SBJC Businesses that were open and actively operating for at least one full calendar year as of December 31, 2022. Part I.B. excludes: (i) the 17 franchised SBJC Businesses that were not open and operating prior to December 31, 2021, because they did not have a full year of data as of the Issue Date of this Disclosure Document to share with us; and (ii) the 4 Non-Reporting Franchisees.

Part II of this Item 19 discloses the Gross Sales generated by our 11 affiliate-owned SBJC Businesses (“Affiliate-Owned Facility(ies)”) that were open and operating throughout the entire 2022 calendar year. The Affiliate-Owned Facilities do not pay Royalty Fees, Fund Contributions, and are not subject to the Local Advertising Requirement, which a franchised SBJC Business will have to pay. We do not currently charge the Technology Fee. The Affiliate-Owned Facilities included in this financial performance representation offer similar services and face a similar degree of competition anticipated for the franchised SBJC Businesses offered under this Franchise Disclosure Document.

Part III of this Item discloses the number of salon suites leased by 103 franchised SBJC Businesses that were open and actively operating on December 31, 2022, as of the following dates: (i) 3 months after the Facility opens; (ii) 6 months after the Facility opens; (iii) 9 months after the Facility opens; and (iv) 12 months after the Facility opens. Part III excludes: (i) the 17 franchised SBJC Businesses that were not open and operating prior to December 31, 2021, because they did not have a full year of data as of the Issue Date of this Disclosure Document to share with us; and (ii) the 4 Non-Reporting Franchisees.

Part IV of this Item discloses the average tenant occupancy rate for all 11 Affiliate-Owned Facilities as of the end of each calendar year that Affiliate-Owned Facility was open and actively operating for the calendar years of 2019 through 2022, as well as an average overall tenant occupancy rate for each Affiliate-Owned Facility.

Written substantiation of the data used in preparing this information will be made available upon reasonable request. We have not audited or independently verified this information, but we have no reason to doubt the accuracy of the information. The relevant reporting period for the information provided in this Item varies depending on what information is being referenced and is specified in each of the tables below.

**Some outlets have sold or earned these amounts. Your individual results may differ. There is no assurance that you will sell or earn as much.**

**Part I.A: Premises and Lease Cost For Part I Franchised Facilities During the 2022 Calendar Year**

Facility ID No. <sup>(1)</sup>	Open Date <sup>(2)</sup>	Total Square Feet <sup>(3)</sup>	Net Rent Per Sq. Ft. <sup>(4)</sup>	Free Rent (Days) <sup>(5)</sup>	Free Rent Total Dollars <sup>(5)</sup>	Tenant Improvement Allowance <sup>(6)</sup>	Total Leasable Square Footage <sup>(7)</sup>	Leasable Square Footage % <sup>(8)</sup>
016TX	3/17/2014	7558	\$18.00	60	\$22,674.00	\$300,000.00	4526	60%
012TX	5/30/2014	8052	\$21.00	120	\$56,364.00	\$160,000.00	4655	58%
078TX	7/10/2014	6744	\$17.00	90	\$28,662.00	\$202,320.00	3939	58%
075TX	7/28/2014	8298	\$16.00	180	\$66,384.00	\$249,000.00	4883	59%
021NC	8/4/2014	5934	\$18.50	150	\$45,741.25	\$192,724.00	3444	58%
027TX	10/6/2014	5620	\$16.50	0	\$ -	\$112,000.00	3286	58%
029GA	10/6/2014	8942	\$14.33	0	\$ -	\$23,987.00	5,158	58%
019AZ	10/21/2014	6271	\$17.00	180	\$53,303.50	\$216,405.00	3684	59%
039TN	11/3/2014	10339	\$24.00	120	\$82,712.00	\$250,000.00	5625	54%
015TN	11/11/2014	6500	\$17.00	0	\$ -	\$204,230.00	3695	57%
014GA	11/18/2014	5395	\$8.48	150	\$19,062.33	\$58,588.00	3,089	57%
044OK	12/16/2014	7274	\$14.20	365	\$103,290.80	\$210,000.00	4237	58%
033TX	12/17/2014	6277	\$18.00	270	\$84,739.50	\$110,700.00	3,632	58%
042MN	12/17/2014	7122	\$14.00	0	\$ -	\$100,000.00	4201	59%
013CA	12/18/2014	5624	\$37.50	0	\$ -	\$72,950.00	3315	59%
048NC	12/19/2014	8768	\$22.99	0	\$ -	\$342,650.00	5210	59%
017TX	1/6/2015	6835	\$30.00	90	\$51,262.50	\$170,500.00	4044	59%
032NC	1/6/2015	4116	\$20.00	120	\$27,440.00	\$80,000.00	2143	52%
040CO	1/13/2015	6268	\$33.00	90	\$51,711.00	\$626,000.00	3480	56%
031FL	1/20/2015	7346	\$19.00	90	\$34,893.50	\$158,000.00	4346	59%
035FL	3/10/2015	7403	\$25.99	90	\$48,100.99	\$382,802.00	4383	59%
038TX	3/10/2015	8044	\$22.00	0	\$ -	\$280,000.00	4863	60%
036CT	3/12/2015	6719	\$31.99	0	\$ -	\$120,690.00	4021	60%
052TX	3/27/2015	8367	\$20.00	120	\$41,835.00	\$443,451.00	4917	59%
023IL	4/7/2015	6460	\$19.00	120	\$40,913.33	\$246,848.00	3782	59%
049MN	4/27/2015	6796	\$17.00	0	\$ -	\$134,929.00	4105	60%
030FL	5/26/2015	9614	\$13.00	75	\$26,037.92	\$256,104.00	5896	61%
018GA	6/23/2015	7909	\$12.00	120	\$31,636.00	\$157,340.00	4281	54%
024GA	6/23/2015	7228	\$18.00	60	\$21,684.00	\$145,400.00	4281	59%
061CT	7/21/2015	8654	\$21.00	210	\$106,011.50	\$360,000.00	4801	55%
053MN	8/11/2015	9214	\$17.00	0	\$ -	\$258,160.00	5251	57%
026TX	10/6/2015	7134	\$14.00	180	\$49,938.00	\$216,120.00	4147	58%
043OK	10/12/2015	6095	\$18.12	120	\$36,813.80	\$134,090.00	3402	56%
056NV	10/12/2015	6488	\$20.60	120	\$44,550.93	\$227,080.00	3804	59%
020NC	10/20/2015	9574	\$20.00	0	\$ -	\$381,600.00	5781	60%
057VA	11/3/2015	5876	\$32.00	0	\$ -	\$189,440.00	3397	58%

Facility ID No. <sup>(1)</sup>	Open Date <sup>(2)</sup>	Total Square Feet <sup>(3)</sup>	Net Rent Per Sq. Ft. <sup>(4)</sup>	Free Rent (Days) <sup>(5)</sup>	Free Rent Total Dollars <sup>(5)</sup>	Tenant Improvement Allowance <sup>(6)</sup>	Total Leasable Square Footage <sup>(7)</sup>	Leasable Square Footage % <sup>(8)</sup>
037CT	11/9/2015	5969	\$35.00	660	\$417,830.00	\$ -	4147	69%
055MA	11/9/2015	8711	\$26.50	0	\$ -	\$208,005.00	5238	60%
022GA	11/10/2015	5857	\$24.00	90	\$35,142.00	\$404,600.00	3354	57%
028WA	12/1/2015	5805	\$25.00	120	\$48,375.00	\$145,125.00	3243	56%
063FL	1/4/2016	6409	\$19.50	90	\$31,243.88	\$90,160.00	3875	60%
060IL	1/25/2016	10424	\$22.00	120	\$76,442.67	\$275,233.00	6097	58%
069MA	2/1/2016	5943	\$27.11	180	\$80,557.37	\$208,005.00	3557	60%
051IL	2/8/2016	8117	\$22.84	120	\$61,797.43	\$365,265.00	4733	58%
070IL	2/15/2016	6132	\$26.90	120	\$54,983.60	\$199,290.00	3362	55%
058NY	3/1/2016	7218	\$28.00	0	\$ -	\$512,354.00	4056	56%
068TX	3/1/2016	7882	\$21.00	0	\$ -	\$156,840.00	4772	61%
050OH	3/21/2016	7067	\$20.00	120	\$47,113.33	\$315,405.00	4236	60%
071TX	3/28/2016	10000	\$21.65	120	\$72,166.67	\$350,000.00	5984	60%
064CA	4/11/2016	5958	\$23.00	120	\$45,678.00	\$364,500.00	3522	59%
073CT	5/16/2016	7506	\$36.00	120	\$90,072.00	\$225,180.00	4547	61%
076CA	7/18/2016	5742	\$31.00	90	\$44,500.50	\$207,270.00	3310	58%
067CA	8/8/2016	7165	\$20.25	0	\$ -	\$252,000.00	4330	60%
072TN	9/20/2016	9306	\$16.00	210	\$86,856.00	\$372,240.00	5490	59%
066FL	9/27/2016	6922	\$26.00	120	\$59,990.67	\$382,802.00	3850	56%
080MN	10/11/2016	6678	\$23.00	120	\$51,198.00	\$269,280.00	3988	60%
077NC	11/1/2016	7260	\$28.00	120	\$67,760.00	\$187,500.00	4311	59%
081MN	11/1/2016	5936	\$13.29	180	\$39,444.72	\$135,000.00	3456	58%
074VA	2/20/2017	5654	\$35.00	0	\$ -	\$285,975.00	3264	58%
083MD	2/27/2017	6580	\$21.00	120	\$46,060.00	\$263,200.00	3882	59%
047NY	3/27/2017	10000	\$55.00	258	\$394,166.67	\$860,000.00	5027	50%
079OK	3/28/2017	6899	\$21.00	120	\$36,219.75	\$263,000.00	4001	58%
087SC	4/3/2017	6536	\$15.00	0	\$ -	\$215,000.00	3983	61%
085FL	4/24/2017	8183	\$28.00	180	\$114,562.00	\$710,000.00	4877	60%
088TX	7/1/2017	4938	\$18.00	120	\$29,628.00	\$175,000.00	2839	57%
034MO	11/1/2017	6482	\$23.00	90	\$37,271.50	\$518,560.00	3901	60%
084TX	12/28/2017	7473	\$25.50	90	\$47,640.38	\$220,600.00	4432	59%
092MN	1/8/2018	6167	\$19.00	88	\$29,293.25	\$259,014.00	3629	59%
086MD	2/26/2018	7000	\$20.27	60	\$23,648.33	\$245,000.00	4305	62%
096MD	5/21/2018	4510	\$31.87	0	\$ -	\$293,151.00	2614	58%
089FL	6/5/2018	6612	\$30.00	180	\$99,180.00	\$495,000.00	4119	62%
093AL	6/22/2018	8996	\$26.25	0	\$ -	\$306,570.00	5459	61%
099MN	7/31/2018	8338	\$19.93	180	\$83,088.17	\$291,830.00	5091	61%
046OH	8/30/2018	5000	\$23.10	185	\$57,750.00	\$250,000.00	3106	62%
094TN	9/1/2018	7804	\$30.41	0	\$ -	\$468,210.00	4604	59%
097FL	2/11/2019	7180	\$28.00	0	\$ -	\$710,000.00	4342	60%



Facility ID No. <sup>(1)</sup>	Open Date <sup>(2)</sup>	Total Square Feet <sup>(3)</sup>	Net Rent Per Sq. Ft. <sup>(4)</sup>	Free Rent (Days) <sup>(5)</sup>	Free Rent Total Dollars <sup>(5)</sup>	Tenant Improvement Allowance <sup>(6)</sup>	Total Leasable Square Footage <sup>(7)</sup>	Leasable Square Footage % <sup>(8)</sup>
106FL	6/19/2019	8086	\$24.00	30	\$16,172.00	\$808,000.00	4737	59%
107NC	6/24/2019	8996	\$16.00	570	\$228,000.00	\$180,000.00	5504	61%
109MN	7/30/2019	9302	\$34.00	150	\$131,778.33	\$392,000.00	5423	58%
111MN	8/28/2019	8000	\$19.00	180	\$76,000.00	\$280,000.00	4730	59%
116TX	9/15/2019	8058	\$19.00	90	\$38,000.00	\$480,000.00	4625	57%
082SC	11/25/2019	6000	\$9.00	90	\$13,500.00	\$270,000.00	3363	56%
100GA	2/27/2020	7028	\$20.71	180	\$72,816.36	\$316,440.00	3967	56%
112NC	3/2/2020	7554	\$17.00	120	\$44,183.00	\$250,000.00	4553	60%
108GA	3/3/2020	7023	\$18.00	120	\$42,138.00	\$175,575.00	4013	57%
105TX	5/18/2020	6000	\$25.00	90	\$37,400.00	\$299,200.00	3495	58%
095CA	6/15/2020	6550	\$27.00	180	\$89,059.50	\$197,910.00	3821	58%
115CA	6/17/2020	7807	\$53.50	120	\$139,064.33	\$350,910.00	4525	58%
113NY	6/22/2020	16253	\$65.00	180	\$528,222.49	\$ -	11615	71%
101TX	7/20/2020	10000	\$12.00	240	\$40,536.00	\$466,164.00	5994	60%
118FL	9/4/2020	7984	\$22.00	0	\$ -	\$235,440.00	4516	57%
098FL	9/14/2020	7634	\$18.00	180	\$68,706.00	\$305,360.00	4437	58%
102FL	10/26/2020	7600	\$19.80	210	\$87,780.00	\$209,000.00	4384	58%
117NJ	11/30/2020	4594	\$31.58	150	\$60,449.38	\$183,760.00	UNK	UNK
122MN	11/30/2020	6150	\$19.00	45	\$15,912.50	\$234,500.00	3612	59%
120NY	2/1/2021	6065	\$23.00	120	\$59,033.33	\$1,027,950.00	3365	55%
123NJ	2/21/2021	7516	\$23.00	0	\$ -	\$187,500.00	4533	60%
135NJ	7/12/2021	6646	\$32.00	0	\$ -	\$529,300.00	3823	58%
110MN	9/1/2021	8045	\$17.25	30	\$8,711.25	\$284,820.00	4610	57%
129TN	11/22/2021	9002	\$33.00	180	\$148,533.00	\$405,090.00	UNK	UNK
134NC	1/10/2022	8828	\$18.10	90	\$39,096.00	\$302,400.00	5281	60%
121CA	1/17/2022	7491	\$20.00	90	\$37,560.00	\$413,160.00	4370	58%
128MI	5/25/2022	9368	\$22.00	360	\$205,546.00	\$333,825.00	5516	59%
136TX	5/31/2022	7324	\$7.00	0	\$ -	\$202,000.00	4450	61%
130FL	6/16/2022	7118	\$33.00	240	\$159,170.00	\$180,875.00	3962	56%
132PA	9/13/2022	8348	\$33.00	120	\$92,708.00	\$294,980.00	4688	56%
133TX	10/28/2022	10627	\$29.00	90	\$78,293.00	\$464,357.00	6196	58%
158NJ	12/19/2022	7468	\$20.00	0	\$ -	\$150,000.00	4432	59%
<b>Average <sup>(11)</sup></b>		<b>7386</b>	<b>\$23.19</b>	<b>111</b>	<b>\$56,886.95</b>	<b>\$283,711.00</b>	<b>4351</b>	<b>59%</b>
<b>Median <sup>(12)</sup></b>		<b>7199</b>	<b>\$21.00</b>	<b>120</b>	<b>\$41,374.17</b>	<b>\$250,000.00</b>	<b>4281</b>	<b>59%</b>
<b>High</b>		<b>16253</b>	<b>\$65.00</b>	<b>660</b>	<b>\$528,222.49</b>	<b>\$1,027,950.00</b>	<b>11615</b>	<b>71%</b>
<b>Low</b>		<b>4116</b>	<b>\$7.00</b>	<b>0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2143</b>	<b>50%</b>
<b>Number that Met or Exceeded Average</b>		<b>48</b>	<b>39</b>	<b>57</b>	<b>35</b>	<b>42</b>	<b>47</b>	<b>56</b>
<b>% that Met or Exceeded the Average</b>		<b>44%</b>	<b>36%</b>	<b>53%</b>	<b>32%</b>	<b>39%</b>	<b>44%</b>	<b>53%</b>

**Part I.B: Gross Sales Generated by Franchised Facilities For the 2022 Calendar Year**

<b>Facility ID No.</b> (1)	<b>Open Date</b> (2)	<b>Gross Sales During 2022 Calendar Year</b> (10)
012TX	5/30/2014	\$600,401.67
013CA	12/18/2014	\$358,964.07
014GA	11/18/2014	\$350,919.00
015TN	11/11/2014	\$255,082.00
016TX	3/17/2014	\$418,284.00
017TX	1/6/2015	\$479,503.06
018GA	6/23/2015	\$420,913.50
019AZ	10/21/2014	\$373,623.16
020NC	10/20/2015	\$661,783.32
021NC	8/4/2014	\$583,415.87
022GA	11/10/2015	\$341,500.80
023IL	4/7/2015	\$479,811.16
024GA	6/23/2015	\$619,241.42
026TX	10/6/2015	\$382,174.31
028WA	12/1/2015	\$620,110.00
029GA	10/6/2014	\$454,002.75
030FL	5/26/2015	\$794,622.36
031FL	1/20/2015	\$660,603.27
032NC	1/6/2015	\$255,537.19
033TX	12/17/2014	\$346,153.26
034MO	11/1/2017	\$472,076.00
035FL	3/10/2015	\$652,611.00
036CT	3/12/2015	\$443,098.00
037CT	11/9/2015	\$476,108.00
038TX	3/10/2015	\$592,272.59
039TN	11/3/2014	\$751,621.17
040CO	1/13/2015	\$462,347.86
042MN	12/17/2014	\$308,337.22
043OK	10/12/2015	\$284,260.21
044OK	12/16/2014	\$344,914.14
046OH	8/30/2018	\$286,134.00
047NY	3/27/2017	\$1,668,744.81
048NC	12/19/2014	\$621,883.00
049MN	4/27/2015	\$583,346.50
050OH	3/21/2016	\$449,207.98
051IL	2/8/2016	\$485,256.75
052TX	3/27/2015	\$614,600.69
053MN	8/11/2015	\$697,500.25
055MA	11/9/2015	\$784,314.49
056NV	10/12/2015	\$335,225.73
057VA	11/3/2015	\$219,599.16
058NY	3/1/2016	\$598,769.33
060IL	1/25/2016	\$653,095.00
061CT	7/21/2015	\$592,279.45
062NC	2/12/2016	\$541,101.63
063FL	1/4/2016	\$561,941.96

<b>Facility ID No.</b> (1)	<b>Open Date</b> (2)	<b>Gross Sales During 2022 Calendar Year</b> (10)
064CA	4/11/2016	\$662,379.00
065TN	5/12/2016	\$754,357.49
066FL	9/27/2016	\$534,063.00
067CA	8/8/2016	\$638,654.68
068TX	3/1/2016	\$513,242.41
069MA	2/1/2016	\$646,917.13
070IL	2/15/2016	\$431,655.29
071TX	3/28/2016	\$548,622.67
072TN	9/20/2016	\$634,604.05
073CT	5/16/2016	\$640,994.50
074VA	2/20/2017	\$546,542.00
075TX	7/28/2014	\$315,588.00
076CA	7/18/2016	\$456,957.50
077NC	11/1/2016	\$626,673.74
078TX	7/10/2014	\$228,636.39
079OK	3/28/2017	\$434,405.23
080MN	10/11/2016	\$610,478.87
081MN	11/1/2016	\$566,696.86
082SC	11/25/2019	\$366,264.33
083MD	2/27/2017	\$657,318.50
084TX	12/28/2017	\$558,215.36
085FL	4/24/2017	\$511,290.61
086MD	2/26/2018	\$520,619.24
087SC	4/3/2017	\$344,487.95
088TX	7/1/2017	\$379,248.25
089FL	6/5/2018	\$831,966.00
090NC	12/5/2017	\$414,302.40
092MN	1/8/2018	\$514,465.40
093AL	6/22/2018	\$410,635.45
094TN	9/1/2018	\$617,318.33
095CA	6/15/2020	\$711,938.76
096MD	5/21/2018	\$389,299.90
097FL	2/11/2019	\$656,654.87
098FL	9/14/2020	\$674,139.84
099MN	7/31/2018	\$530,416.79
100GA	2/27/2020	\$351,900.85
101TX	7/20/2020	\$685,277.05
102FL	10/26/2020	\$632,072.66
105TX	5/18/2020	\$424,950.18
106FL	6/19/2019	\$506,624.00
107NC	6/24/2019	\$618,323.01
108GA	3/3/2020	\$371,558.00
109MN	7/30/2019	\$508,268.99
110MN	9/1/2021	\$386,109.02
111MN	8/28/2019	\$493,570.00
112NC	3/2/2020	\$383,159.30
113NY	6/22/2020	\$1,876,226.09
115CA	6/17/2020	\$841,950.68

<b>Facility ID No.</b> (1)	<b>Open Date</b> (2)	<b>Gross Sales During 2022 Calendar Year</b> (10)
116TX	9/15/2019	\$407,991.34
117NJ	11/30/2020	\$529,195.43
118FL	9/4/2020	\$1,040,855.53
120NY	2/1/2021	\$608,205.18
122MN	11/30/2020	\$662,992.49
123NJ	2/21/2021	\$779,845.50
129TN	11/22/2021	\$728,039.43
135NJ	7/12/2021	\$433,592.43
126TN	6/21/2021	\$456,362.69
<b>AVERAGE</b> (11)		<b>\$548,974.89</b>
<b>MEDIAN</b> (12)		<b>\$529,195.43</b>
<b>HIGH</b>		<b>\$1,876,226.09</b>
<b>LOW</b>		<b>\$219,599.16</b>
<b>TOTAL THAT MET OR EXCEEDED AVERAGE</b>		<b>46 (45%)</b>

**Explanatory Notes to Part I:**

1. “Facility ID No.” means the internal designation that we use to identify a given Facility.
2. “Open Date” means the date the Part I Franchised Facility opened and commenced actively operating the SBJC Business, including engaging in leasing activity.
3. “Total Square Feet” means the total amount of square feet that a given Part I Franchised Facility has under management, including: (i) portions of a premises that are leased as an individual suite to potential customers (each, a “Suite”); and (ii) all other square footage that makes up the Facility for the Part I Franchised Facility.
4. “Net Rent Per Sq. Ft.” means the net rent charged per square foot under the lease for the premises of each Part I Franchised Facility. Net Rent for a given Part I Franchised Facility (i) does not account for the corresponding Free Rent or Tenant Improvement Allowance, if any, that the landlord provided to the franchise owner of that Facility (and as disclosed more fully in the table above), and (ii) is not the same as “triple net” rent.
5. “Free Rent (Days)” means the number of days, if any, that the landlord for the premises of a given Part I Franchised Facility (each, a “Lessor”) agreed not to charge the owner of that Facility as part of the negotiations to incentivize the owner to enter into the lease.

If a Part I Franchised Facility has Free Rent (Days), then the term “Free Rent Total Dollars” means the dollar value of the Free Rent over that number of Days, which is calculated by taking the applicable rent per day and multiplying it by the number Free Rent (Days).

6. “Tenant Improvement Allowance” means the total dollar amount that the Lessor for the premises of a given Part I Franchised Facility agreed to pay, contribute or credit in connection with gross construction costs associated with building out that Facility as part of the negotiations to incentivize the franchise owner to enter into a lease for that premises.
7. “Leasable Square Footage” for a given Part I Franchised Facility means the actual square footage at that Facility that can be leased/subleased to a third party (rather than the Total Square Footage

as described in Explanatory Note 2 to this Part I). Please note that we only had data for 106 of the 108 Part I Franchised Facilities. As such, the Average, Median, and Percentage Met or Exceeded are calculated using 106 as the total for this category.

8. “Leasable Square Footage %” for each Part I Franchised Facility is calculated by taking the total Leasable Square Footage for that Facility, and dividing that figure by the Total Square Feet for that Facility. Please note that we only had data for 106 of the 108 Part I Franchised Facilities. As such, the Average, Median, and Percentage Met or Exceeded are calculated using 106 as the total for this category.
9. “Gross Sales” means the total revenue generated by your SBJC Business, including all revenue generated from leasing salon suites at your Facility and all amounts paid by Operators and/or their clientele for vending, laundry and any other Approved Products or Approved Services offered at your Facility, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Sales does not include the sale of products or services for which refunds have been made in good faith to customers, the sale of equipment used in the operation of the SBJC Business, any sales tax or other taxes collected from customers by you and paid directly to the appropriate taxing authority, or any reduction in revenue due to coupon sales.
10. For each of the columns in the tables above in this Part I, the “Average” among all Part I Franchised Facilities for the indicator identified in that column is calculated by taking the sum of all figures in that column and dividing by the number of Part I Franchised Facilities disclosed in Part I.
11. For each of the columns in the tables above in this Part I, the “Median” among all Part I Franchised Facilities for the metric identified in that column is calculated by taking the “middle” number of each data set.
12. The financial performance representations in tables above do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

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## Part II: Gross Sales by Each Affiliate-Owned Facility During the 2022 Calendar Year

Facility ID No.	2022 Gross Sales (1)
001TX	\$423,154.29
002TX	\$451,542.13
003TX	\$191,082.40
004TX	\$556,810.81
005TX	\$831,561.30
006TX	\$409,734.27
009TX	\$354,782.41
025TX	\$646,177.30
054TX	\$560,715.49
103TX	\$571,295.59
143TX	\$455,217.94
<b>Average</b>	<b>\$495,643.08</b>
<b>Median</b>	<b>\$455,217.94</b>
<b>Number/% Exceeding Average</b>	<b>5 (46%)</b>
<b>High</b>	<b>\$831,561.30</b>
<b>Low</b>	<b>\$191,082.40</b>

### Explanatory Notes to Part II:

1. Please see Note 10 to Part I of this Item for the definition of “Gross Sales.”
2. For Part II above, the “Average” among all Part II Affiliate-Owned Facilities is calculated by taking the sum of all figures in that column and dividing by the number of Part II Affiliate-Owned Facilities disclosed in Part II.
3. For Part II above, the “Median” among all Part II Affiliate-Owned Facilities is calculated by taking the “middle” number of each data set.

## Part III: Number of Suites Leased in Initial Year of Active Operations by Part I Franchised Facilities

Facility ID No.	Opening Date	# of Suites	# of Suites Leased 3 months after opening	# of Suites leased 6 months after opening	# of Suites leased 9 months after opening	# of Suites leased 12 months after opening
012TX	5/30/2014	43	17	19	30	35
013CA	12/18/2014	31	19	19	24	27
014GA	11/18/2014	28	3	5	9	11
015TN	11/11/2014	34	11	15	15	20
016TX	3/17/2014	42	17	17	16	20
017TX	1/6/2015	38	30	31	38	37
018GA	6/23/2015	43	20	22	25	32
019AZ	10/21/2014	34	8	11	14	20

Facility ID No.	Opening Date	# of Suites	# of Suites Leased 3 months after opening	# of Suites leased 6 months after opening	# of Suites leased 9 months after opening	# of Suites leased 12 months after opening
020NC	10/20/2015	53	21	30	35	32
021NC	8/4/2014	31	17	30	31	31
022GA	11/10/2015	31	16	19	23	21
023IL	4/7/2015	35	12	12	14	22
024GA	6/23/2015	38	27	31	38	38
026TX	10/6/2015	38	26	8	31	32
027TX	10/6/2014	30	6	7	12	16
028WA	12/1/2015	29	11	17	21	26
029GA	10/6/2014	48	11	12	12	13
030FL	5/26/2015	53	31	31	34	38
031FL	1/20/2015	39	17	18	21	27
032NC	1/6/2015	19	18	19	19	19
033TX	12/17/2014	36	8	10	14	16
034MO	11/1/2017	36	6	11	22	25
035FL	3/10/2015	41	41	41	41	40
036CT	3/12/2015	37	6	10	14	16
037CT	11/9/2015	32	9	9	13	15
038TX	3/10/2015	44	32	34	39	38
039TN	11/3/2014	51	24	30	36	47
040CO	1/13/2015	32	14	20	29	32
042MN	12/17/2014	34	25	27	27	22
043OK	10/12/2015	31	13	11	17	25
044OK	12/16/2014	39	16	25	27	29
046OH	9/4/2018	28	5	5	7	9
047NY	3/27/2017	45	31	36	45	45
048NC	12/19/2014	48	33	38	44	43
049MN	4/27/2015	37	14	20	23	31
050OH	3/21/2016	39	7	14	17	21
051IL	2/8/2016	44	2	3	6	6
052TX	3/27/2015	46	10	14	21	25
053MN	8/11/2015	50	10	12	19	20
055MA	11/9/2015	48	16	23	25	26
056NV	10/12/2015	35	18	25	26	30
057VA	11/3/2015	31	7	9	9	11
058NY	3/1/2016	38	16	20	20	19
060IL	1/25/2016	53	5	19	19	28
061CT	7/21/2015	44	7	8	17	27

Facility ID No.	Opening Date	# of Suites	# of Suites Leased 3 months after opening	# of Suites leased 6 months after opening	# of Suites leased 9 months after opening	# of Suites leased 12 months after opening
062NC	2/12/2016	46	30	28	36	38
063FL	1/4/2016	36	18	26	32	35
064CA	4/11/2016	33	16	18	19	19
065TN	5/2/2016	53	14	21	25	26
066FL	9/27/2016	35	18	25	29	30
067CA	8/8/2016	40	4	12	12	19
068TX	3/1/2016	44	13	15	16	21
069MA	2/1/2016	33	5	8	10	10
070IL	2/15/2016	31	8	10	11	14
071TX	3/28/2016	54	26	34	38	43
072TN	9/20/2016	52	11	22	24	32
073CT	5/16/2016	42	8	10	15	22
074VA	2/20/2017	30	7	9	12	17
075TX	7/28/2014	45	36	42	40	42
076CA	7/18/2016	31	14	17	26	26
077NC	11/1/2016	37	22	30	31	37
078TX	7/10/2014	37	11	11	11	13
079OK	3/28/2017	37	30	34	32	36
080MN	10/11/2016	37	6	13	14	26
081MN	11/1/2016	31	5	7	13	22
082SC	11/25/2019	29	12	11	12	11
083MD	2/27/2017	38	35	38	38	37
084TX	12/28/2017	40	13	13	23	26
085FL	4/24/2017	45	21	29	31	32
086MD	2/26/2018	40	14	16	18	21
087SC	4/3/2017	37	10	11	10	15
088TX	7/1/2017	26	17	15	20	24
089FL	6/5/2018	46	21	26	27	21
090NC	12/5/2017	26	25	26	26	24
092MN	1/29/2018	32	32	32	32	31
093AL	6/22/2018	31	9	10	13	15
094TN	10/12/2018	42	27	30	36	33
095CA	6/15/2020	34	33	33	33	33
096MD	5/21/2018	24	21	26	27	21
097FL	2/11/2019	39	39	39	39	39
098FL	9/14/2020	38	22	34	36	38



Facility ID No.	Opening Date	# of Suites	# of Suites Leased 3 months after opening	# of Suites leased 6 months after opening	# of Suites leased 9 months after opening	# of Suites leased 12 months after opening
099MN	7/2/2018	47	21	23	27	33
100GA	2/27/2020	35	7	14	17	29
101TX	7/20/2020	50	31	45	49	48
102FL	10/26/2020	40	29	40	40	40
105TX	5/18/2020	31	8	9	11	28
106FL	6/24/2019	43	19	20	22	22
107NC	6/24/2019	49	18	24	29	29
108GA	3/3/2020	36	6	10	16	17
109MN	7/30/2019	45	9	13	15	15
110MN	9/1/2021	42	21	23	26	27
111MN	8/28/2019	43	16	25	34	41
112NC	3/2/2020	38	18	19	21	29
113NY	6/22/2020	49	40	42	43	46
115CA	6/17/2020	40	15	29	31	36
116TX	9/15/2019	41	12	15	23	25
117NJ	10/30/2020	22	0	16	19	21
118FL	9/4/2020	45	36	43	45	44
120NY	2/1/2021	28	24	28	28	27
122MN	11/16/2020	31	22	31	31	31
123NJ	2/21/2021	36	26	35	36	36
129TN	11/22/2021	47	31	36	UNK	38
135NJ	6/25/2021	31	19	23	21	21

**Part IV: Tenant Occupancy Rate and Average Year-End Tenant Occupancy Rate for Each Affiliate-Owned Facility as of the End of Each Calendar Year from 2019 to 2022**

Facility ID No.	Open Date	Suites	2019	2020	2021	2022	Year Average	Year Median	Number and % that Met or Exceeded Average
001TX	9/1/1998	44	77%	85%	95%	85%	86%	90%	1 (25%)
002TX	2/1/2000	37	87%	78%	87%	92%	86%	83%	3 (75%)
003TX <sup>3</sup>	5/1/2002	56	99%	100%	97%	89%	96%	99%	3 (75%)
004TX	5/1/2004	42	84%	93%	91%	98%	91%	92%	3 (75%)
005TX	6/1/2007	73	95%	96%	99%	90%	95%	98%	3 (75%)
006TX	7/1/2010	31	84%	81%	95%	96%	89%	88%	2 (50%)
009TX	12/1/2012	32	84%	75%	83%	90%	83%	79%	3 (75%)
025TX	3/10/2014	44	88%	100%	99%	99%	97%	100%	3 (75%)

Facility ID No.	Open Date	Suites	2019	2020	2021	2022	Year Average	Year Median	Number and % that Met or Exceeded Average
054TX	12/2/2014	44	69%	75%	89%	96%	82%	82%	2 (50%)
103TX	7/1/2011	40	92%	93%	95%	94%	93%	94%	3 (75%)
027TX	9/1/2021	30	N/A	N/A	59%	78%	69%	69%	1 (50%)
143TX <sup>3</sup>	5/25/2022	74	N/A	N/A	N/A	60%	60%	60%	1 (100%)

**Explanatory Notes to Part IV:**

1. This table details the following information about each Affiliate-Owned Facility: (i) opening date (Month/Day/Year); (ii) the number of individual Suites at each Facility that can be leased; and (iii) the tenant occupancy rate of the Facility at the end of each calendar year from 2019 through 2022.
2. The “Tenant Occupancy Rate” for each Affiliate-Owned Facility was calculated by taking the total number of Suites leased by that Facility as of December 31 of each calendar year listed above, and dividing that number by the total number of Suites that Facility has available to lease at its respective Facility.
3. Facility ID No. 003TX relocated in 2022 and reopened as 143TX.

Other than the preceding financial performance representation, J ‘N C Real Estate Development, LLC does 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 Drew Johnston, c/o J ‘N C Real Estate Development, LLC, 2511 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259 or (210) 314-3126, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

Systemwide Outlet Summary  
For Years 2020 - 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2020	89	102	+13
	2021	102	107	+5
	2022	107	124	+17
Company-Owned*	2020	10	10	0
	2021	10	11	+1
	2022	11	11	0

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Total Outlets	2020	99	112	+13
	2021	112	118	+6
	2022	118	135	+17

\*Operated by our affiliate.

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2020 - 2022

State	Year	Number of Transfers
California	2020	0
	2021	0
	2022	1
Georgia	2020	0
	2021	1
	2022	0
Oklahoma	2020	0
	2021	2
	2022	0
Texas	2020	1
	2021	0
	2022	1
Totals	2020	1
	2021	3
	2022	2

Table No. 3

Status of Franchise Outlets  
For Years 2020 - 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Alabama	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2020	4	2	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	1	0	0	0	0	7
Colorado	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Connecticut	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Florida	2020	9	3	0	0	0	0	12
	2021	12	0	0	0	0	0	12
	2022	12	1	0	0	0	0	13
Georgia	2020	5	2	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Illinois	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Massachusetts	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Maryland	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Michigan	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Minnesota	2020	9	1	0	0	0	0	10
	2021	10	1	0	0	0	0	11
	2022	11	0	0	0	0	0	11

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Missouri	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	2	0	0	0	0	5
New York	2020	2	1	0	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4
North Carolina	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	1	0	0	0	0	10
Ohio	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Oklahoma	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Pennsylvania	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
South Carolina	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Tennessee	2020	5	0	0	0	0	0	5
	2021	5	2	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Texas	2020	18	2	0	0	0	0	20
	2021	20	0	0	0	1	0	19
	2022	19	10*	0	0	0	0	29

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Virginia	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Washington	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total	2020	89	13	0	0	0	0	102
	2021	102	6	0	0	1	0	107
	2022	107	17	0	0	0	0	124

Table No. 4

Status of Company-Owned Outlets  
For Years 2020 - 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Texas	2020	10	0	0	0	0	10
	2021	10	0	1	0	0	11
	2022	11	0	0	0	0	11
Total Outlets*	2020	10	0	0	0	0	10
	2021	10	0	1	0	0	11
	2022	11	0	0	0	0	11

\*Operated by our affiliate.

Table No. 5

Projected Openings as of  
December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	4	2	0
Colorado	1	1	0
Florida	8	5	0
Georgia	3	0	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Idaho	1	1	0
Michigan	1	0	0
Minnesota	0	1	0
Mississippi	1	0	0
New Jersey	3	3	0
New York	2	2	0
Pennsylvania	1	1	0
South Carolina	2	1	0
Tennessee	1	0	0
Texas	10	3	0
Washington	1	0	0
<b>Total</b>	<b>39</b>	<b>20</b>	<b>0</b>

A list of the names of all of our current System franchisees, along with the contact information of their respective SBJC Business(es) that were open and operating as of December 31, 2022, are set forth in Exhibit F to this Franchise Disclosure Document.

The name, city, state and current contact information (to the extent known) of any SALONS BY JC franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the original issuance date of this Franchise Disclosure Document, will be listed on Exhibit F to this Franchise Disclosure Document when applicable. **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, no franchisees have signed confidentiality provisions that would restrict their ability to speak openly about their experience with the System. There are no trademark-specific organizations formed by our franchisees that are associated with the System.

## ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements for our fiscal years ending December 31, 2022, December 31, 2021, and December 31, 2020, are attached as Exhibit D. Our fiscal year end is December 31.

## ITEM 22 CONTRACTS

The following agreements are attached as Exhibits to this Franchise Disclosure Document:

Exhibit B	Franchise Agreement (and Exhibits)
Exhibit C	Development Agreement (and Exhibits)

Exhibit E	State Addenda and Agreement Riders
Exhibit H	Sample Termination and Release
Exhibit I	Franchise Disclosure Questionnaire

**ITEM 23**  
**RECEIPTS**

The last pages of this Franchise Disclosure Document, Exhibit K, are a detachable document, in duplicate. Please detach, sign, date and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.



**EXHIBIT A**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<p><b><u>CALIFORNIA</u></b></p> <p><u>State Administrator and Agent for Service of Process:</u></p> <p>Commissioner Department of Financial Protection and Innovation 320 W. 4<sup>th</sup> Street, #750 Los Angeles, CA 90013 (213) 576-7500 (866) 275-2677</p> <p><b><u>HAWAII</u></b></p> <p>Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><u>Agent for Service of Process:</u></p> <p>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><b><u>ILLINOIS</u></b></p> <p>Illinois Attorney General Chief, Franchise Division 500 S. Second Street Springfield, IL 62706 (217) 782-4465</p> <p><b><u>INDIANA</u></b></p> <p>Secretary of State Securities Division Room E-018 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><b><u>MARYLAND</u></b></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360</p> <p><u>Agent for Service of Process:</u></p> <p>Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020</p> <p><b><u>MICHIGAN</u></b></p> <p>Michigan Department of Attorney General Consumer Protection Division 525 W. Ottawa Street Lansing, MI 48913 (517) 373-7117</p> <p><b><u>MINNESOTA</u></b></p> <p>Department of Commerce Commissioner of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-3165 (651) 539-1600</p> <p><b><u>NEW YORK</u></b></p> <p><u>Administrator:</u></p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 (212) 416-8285</p> <p><u>Agent for Service of Process:</u></p> <p>Secretary of State 99 Washington Avenue Albany, NY 12231</p> <p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 E. Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Department of Business Regulation 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920 (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563</p> <p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9<sup>th</sup> Floor Richmond, VA 23219</p> <p><u>Agent for Service of Process:</u></p> <p>Clerk of the State Corporation Commission 1300 E. Main Street, 1<sup>st</sup> Floor Richmond, VA 23219</p> <p><b><u>WASHINGTON</u></b></p> <p><u>State Administrator:</u></p> <p>Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760</p> <p><u>Agent for Service for Process:</u></p> <p>Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501</p> <p><b><u>WISCONSIN</u></b></p> <p>Department of Financial Institutions Division of Securities 201 W. Washington Avenue Madison, WI 53703 (608) 266-3364</p>
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Rev. 102720

**EXHIBIT B**

**FRANCHISE AGREEMENT**

**J 'N C REAL ESTATE DEVELOPMENT, LLC**  
**FRANCHISE AGREEMENT**

## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
RECITATIONS .....	1
1. ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE .....	2
2. GRANT OF FRANCHISE .....	4
3. TERM AND RENEWAL .....	5
4. FEES AND PAYMENTS .....	7
5. DUTIES OF FRANCHISOR .....	10
6. DUTIES OF FRANCHISEE .....	12
7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS .....	18
8. OPERATIONS MANUALS AND CONFIDENTIAL/PROPRIETARY INFORMATION .....	22
9. ADVERTISING .....	24
10. ACCOUNTING AND RECORDS .....	27
11. INSURANCE AND INDEMNIFICATION .....	29
12. INDEPENDENT CONTRACTOR .....	30
13. TRANSFER AND ASSIGNMENT .....	30
14. COVENANTS .....	34
15. DEFAULT AND TERMINATION .....	36
16. POST-TERM OBLIGATIONS .....	39
17. TAXES AND INDEBTEDNESS .....	40
18. WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT .....	41
19. ENFORCEMENT .....	41
20. NOTICES .....	42
21. GOVERNING LAW AND DISPUTE RESOLUTION .....	43
22. SEVERABILITY AND CONSTRUCTION .....	45
23. ACKNOWLEDGMENTS .....	46
<b>Exhibit A: Data Sheet</b>	
<b>Exhibit B: Form of Personal Guaranty</b>	
<b>Exhibit C: Form of Landlord Consent and Agreement</b>	
<b>Exhibit D: EFT Withdrawal Authorization Form</b>	
<b>Exhibit E: Form of Confidentiality and Non-Competition Agreement (for use by Franchisee for Management Personnel of the Franchised Business and Officers/Directors of the Franchisee)</b>	
<b>Exhibit F: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names</b>	

**J ‘N C REAL ESTATE DEVELOPMENT, LLC  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (“Effective Date,”) by and between: (i) J ‘N C Real Estate Development, LLC, a limited liability company with its principal place of business at 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259 (the “Franchisor”); and (ii) \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Franchisee”).

**RECITATIONS**

A. Franchisor and its affiliate, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment, development, opening, and operation of a business that offers and provides high-end retail space in the form of individual salon suites to beauty and wellness practitioners where such practitioners can provide their respective services utilizing the mark SALONS BY JC and our proprietary business system (each a “Franchised Business” or “Facility”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operating procedures; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Facility and each individual salon suite, standards and specifications for the furniture, fixtures and equipment located within a Facility, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Facilities are identified by the mark SALONS BY JC, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor owns or has obtained a license to use and license others to use in connection with the System (collectively, the “Proprietary Marks”). Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Facility utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single franchised Facility from an approved location, and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Facility based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

## **AGREEMENT**

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

### **1. ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE**

- A. Franchisee acknowledges and represents that Franchisor, itself or through any officer, director, employee, or agent, has not made, and Franchisee has not received or relied upon, any oral, written, visual, express, or implied information, representations, warranties, guarantees, or promises regarding the amount of sales levels or income Franchisee might expect to earn from the franchise granted hereby, except as set forth in the Franchise Disclosure Document.
- B. The business venture contemplated by this Agreement involves business risks.
- C. Franchisee's success will be largely dependent upon Franchisee's ability as an independent businessperson.
- D. Franchisee has received, read, and does understand this Agreement and any attachments.
- E. Franchisee understands and agrees that the commercial leasing industry is well-developed, and Franchisee may face competition from other businesses including franchised operations, national chains and independently owned businesses that offer similar leasing and salon management services to third-party beauty and wellness practitioners.
- F. Franchisee acknowledges and agrees that Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction.
- G. Franchisee has consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Franchisee either has consulted with such advisors or has deliberately declined to do so.
- H. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee.
- I. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).
- J. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not presently

involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing.

- K. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.
- L. Franchisee's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with the Franchise Disclosure Document given to Franchisee by Franchisor.
- M. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- N. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and provide salon suite leasing services, that are necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee and Franchised Business is located.
- O. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a SALONS BY JC Facility; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.
- P. Franchisee agrees and acknowledges as follows:
  - 1. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business (as defined herein) and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.
  - 2. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state



or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa.

3. Neither Franchisor nor any representative of Franchisor has made any statement, representation or guaranty that Franchisee will be able to obtain financing in connection with the development and operation of the Franchised Business.

## 2. **GRANT OF FRANCHISE**

- A. Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single SALONS BY JC Facility (the "Franchised Business").
- B. The Franchised Business must be operated from a single location that Franchisor reviews and approves (the "Premises"). If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the "Site Selection Area") on the data sheet attached to this Agreement as Exhibit A (the "Data Sheet") wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised facility within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Facility, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis.
  1. Nothing in this provision shall affect Franchisee's rights within any "Development Area" or "Designated Marketing Area" that Franchisee is granted under any separate form of area development agreement that Franchisee enters into with Franchisor (an "ADA").
  2. The parties agree and acknowledge that Franchisor may, in the alternative, define Franchisee's Designated Territory (see Section 2(C) below) upon execution of this Agreement (rather than designated a Site Selection Area), in which case Franchisee will be required to locate an approved Premises within that Designated Territory within the time period prescribed in that Agreement.
- C. Once the Franchisor approves the Premises of the Franchised Business, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor's prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor's then-current site selection criteria for the premises of a SALONS BY JC Facility; and (ii) Franchisee pays Franchisor a relocation fee amounting to Two Thousand Dollars (\$2,000) prior to Franchisor's approval of the relocation.
- D. Upon locating and securing a Premises, Franchisor will designate a geographical area surrounding the Premises wherein Franchisor will not open or locate, or license a third party

the right to open or locate, another SALONS BY JC Facility utilizing the System and Proprietary Marks (the “Designated Territory”), for so long as Franchisee is in compliance with this Agreement. The boundaries of the Designated Territory once determined by Franchisor, if any, will be described in an amended Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory.

- E. Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Facilities and that Franchisee does not have any right to sub-license or subfranchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Facilities, each of which will be governed by a separate form of Franchisor’s then-current franchise agreement.
- F. Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open or operate, other Facilities utilizing the Proprietary Marks and System outside the Designated Territory; (ii) market, offer and sell products and services similar to those offered by the Franchised Business and other Facilities (such as private label products that Franchisor may develop) through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (iii) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Facility, located within or outside your Designated Territory, and subsequently operate (or license a third party the right to operate) these locations; (iv) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Proprietary Marks at any location; and (v) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement.
- G. Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee’s fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Operations Manual or otherwise).

### **3. TERM AND RENEWAL**

- A. Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years (“Initial Term”) commencing as of the Effective Date.
- B. Franchisee may submit a request to renew this Agreement for up to two additional, consecutive terms of ten (10) years each, and must provide each request to renew no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not

unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:

1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date.
2. Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.
3. Franchisee pays Franchisor a renewal fee amounting to Ten Thousand Dollars (\$10,000.00) at least ninety (90) days prior to the expiration of the then-current term. Franchisee will not be required to pay an additional Initial Franchisee Fee (as defined in Section 4) upon renewal.
4. Franchisee and/or the Concierge Manager (as defined in this Agreement) attends a prescribed training refresher course at least thirty (30) days before the expiration of the then-current term of this Agreement, and pays a refresher training tuition fee amounting to One Thousand Dollars (\$1,000.00), which will cover the tuition for two persons to be trained over three (3) days or for whatever training schedule Franchisor is requiring for franchisees at the time of renewal. Franchisee will also be responsible for all expenses incurred in connection with attending this refresher training.
5. Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule, or ordinance.
6. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.
7. Franchisee or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Facility within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly-opened SALONS BY JC Facility.

#### **4. FEES AND PAYMENTS**

- A. In consideration of the rights and license granted herein, Franchisee shall pay the following amounts:
1. Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Sixty Thousand Dollars (\$60,000.00) (the “Initial Franchise Fee”), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment.
  2. On or before the 5<sup>th</sup> day of each calendar month, the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee must pay Franchisor an ongoing royalty fee (the “Royalty Fee”) amounting to the greater of: (i) 5.5% of the Gross Sales (as defined in Section 4(D)) generated by the Franchised Business in the preceding calendar month; or (ii) \$500 per month (the “Minimum Royalty”). Franchisor shall waive enforcement of the Minimum Royalty for the first ninety (90) days of the Franchised Business’ operation.
  3. Franchisee shall be required to contribute an amount equal to up to one percent (1%) of the Gross Sales of the Franchised Business to the brand development fund that Franchisor has established or establishes in the future (collectively, the “Fund”), with Franchisor having the right to collect such Fund Contributions: (i) immediately upon the opening of the Franchised Business; and (ii) at the same interval and manner as the Royalty Fee. Franchisor reserves the right to increase Franchisee’s Fund Contribution up to three percent (3%) of the Gross Sales of the Franchised Business.
  4. Franchisee must pay Franchisor its then-current technology fee (the “Technology Fee”) on a monthly basis as consideration for certain technology-related services that Franchisor may determine to pay for all or some portion of as part of the System, which may include: (a) website development and hosting, (b) establishing a System-wide intranet or other type of website portal for the System (a “Website Portal”) of any kind, (c) certain of the proprietary or customized software licensed by Franchisor or its affiliates to assist with the day-to-day operations of the Studio, and/or (d) any other technology that Franchisor determines appropriate, in its discretion, for use in connection with your franchised business and determines to provide as part of the Technology Fee. Franchisor may modify the Technology Fee and the timing and manner in which it is paid upon thirty (30) days’ written notice to Franchisee.
  5. All other training/tuition fees, evaluation fees, technology-related fees, as well as all amounts necessary to purchase marketing materials, inventory or other supplies from Franchisor or its affiliates must be paid on an ongoing basis, as described more fully in this Agreement.
- B. With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the “EFT Program”), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee

provides to Franchisor for use in connection with EFT Program (the “EFT Account”). Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee’s bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee’s bank, all documents, including Franchisor’s form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor’s ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee’s banking relationship, including any change to the EFT Account.

- C. Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee’s computer system used in connection with the Franchised Business (the “Computer System”) via the Internet, other electronic means or by visiting the Facility, in order to obtain Gross Sales, tenant occupancy rates and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement. Franchisee must obtain and use the Computer System hardware, software (including any accounting, bookkeeping or property management software that Franchisor designates) and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System.
- D. “Gross Sales” means the total revenue generated by the Franchised Business, including all revenue generated from leasing salon suites at Franchisee’s Facility and all amounts paid by customers for vending, laundry and any other products and services offered at your Facility, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Gross Sales” does not include the sale of products or services for which refunds have been made in good faith to customers, the sale of equipment used in the operation of the Franchised Business, any sales tax or other taxes collected from customers by Franchisee and paid directly to the appropriate taxing authority, or any reduction in revenue due to approved coupon or promotional sales.
- E. On or before the 5<sup>th</sup> day of each month, Franchisee must send Franchisor a signed Gross Sales report (a “Gross Sales Report”) detailing the following information: (i) Gross Sales of the Franchised Business from the preceding calendar month; (ii) Franchisee’s calculated Royalty Fee and Fund Contribution (if appropriate) based on the Gross Sales from the preceding reporting period; and (iii) any other information Franchisor may require for that reporting period. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Sales Reports from time to time. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee’s Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a weekly rather than monthly basis). In such event, Franchisee’s reporting obligations may also be modified by Franchisor accordingly. If Franchisor modifies the

payment interval so that it is weekly, then Franchisee's Minimum Royalty will be adjusted (to \$125/week) and collected on a weekly basis.

- F. If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate of one and one-half percent (1.5%) per month, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay One Hundred Dollars (\$100.00) for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.
- G. No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.
- H. In the event Franchisee fails to provide to Franchisor any financial report, Gross Sales Report, or other report which Franchisee is obligated by this Agreement to provide to Franchisor when such report is due, Franchisee shall pay to Franchisor a late fee with respect to each such report in the amount of \$500 for each late report.
- I. Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interests in the real estate where the franchise is located (if Franchisee purchases its Premises), as well as all improvements to that real estate. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.
  - 1. Notwithstanding anything contained in Section 4(I) of the Franchise Agreement to the contrary, Franchisee does not grant Franchisor any security interest in any real property associated with the Franchised Business if such real property is being leased by the Franchisee.
  - 2. The parties agree that Franchisor will not execute on any security interest granted to Franchisor under Section 4(I) of the Franchise Agreement unless Franchisee fails to cure a material default under the Franchise Agreement within the applicable time period for cure after Franchisor has provided Franchisee with proper notice of such default(s).

- J. If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different approved location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.

## **5. DUTIES OF FRANCHISOR**

- A. Franchisor shall offer and make available an initial training program (the “Initial Training Program”) for up to three (3) persons designated by Franchisee tuition-free, provided these individuals attend at the same time. One of the trainees must be Franchisee (or one of Franchisee’s principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, the other attendee must be Franchisee’s designated manager that will be responsible for the day to day management of the Franchised Business (the “Concierge Manager”). The Initial Training Program will be conducted at Franchisor’s corporate headquarters or other facility that Franchisor designates, subject to the schedules and availability of Franchisor’s training personnel. Franchisor will provide the Initial Training Program to additional owners of Franchisee or managers of the Franchised Business (subject to the availability of Franchisor’s staff), provided Franchisee pays Franchisor its then-current initial training fee for each individual that attends in addition to the first three (3) persons (as well as any expenses incurred).
- B. Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor’s then-current initial training fee (as well as any expenses incurred).
- C. Franchisor may, as it deems appropriate in its discretion: (i) develop additional and refresher training courses, and require Franchisee and its management to attend such courses; and (ii) any “Remedial Training” that Franchisor determines to be a part of the actions that Franchisee must take to cure a default hereunder, as described more fully in Section 6(N). Franchisor may require Franchisee and its designated attendees to pay its then-current training tuition fee in connection with attending any additional/refresher training and/or Remedial Training that Franchisor prescribes (in addition to Franchisee’s obligation to pay for any expenses incurred). Franchisor will not require Franchisee and its management to attend more than five (5) days of additional/refresher training each year (not including any Remedial Training that Franchisor has the right to prescribe under Section 6(N)).
- D. Franchisor will loan Franchisee one (1) copy of its proprietary and confidential operations manual prior to the opening of the Franchised Business, as well as any other instructional manuals as Franchisor deems appropriate (collectively, the “Manuals”). Franchisor will also loan Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the “Required Items”); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively, the “Approved Suppliers”); and (iii) a list of those services and products that Franchisee is authorized to

offer, sell or provide at and from the Franchised Business (collectively, the “Approved Products and Services”). The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to you.

- E. Franchisor will provide Franchisee with site selection assistance and guidance with regards to Franchisee’s selection of a Premises for the Franchised Business, including Franchisor’s then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor may require that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee’s proposed location, as well as the lease for the Premises (the “Lease”) or purchase agreement for the location, prior to Franchisee entering into any such agreement for that location to serve as the Premises of the Franchised Business.
  - 1. Franchisor may condition its approval of any Lease for the proposed Premises on the landlord’s execution of Franchisor’s form of Consent and Agreement of Landlord Form and Collateral Assignment of Lease attached to this Agreement at Exhibit C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location and corresponding Lease within thirty (30) days of receiving all reasonably requested information from Franchisee.
  - 2. Franchisor may, but is under no obligation to, conduct an on-site evaluation of any proposed Premises. In the event Franchisor conducts any such on-site evaluation in connection with the Franchised Business, Franchisor may require Franchisee to reimburse Franchisor for the actual costs and expenses that Franchisor incurs in connection with sending its representative(s) to conduct such evaluation.
- F. Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the pre-opening marketing, advertising and promotional efforts that Franchisee must undertake in accordance with a marketing plan that Franchisor approves and/or directs for such activities and Franchisee’s Initial Marketing Spend (as defined and described more fully in Section 9 of this Agreement) that Franchisee must expend to market and promote the initial launch of the Franchised Business.
- G. Franchisor may, as it deems appropriate and advisable in its sole discretion, provide opening assistance and continuing advisory assistance in the operation of the Franchised Business. Franchisor’s determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.
- H. Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.
- I. For so long as Franchisor has an active website containing content designed to promote the SALONS BY JC brand, System and Proprietary Marks (collectively, the “Website”), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement. Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with the Franchised Business.



- J. Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be sold at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier Franchisor designates.
- K. Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Franchisor is not responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.
- L. If established, Franchisor will administer the Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.
- M. Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.
- N. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- O. If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within thirty (30) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor complied with all of its pre-opening and opening obligations set forth in this Agreement.
- P. Franchisor may establish and conduct an annual conference for all SALONS BY JC Facility owners and operators, and may require Franchisee to attend this conference for no more than five (5) days each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages). If Franchisee fails to attend any annual or regional conference, then Franchisee shall pay a penalty fee of five hundred dollars (\$500) to Franchisor.

## **6. DUTIES OF FRANCHISEE**

- A. Franchisee must secure a Premises within the Designated Territory within ninety (90) days of executing this Agreement, unless Franchisor agrees to an extension of time in writing. If Franchisor has designated an Approved Supplier for site selection assistance, then Franchisor may require that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, the form of Lease must be approved by

Franchisor and Franchisee must ensure that the Lease contains the following terms as a condition to Franchisor's approval thereof:

1. The leased Premises will only be used as a SALONS BY JC Facility offering only salon suite services and the other Approved Products and Services that Franchisor designates;
  2. Franchisor has the right to enter the Premises to make any modifications necessary to protect Franchisor's Proprietary Marks;
  3. Upon Franchisor's request, the landlord shall supply Franchisor with a current copy of the Lease;
  4. The landlord will notify Franchisor in writing of and upon the failure of Franchisee to cure any default by Franchisee under the Lease, and provide Franchisor with an opportunity to cure the default on behalf of Franchisee within a reasonable period of time;
  5. Franchisor will have the option, but not the obligation, to assume or renew the Lease and the occupancy of the business premises, including the right to sublease to another party operating a Facility, for all or any part of the remaining term of the Lease only if: (i) the Franchise Agreement or Lease is terminated for cause; (ii) Franchisee is in default under the Lease and, if applicable, fails to cure within the time period provided for in the Lease; (iii) Franchisee is in material default of the Franchise Agreement and fails to cure said default(s) within the applicable time period (if any) thereunder; or (iv) either the Franchise Agreement or Lease expires (and Franchisee does not renew in accordance with the respective terms of those agreements). Franchisor will not have the right to assume any Lease in the event Franchisee is relocating the Franchised Business from the Premises governed by the Lease in accordance with the terms of this Agreement. In the event Franchisor assumes the Lease under this Section, Franchisor will not be obligated to pay to the landlord past due rent, common area maintenance, and/or other charges attributable to more than one (1) month. The landlord shall give Franchisor thirty (30) days upon termination of Franchisee's rights under the Lease to exercise this option, which Franchisee must do in writing; and
  6. The Lease may not be materially amended, assigned, or terminated without Franchisor's prior written approval.
- B. Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.
- C. Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee's default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised Business upon the

termination or expiration of the Lease, the future operation of that Facility by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.

- D. Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans and open the Franchised Business to the public no later than twelve (12) months after the date this Agreement is executed. Franchisor may recommend or require that Franchisee use an Approved Supplier for construction management, architectural services or any related pre-opening services. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.
1. Notwithstanding anything contained in this Section, Franchisor will provide Franchisee with a reasonable extension of time not to exceed ninety (90) days to complete the build-out/construction of the Franchised Business and open to the public, provided: (i) Franchisee has already executed a lease for, or otherwise obtained, a Premises that Franchisor approves; and (ii) Franchisee notifies Franchisor of its need for such an extension no less than thirty (30) days prior to expiration of the twelve (12) month period described herein.
  2. The parties further agree and acknowledge that if Franchisee is opening and operating the Franchised Business pursuant to its development obligations under an ADA with Franchisor, then that ADA will control the timeline for opening and operating the Franchised Business in the event there is an inconsistency between the ADA and this Agreement. Franchisee must open and commence operations of the Franchised Business within the time period prescribed in the development schedule set forth in the ADA (even if Franchisor does not require Franchisee to execute this Agreement until Franchisee has secured an approved Premises for the Franchised Business).
- E. Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory, including all required licenses and permits related to the offer and provide salon suite leasing services and the other Approved Products and Services provided at the Franchised Business.
- F. Franchisee must only offer and sell only the Approved Products and Services at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Products and Services are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Products and Services from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the

disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute.

- G. Franchisee is specifically prohibited from installing, displaying, or maintaining any vending machines, gaming machines, automatic teller machines, internet kiosks, public telephones (or payphones), or any other electrical or mechanical device in the Facility other than those Franchisor prescribes or approves.
- H. Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. Franchisor will not require Franchisee to make material renovations or refurbishments to the Premises of the Franchised Business more than once every ten (10) years, unless such renovation/refurbishment is in connection with a renewal or transfer of this Agreement. The parties agree and acknowledge, however, that the limitation set forth in the preceding sentence will not apply to any request to modify the Proprietary Marks as provided for in this Agreement.
- I. Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto, including any laws and regulations related to commercial leasing/subleasing, the operation of a salon and/or the rental/leasing a individual salon suite within Franchisee's Facility to a third party.
- J. Franchisee must: (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
- K. If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request and pay Franchisor's then-current product/supplier evaluation fee (the "Evaluation Fee"). At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding

Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third party to supply, provided that third party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

- L. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.
- M. Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials or other promotions that Franchisor designates.
- N. Franchisee agrees and acknowledges that Franchisee and each of its management personnel (including its Concierge Manager) must:
  - 1. Attend and successfully complete the Initial Training Program (Franchisee only) or other required limited training (Concierge Manager only) within sixty (60) days of executing this Agreement, and must pay Franchisor the appropriate initial training tuition fees for any person(s) that attend the program other than the first three (3) individuals. Franchisee must also cover all costs associated with personnel of Franchisee attending the Initial Training Program. Franchisee agrees and acknowledges that, in order for Franchisee and/or its management to be eligible to receive any portion of Franchisor's Initial Training Program, Franchisee must first: (i) submit, and obtain our approval of, the initial marketing plan and proposed budget for Initial Marketing Spend expenditures that Franchisee must develop; (ii) demonstrate that Franchisee has pre-paid all amounts in connection with the foregoing plan as part of your Initial Marketing Spend, or is otherwise in a position to do so; (iii) setting up Franchisee's designated bank account for EFT payments required in connection with the Franchised Business, including providing Franchisor or its designee with all authorizations and approvals necessary access to such account; and (iv) otherwise complete, update and sign all Exhibits to the Franchise Agreement to the extent they

have not been previously executed, updated or completed in their entirety (collectively, the “Training Conditions”).

2. Attend and successfully complete additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, as well as up to five (5) days of training that Franchisor has the right to require Franchisee and its management personnel to attend in response to any default of this Agreement by Franchisee as part of Franchisee’s actions to cure such default (“Remedial Training”); and
  3. Attend, and actively participate in, Franchisor’s annual conference or other Facility owner meeting if Franchisor determines to conduct such a conference or meeting.
- O. Franchisee or at least one (1) of Franchisee’s personnel that has successfully completed the Initial Training Program must conduct training classes for, and properly train, all of Franchisee’s employees on sales, advertising, maintenance of the Premises, the POS System and computer system, as well as any other information that is relevant to each employee’s role with the Franchised Business, including Franchisor’s standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one person that has completed the Initial Training Program must manage the Franchised Business at all times.
- P. Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- Q. Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor’s standards and specifications, including: (i) ensuring that the Premises (including any retail space/racks) are maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures remain in good, clean condition and is properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, including the furniture, fixtures and equipment used at the Premises, no more than once every ten (10) years (unless the change is required in connection with a renewal or transfer of this Agreement) so that the Premises and Franchised Business conform with Franchisor’s then-current System standards and specifications for a new SALONS BY JC Facility.
- R. Franchisee must maintain a list of all of its current and former operators and customers of the Facility, as well as copies of their respective leasing contracts, at the Premises and make such lists and contracts available for Franchisor’s inspection upon request.
- S. Franchisee shall follow Franchisor’s general leasing/pricing guidelines but, as an independent contractor, Franchisee may exercise flexibility in meeting competition, offering leasing specials, and adapting to local market conditions. Franchisor may request information from Franchisee that has been used to substantiate any reduction in pricing to meet market conditions.
- T. Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers’ interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and

adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.

- U. To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview personnel and customers of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.
- V. Franchisee must engage a Concierge Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business. If Franchisee designates a manager at any time, that manager must successfully complete our-then current Concierge Manager Training prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.
- W. Franchisee will have the option, but not the obligation, to accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express and Discover.
- X. Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Y. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained.

## **7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises,

and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.

- C. To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:
1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
  2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
  3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, SALONS BY JC, which trademarks is owned by J 'N C Real Estate Development, LLC."
- D. Franchisee acknowledges that the Proprietary Marks, System, Manual, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.
- E. Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.
- F. Franchisee agrees that all documents, papers, notes, and other materials, as well as work products containing or derived from the proprietary information or from the knowledge of, or in connection with, the operation of the Franchised Business, will be Proprietary Information (as defined in this Agreement) that is the exclusive property of Franchisor. Franchisee agrees that it will have no proprietary interest in any work product developed



or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.

- G. Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the "Improvements"), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.
- H. No representation or warranty, express or implied, is made by Franchisor to the effect that the use of the System does not constitute an infringement upon the patent, copyright, or other proprietary rights of other persons. Franchisee hereby agrees that Franchisor shall have no liability to Franchisee in the event the System is held not to be secret or confidential or in the event that any infringement of others' proprietary rights occurs because of Franchisee's use of the System.
- I. If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages
- J. Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- K. Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks.
- L. Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the

name SALONS BY JC or any name similar to it. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.

- M. Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- N. With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
  2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
  3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- O. Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.
- P. Franchisee shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In

the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.

- Q. Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7.
- R. In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the internet except as approved in writing by Franchisor; and
  2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time.

## **8. OPERATIONS MANUALS AND CONFIDENTIAL/PROPRIETARY INFORMATION**

- A. In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals.
- B. Franchisee acknowledges the Manuals provided by Franchisor to Franchisee are intended to protect Franchisor's standards, systems, names, and marks and are not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's Business will be under the control of the Franchisee at all times. Franchisee will be responsible for the day-to-day operation of the business.
- C. In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business.

- D. The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary information include the following:
1. The Manuals;
  2. Information that relates in any manner to Franchisor's business or the System, including without limitation, information relating to Franchisor's marketing materials and methods whether oral or reduced to writing, that is not generally known to, or readily ascertainable by, other persons who might derive economic benefit from its disclosure or use; and
  3. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Proprietary Information").
- E. Franchisee acknowledges and agrees that the Proprietary Information and any business goodwill of the Franchise are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Proprietary Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.
- F. Excepted from Proprietary Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as hereinafter defined) is information which:
1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
  2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.
- G. Franchisee shall at all times treat the Proprietary Information as confidential and shall use all reasonable efforts to keep such information secret and confidential. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.
- H. Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Proprietary Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, spouses of employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Proprietary Information (collectively, "Restricted Persons") execute Franchisor's prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the "Confidentiality and Non-

Competition Agreement”). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee’s spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor’s request.

- I. Franchisor will loan one (1) copy of the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- J. In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions. Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee’s Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Out-of-date pages must be returned to Franchisor immediately upon replacement. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.

## **9. ADVERTISING**

- A. Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all SALONS BY JC Facilities operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee’s expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor’s standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor’s approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have thirty (30) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this thirty (30) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor’s property and there will be no restriction on Franchisor’s use or dissemination of such materials. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor

reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase “Franchises Available” and references to Franchisor’s telephone number and/or website.

- C. Franchisee must spend between \$15,000 and \$20,000 to marketing, advertise and promote the initial launch of the Franchised Business within the Designated Territory, which must be expended in accordance with a written plan that Franchisee develops subject to Franchisor’s directives, requirements and approval (the “Initial Marketing Spend”). Franchisor will designate the exact Initial Marketing Spend requirement after Franchisee secures and approved Premises from which to operate the Franchised Business, as well as the specific time period wherein the Initial Marketing Spend must be expended.
- D. If Franchisee’s occupancy rate falls below 90%, Franchisor may, in its sole discretion, conduct a marketing evaluation with Franchisee to determine an appropriate monthly local marketing expenditure up to \$1,000 per month (the “Local Advertising Requirement”). Franchisor may waive Franchisee’s minimum Local Advertising Requirement once the Franchised Business has reached an occupancy rate greater than 90%, and for each month thereafter that said occupancy rate remains above this 90% threshold. Franchisee’s Local Advertising Requirement (if triggered) will commence upon expiration of the period wherein Franchisee is required to expend the Initial Marketing Spend.
  - 1. Upon Franchisor’s request, Franchisee must provide Franchisor with invoices or other proof of its monthly expenditures on local advertising and marketing.
  - 2. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other Salons by JC franchise); (ii) the Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates.
- E. Franchisor will, if and as Franchisor determines appropriate in its discretion, establish and administer the brand development Fund designed to promote the System, Proprietary Marks and brand generally. Franchisor may require Franchisee to contribute to this Fund on a monthly basis in an amount equal to one percent (1%) of the Gross Sales of the Franchised Business as described in Section 4. Any amounts Franchisee is required to contribute to the Fund will be credited towards Franchisee’s Local Advertising Requirement obligations. All payments by Franchisee to the Fund are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund. The Fund will be maintained and administered by Franchisor or Franchisor’s designee as follows:
  - 1. Franchisor will use Fund and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Services.
  - 2. Franchisor is not obligated to spend monies from the Fund in any particular Franchisee’s market in proportion to the payments to the Fund made by the Franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally.

3. The Fund may be used to meet any and all costs of maintaining, administering, directing, and preparing advertising. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website, certain training tools designed to assist Facility owners and personnel, mystery shopping and other inspection-related tools, employing advertising and public relations agencies, purchasing promotional items, and providing other marketing materials and services to the Facilities operating under the System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs. No part of the Fund shall be used by Franchisor to defray any of its general operating expenses, other than those reasonably allocable to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund.
  4. Franchisor shall administratively segregate all contributions to the Fund on its books and records. All such payments to the Fund may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the Fund in accordance with the terms hereof. Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event Franchisor's expenditures for the Fund in any one (1) fiscal year shall exceed the total amount contributed to the Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.
  5. Franchisor shall, on an annual basis, account for the operation of the Fund and prepare an audited financial statement evidencing such accounting, which will be available to Franchisee upon its written request ninety (90) days after the Franchisor's fiscal year end. Franchisor may modify and/or dissolve the Fund at any time after it is established.
- F. Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Council, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Facilities, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.
- G. Franchisor agrees that it will establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. Franchisee may not establish any separate website or other Internet

presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate.

- H. Franchisor may establish regional advertising cooperatives that are comprised of multiple Facility owners located within a geographical region that Franchisor designates (each, a "Cooperative"). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in an amount not to exceed Franchisee's Local Advertising Requirement each month. All amounts paid to a Cooperative will be credited towards Franchisee's Local Advertising Requirement. Franchisor shall have the right to specify the governing rules, terms and operating procedures of any Cooperative.

## **10. ACCOUNTING AND RECORDS**

- A. Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents).
- B. Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts.



- C. Franchisee shall record all transactions and Gross Sales of the Franchised Business on a Computer System that is approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4 of this Agreement.
- D. Franchisee will not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement.
- E. At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects that Franchisee is involved in or working with.
- F. Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. Franchisee must provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Sales Report as described more fully in Section 4 of this Agreement on or before the 5<sup>th</sup> day of each calendar month; (ii) on or before the twentieth (20<sup>th</sup>) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within sixty (60) days of each calendar quarter, an unaudited balance sheet reflecting the financial position of the Franchised Business as of the end of that calendar quarter; (iv) within sixty (60) days of Franchisor's request, a financial statement that details the total assets and liabilities of the Franchised Business (and, if appropriate Franchisee and personal guarantors under this Agreement); (v) within ninety (90) days after the close of each fiscal year of Franchisee, financial statements which shall include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (vi) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.
- H. In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has underreporting the Gross Sales of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and GAAS for Franchisee's fiscal year within 120 days of Franchisee's fiscal year end.
- I. In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any change to: (i) the listing of all owners and other holders of any type

of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any of the designated managers that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.

## **11. INSURANCE AND INDEMNIFICATION**

- A. Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. The type of insurance will include, but are not necessarily limited to:
1. Employer's liability and workers' compensation as prescribed by law;
  2. Comprehensive general liability covering the operation of the Franchised Business with a minimum of \$2,000,000 total coverage and \$1,000,000 coverage per incident (or greater amount);
  3. Comprehensive fire legal liability;
  4. Comprehensive and liability coverage for any owned and non-owned (leased) motor vehicles used in connection with the Franchised Business;
  5. Any professional liability associated with the facility management and other Approved Products and Services that Franchisee directly provides at the Facility; and
  6. Any other coverage that Franchisor periodically requires to satisfy insurance-related obligations.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.
- C. Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's ownership, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

## 12. INDEPENDENT CONTRACTOR

- A. In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This SALONS BY JC Facility is independently owned and operated pursuant to a license agreement."

## 13. TRANSFER AND ASSIGNMENT

- A. **No Transfer by Franchisee Without Franchisor's Approval.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.
- B. **Death or Disability.**
  - 1. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors),

Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the "90 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.
3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves pursuant to Section 13(E).

- C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).

- D. **Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's Lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.
- E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement upon satisfaction of the following occurrences:
1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;
  2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
  3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
  4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement;
  5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however,

transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;

6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
7. Franchisee shall pay Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000), with a \$1,000 non-refundable deposit due at the time of transfer application submittal and the remainder upon execution of the new franchise agreement by the transferee;
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, and pay Franchisor a tuition training fee of One Thousand Dollars (\$1,000) for transferee and one other person to attend training (the transferee will also be responsible for all costs and expenses associated with attending the initial training program);
9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that is has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;
13. The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;
14. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document; and
15. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not constitute a waiver of any claims Franchisor may have against the

transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event: (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) Franchisee is, and at all times remains, the owner of 51% or more of the outstanding shares of the corporation or a controlling interest in the limited liability company; (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.
- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

#### 14. COVENANTS

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Concierge Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Concierge Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to or have any interest in or involvement with, any other business that offers or provides, or grants franchises or licenses a third party the right to operate any business that offers or provides, the leasing, subleasing or rental of individual salon suites and/or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility (collectively, a "Competing

Business”). For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (ii) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;

2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or
3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

**B. After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business competing in whole or in part with Franchisor granting franchises or licenses for Competing Businesses. The geographic scope of this non-compete will be the geographic area where Franchisor can demonstrate it has actively offered franchises as of the expiration or termination of this Agreement.
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
  - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in or involvement with any other Competing Business: (i) at the Premises; (ii) within the Designated Territory; or (iii) within a forty (40) mile radius of the perimeter of the Designated Territory being granted hereunder or any other designated territory licensed by Franchisor to a SALONS BY JC Facility as of the date of expiration or termination of this Agreement; or
  - b. Solicit business from customers of Franchisee’s former Franchised Business or contact any of Franchisor’s suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor’s other employees, or the employees of Franchisor’s affiliates or any other System franchisee to discontinue employment.

- C. It is the parties’ intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened



breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 15 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 15 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation of this Section 15 shall be tolled during any default under this Section 14.

- D. Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document attached to this Agreement as Exhibit E). Franchisee must furnish Franchisor a copy of each executed agreement.
- E. Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

## **15. DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

- A. This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
  - 1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
  - 2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
  - 3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
  - 4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;

5. A final judgment in excess of Ten Thousand Dollars (\$10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
  6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.
- B. Franchisor has the right to terminate this Agreement upon notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:
1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
  2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
  3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured;
  4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
  5. If Franchisee misuses the Proprietary Marks or Proprietary Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Proprietary Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
  6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business, including any property management software;
  7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
  8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time

during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);

9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; or (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;
12. If Franchisee fails to provide Franchisor with access to Franchisee's POS system, Computer System or registers located at the Franchised Business as required under this Agreement, and fails to remedy this default within twenty four (24) hours of being notified by Franchisor;
13. If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchisee is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;

17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
  18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period; or
  19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers; or if Franchisee loses its approval from any city, state, or other regulatory agency to operate a business that provides salon suite leasing services.
- C. Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.
- D. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

## **16. POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of Franchise at or with respect to the Premises;
- B. Return to Franchisor the Manuals and all trade secrets, Proprietary Materials and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence

between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;

- C. Take such action as may that Franchisor designates to: (i) provide the then-current and up-to-date customer list and contracts to Franchisor; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F.
- D. Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest; cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System; and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass;
- E. Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. Provide Franchisor with written evidence that (a) Franchisee has complied with the post-term obligations, and (b) Franchisee has paid all past due amounts owed under this Agreement or otherwise in connection with the Franchised Business to Franchisor and its approved suppliers, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- G. Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).

## **17. TAXES AND INDEBTEDNESS**

- A. Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes

which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.

- B. Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

## **18. WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.
- B. No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.
- C. No warranty or representation is made by the Franchisor that all SALONS BY JC franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

## **19. ENFORCEMENT**

- A. In order to ensure compliance with this Agreement and enable Franchisor to carry out its obligation under this Agreement, Franchisee agrees that Franchisor and its designated agents shall be permitted, with or without notice, full and complete access during business hours to inspect the Premises and all records thereof, including but not limited to, records relating to Franchisee's customers, suppliers, employees, and agents. Franchisee shall cooperate fully with the Franchisor and its designated agents requesting such access.

- B. The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee’s use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- C. Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- D. If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor’s affiliates, and Franchisor engages an attorney to enforce Franchisor’s rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys’ fees, court costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee’s claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor’s reasonable attorneys’ fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

**20. NOTICES**

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: J ‘N C Real Estate Development, LLC  
 Attn: Steve Griffey  
 18402 US Hwy 281 N., Ste. 267  
 San Antonio, Texas 78259

With a copy to: Lane J. Fisher, Esq.  
 Fisher Zucker, LLC  
 21 South 21<sup>st</sup> Street  
 Philadelphia, PA 19103

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

Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party

shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address.

## **21. GOVERNING LAW AND DISPUTE RESOLUTION**

- A. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to this state's conflict of laws principles.
- B. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- C. At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place in San Antonio, Texas under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Proprietary Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.
- D. Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Proprietary Marks and Proprietary Information



(including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

- E. Except for those claims described in Section 21(D) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated in the state court of general jurisdiction closest to San Antonio, Texas or, if appropriate, the United States District Court for the Western District of Texas. Franchisee acknowledges that this Agreement has been entered into in the State of Texas, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Texas, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Texas as set forth in this Section.
- F. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

- J. Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.
- K. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.
- L. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

## **22. SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.

- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

**23. ACKNOWLEDGMENTS**

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits, or success. Franchisee acknowledges that this Agreement, the franchise disclosure document ("FDD"), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.
- B. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK  
SIGNATURES ON THE FOLLOWING PAGE***

**IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.**

**FRANCHISOR:**

**J 'N C REAL ESTATE DEVELOPMENT, LLC**

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

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

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

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

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

**IF A PARTNERSHIP,  
CORPORATION, OR OTHER  
ENTITY:**

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

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

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

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

**EXHIBIT A TO THE FRANCHISE AGREEMENT**

**DATA SHEET AND STATEMENT OF OWNERSHIP**

1. SITE SELECTION AREA

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

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2. PREMISES

Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises:

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3. DESIGNATED TERRITORY

Pursuant to Section 2(D) of the Franchise Agreement, Franchisee’s Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

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4. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

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

Daytime Telephone No.: \_\_\_\_\_

Evening Telephone No.: \_\_\_\_\_

Cellular Telephone No.: \_\_\_\_\_

Facsimile No.: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

5. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISEE**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**J ‘N C REAL ESTATE DEVELOPMENT,  
LLC**

By: \_\_\_\_\_  
Steve Griffey, President

**OWNERS  
(SHAREHOLDERS/MEMBERS/PARTNERS/ETC.)**

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

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

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

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

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

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

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

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

## **EXHIBIT B TO THE FRANCHISE AGREEMENT**

### **PERSONAL GUARANTY**

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

### **ARTICLE I PERSONAL GUARANTY**

The undersigned persons (individually and collectively "you") hereby represent to J 'N C Real Estate Development, LLC (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named \_\_\_\_\_ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing J 'N C Real Estate Development, LLC Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

### **ARTICLE II CONFIDENTIALITY**

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Proprietary Information, trade secrets and/or confidential information, including without limitation: methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor as its affiliates have developed (the "System") for the establishment and operation of a SALONS BY JC franchised business (hereafter, a "Franchised Business" or "Facility"); Franchisor's System standards and specification for the furniture, fixtures, equipment, supplies and inventory to be used in connection with the establishment and operation of a Franchised Business; the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business, as well as the individual salon suites located within the Franchised Business; any proprietary software that is necessary for the operation of the Franchised Business; System standards and specifications for the marketing and sale of all products and services offered at the Franchised Business, including without limitation any proprietary products or services Franchisor has developed; Franchisor's proprietary Operations Manual and other instructional manuals, as well as any training

materials and information Franchisor has developed for use in connection with the System; information regarding the development of Franchisor's proprietary marks (the "Proprietary Marks"); as well as any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement ( collectively, "Confidential Information"). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor's copyrighted materials; price marketing mixes related to the offer of leasing services and other Approved Services and Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Products and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the of operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee's obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes "Confidential Information" under this Section: (i) former, current and prospective customer and operator information, including customer names and addresses, customer leasing histories and contracts/operator names and their respective contact information, contract history and operator agreements/contacts (collectively "Customer Lists"), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

### **ARTICLE III NON-COMPETITION**

You acknowledge that as a participant in the Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor's franchisees, you agree as follows:

**1. During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business that: (i) offers, sells or provides salon suite leasing services similar to those provided by the Franchised Business and/or any other SALONS BY JC business; or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that offer or engage in the leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility (each, a "Competing Business"); provided, however, that this Section does not apply to your operation of a SALONS BY JC franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly-traded company.

1.2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform,



directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

**2. After the Term of This Agreement.**

2.1. For a period of two years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses, or establishing joint ventures, for Competing Businesses. The geographic scope of this non-compete shall be the area where Franchisor can demonstrate it has offered SALONS BY JC franchises as of the termination or expiration of the Franchise Agreement.

2.2. For a period of two years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1. Own, maintain, engage in, be employed by, lend money to, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Designated Territory granted under the Franchise Agreement; or (iii) within a radius 40 miles of (a) the perimeter of the Designated Territory granted under the Franchise Agreement, or (b) the perimeter of any other designated territory granted by Franchisor to any SALONS BY JC business as of the date of expiration, transfer or termination of this Agreement through the date of your involvement in the Competing Business;

2.2.2. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

2.2.3. Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System franchisee to discontinue employment.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

**ARTICLE IV  
DISPUTE RESOLUTION**

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Texas.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, in San Antonio, Texas under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located closest to San Antonio, Texas or, if appropriate, the United States District Court for the Western District of Texas. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor's sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the

other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16. **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns or transferees.

**IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.**

**PERSONAL GUARANTORS**

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

**EXHIBIT C TO THE FRANCHISE AGREEMENT**  
**CONSENT AND AGREEMENT OF LANDLORD FORM AND**  
**COLLATERAL ASSIGNMENT OF LEASE FORM**

**CONSENT AND AGREEMENT OF LANDLORD**

The undersigned Landlord hereby:

- A. Agrees that the leased Premises will only be used in connection with the operation of Franchisee’s SALONS BY JC franchised business;
- B. Agrees that Franchisor has the right to enter the Premises to make any modifications necessary to protect Franchisor’s Proprietary Marks;
- C. Agrees to allow Franchisee, upon written request from Franchisor, to provide Franchisor with a current copy of the lease;
- D. Agrees to notify Franchisor in writing of and upon the failure of Franchisee to cure any default by Franchisee under the Lease, and also provide Franchisor with the right to cure said default under the Lease within thirty (30) days of being notified (but Franchisor is under no obligation to do so);
- E. Agrees that Franchisor will have the option, but not the obligation, to assume or renew the lease and the occupancy of the business Premises, including the right to sublease to another Franchisee, for all or any part of the remaining term of the lease, upon Franchisee’s default or termination hereunder or upon Franchisee’s default or termination or expiration of the Franchise Agreement, and in connection with said assumption Franchisor will not be obligated to pay to the landlord past due rent, common area maintenance, and other charges attributable to more than one (1) month. The landlord shall give Franchisor thirty (30) days, upon termination of Franchisee’s rights under the lease, to exercise this option; and
- F. Agrees that the lease may not be materially amended, assigned, or sublet without Franchisor’s prior written approval.

Dated: \_\_\_\_\_

LANDLORD  
CORPORATE SIGNATURE:

a/an \_\_\_\_\_ corporation

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

SIGNED and SEALED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_

\_\_\_\_\_ Notary Public

**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned (“Assignor”) hereby assigns and transfers to J ‘N C Real Estate Development, LLC (“Assignee”), all of Assignor’s right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Schedule 1 (the “Lease”) respecting premises commonly known as \_\_\_\_\_ (the “Premises”).

This Assignment is for collateral purposes only and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless: (i) Assignee provides express, written notice to both Assignor and the landlord of the Premises under the Lease that Assignee is assuming all of Assignor’s rights, title and interest under the Lease pursuant to this assignment; and (ii) Assignee takes possession of the Premises demised by the Lease pursuant to the terms hereof, and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default and failure to cure (within the appropriate time period) by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (the “Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than 120 days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

**ASSIGNOR:**

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

SIGNED AND SEALED this \_\_  
day of \_\_\_\_\_, 20\_\_

**EXHIBIT D TO THE FRANCHISE AGREEMENT**

**EFT AUTHORIZATION FORM**

Bank Name: \_\_\_\_\_  
ABA# : \_\_\_\_\_  
Acct. No.: \_\_\_\_\_  
Acct. Name: \_\_\_\_\_

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes J ‘N C Real Estate Development, LLC (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”) for the franchised business located at: \_\_\_\_\_ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions; (iii) any amounts due and owing the Company or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a monthly or weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

**AGREED:**

**FRANCHISEE**

[INSERT FRANCHISEE NAME]

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

Name (Print): \_\_\_\_\_

Its: \_\_\_\_\_

**FRANCHISOR APPROVAL**

**J ‘N C REAL ESTATE DEVELOPMENT, LLC**

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

Steve Griffey, President

**Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.**



## EXHIBIT E TO THE FRANCHISE AGREEMENT

### CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

*(for trained employees, officers, directors, general partners, members, Concierge Managers and any other management personnel of Franchisee)*

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of \_\_\_\_\_ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from J ‘N C Real Estate Development, LLC (the “Company”) to: (i) establish and operate a SALONS BY JC franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of SALONS BY JC businesses (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other SALONS BY JC businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of SALONS BY JC business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such

information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) offers or engages in the leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility; or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that offer, sell or provide leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility (collectively, a "Competing Business"). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

6.1 *Post-Term Restrictive Covenant for Concierge Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 40-mile radius of the Premises; or (ii) within a 40-mile radius of any other SALONS BY JC business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two-year period following the termination or expiration of my employment with the Franchisee.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement

to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of Texas. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

**UNDERSIGNED**

Signature: \_\_\_\_\_

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

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

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

**ACKNOWLEDGED BY FRANCHISEE**

[FRANCHISEE NAME]

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

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

**EXHIBIT F TO THE FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES**

1. \_\_\_\_\_, doing business as SALONS BY JC (the "Assignor"), in exchange for valuable consideration provided by J 'N C Real Estate Development, LLC (the "Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its SALONS BY JC franchised business located at \_\_\_\_\_ (collectively, the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_

Facsimile Number(s): \_\_\_\_\_

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): \_\_\_\_\_

\_\_\_\_\_.

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

**ASSIGNOR**

BY: \_\_\_\_\_

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

TITLE: \_\_\_\_\_

**ASSIGNEE**

J 'N C REAL ESTATE DEVELOPMENT, LLC

BY: \_\_\_\_\_

Steve Griffey, President

**EXHIBIT C**

**DEVELOPMENT AGREEMENT**

**J 'N C REAL ESTATE DEVELOPMENT, LLC**

**D/B/A**

**SALONS BY JC**

**AREA DEVELOPMENT AGREEMENT**

DEVELOPER

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DATE OF AGREEMENT

**TABLE OF CONTENTS**

1. REFERENCES AND DEFINITIONS .....2

2. USE OF SYSTEM .....2

3. GRANT OF DEVELOPMENT RIGHTS .....2

4. DEVELOPMENT RIGHTS AND OBLIGATIONS .....3

5. FACILITY CLOSINGS .....5

6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS .....5

7. DUTIES OF DEVELOPER .....6

8. SITE SELECTION, LEASES, FRANCHISE AGREEMENT .....7

9. DEVELOPMENT FEE .....8

10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT .....9

11. COVENANTS .....9

12. RELATIONSHIP OF THE PARTIES .....11

13. LICENSED MARKS .....12

14. TERMINATION .....13

15. EFFECT OF TERMINATION AND EXPIRATION .....14

16. TRANSFER OF INTEREST .....15

17. APPROVALS .....19

18. NONWAIVER .....19

19. DEVELOPER’S RECORDS AND REPORTS .....20

20. NOTICES AND PAYMENTS .....20

21. ALTERNATE DISPUTE RESOLUTION .....23

22. LITIGATION AND OTHER DISPUTE RESOLUTION PROVISIONS .....23

23. ENFORCEMENT .....23

24. CAVEAT .....25

25. MISCELLANEOUS .....26

**ATTACHMENTS**

- ATTACHMENT A - GUARANTY AND ASSUMPTION OF OBLIGATIONS
- ATTACHMENT B – DEVELOPMENT AREA
- ATTACHMENT C – DEVELOPMENT SCHEDULE
- ATTACHMENT D – STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS

**SALONS BY JC  
AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (the “Agreement”), is made and entered into this day of \_\_\_\_\_, by and between J ‘N C REAL ESTATE DEVELOPMENT, LLC, a limited liability company formed and operating under the laws of the State of Texas whose principal business address is 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259 (the “Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_, or \_\_\_\_\_, an individual, whose principal business address is \_\_\_\_\_, (the “Developer”).

**WITNESSETH:**

WHEREAS, as the result of the expenditure of time, effort and expense, Franchisor has created a unique and distinctive proprietary system (hereinafter the “System”) for the establishment, development and operation of a SALONS BY JC business (a “SBJC Business”) that provides high-end retail space in the form of individual salon suites to beauty and wellness practitioners where such practitioners can provide their respective services under the mark SALONS BY JC (a “Facility”).

WHEREAS, Franchisor owns the System and the right to use the Marks (as defined below), and grants the right and license to others to use the System and the Marks;

WHEREAS, the distinguishing characteristics of the System include, without limitation, proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Facility and each individual salon suite, standards and specifications for the furniture, fixtures and equipment located within a Facility, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a SBJC Business.

WHEREAS, Franchisor identifies the System and licenses the use of certain trade names, service marks, trademarks, emblems and indicia of origin, including the mark SALONS BY JC and other trade names, service marks and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use with the System (the “Marks”);

WHEREAS, Developer desires the right to develop, own and operate multiple SBJC Businesses under the System in a defined geographic area under a Development Schedule (the “Development Schedule”) set forth in this Agreement; and

WHEREAS, Developer acknowledges that Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted as a SBJC Business may evolve and change over time, that an investment in a SBJC Business involves a business risk and the success of the venture is largely dependent upon Developer’s business abilities and efforts.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, agree as follows:



**1. REFERENCES AND DEFINITIONS**

**A. DEVELOPMENT AREA OR DESIGNATED MARKETING AREA**

If Developer is undertaking the obligation to develop three or more franchises hereunder, then Developer will be afforded a “Development Area” comprised of the geographical area set forth in Attachment B to this Agreement.

**B. DEVELOPMENT SCHEDULE/DEVELOPMENT PERIOD**

“Development Schedule” means the schedule for Developer to open and operate a specific cumulative number of SBJC Businesses as set forth in Attachment C to this Agreement. Each “Development Period” is the period of time for Developer to meet each specific development obligation on the Development Schedule.

**C. FRANCHISE AGREEMENT**

The “Franchise Agreement” means the current form of agreements (including the franchise agreement and any exhibits, riders, collateral assignments of leases or subleases, shareholder guarantees and preliminary agreements) Franchisor customarily uses in the granting of a franchise for the ownership and operation of a SBJC Business. Developer acknowledges that the Franchise Agreement is the current form of Franchise Agreement and shall be executed and delivered to Franchisor and shall be the form of Franchise Agreement to be executed for the first SBJC Business to be developed under this Agreement. Franchisor, in its sole discretion, but subject to the express provisions contained herein, may modify or amend in any respect the standard form of Franchise Agreement it customarily uses in granting a franchise for a SBJC Business. All subsequent SBJC Businesses developed under this Agreement shall be established and operated under the form of Franchise Agreement then being used by Franchisor for SBJC Businesses.

**D. PRINCIPALS**

The term “Principals” includes, collectively and individually, Developer’s owners; if Developer is an entity, any officers and directors of Developer (including the officers and directors of any general partner of Developer) and any person and of any entity directly owning and/or controlling 10% or more of Developer, or a managing member or manager of a limited liability company. The initial Principals shall be listed in Attachment D. The Principals must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations (immediately following this Agreement) undertaking to be bound jointly and severally to all provisions of this Agreement.

**2. USE OF SYSTEM**

Developer acknowledges, and does not contest, Franchisor’s exclusive ownership and rights to each and every aspect of the System. Developer’s right to use the System is specifically limited to the Development Area and the terms and conditions of this Agreement and Franchise Agreements executed pursuant thereto.

**3. GRANT OF DEVELOPMENT RIGHTS**

**A. TERM**

In reliance on the representations and warranties of Developer and its Principals, Franchisor grants to Developer, and Developer hereby accepts the right and obligation to develop SBJC Businesses within

the Development Area in full compliance with the terms of this Agreement, including the timely development obligations to open a specific cumulative number of SBJC Businesses over prescribed periods of time as established in the Development Schedule; and in full compliance with all obligations and provisions under Franchise Agreements entered into for the individual SBJC Businesses. Subject to the provisions contained in this Agreement, the rights granted are for a term commencing on the date of execution of this Agreement and expiring on the last day of the last Development Period on the Development Schedule. Developer acquires no rights under this Agreement to develop SBJC Businesses outside the Development Area.

**B. COMMITMENT OF DEVELOPER**

Franchisor has granted these rights in reliance on the business skill, financial capability, personal character and expectations of performance by the Developer and its Principals. This Agreement is for the purpose of developing and operating the SBJC Businesses and is not for the purpose of reselling the rights granted by this Agreement.

**C. DEVELOPMENT PLAN**

The following conditions and approvals are conditions precedent before the right of Developer to develop each SBJC Business becomes effective. At the time Developer selects a site for each SBJC Business, Developer must satisfy the operational, financial and training requirements, set forth below:

(1) Operational: Developer must be in substantial compliance with the material terms and conditions of this Agreement and all Franchise Agreements granted Developer. For each SBJC Business operated by Developer, Developer must be in substantial compliance with the standards, specifications, and procedures set forth and described in the Manuals (defined in the Franchise Agreement).

(2) Financial: Developer and the Principals must satisfy Franchisor's financial criteria for Developers and Principals with respect to Developer's operation of its existing SBJC Businesses, if any, and the proposed SBJC Business. Developer must be in compliance and not been in default during the 12 months preceding Developer's request for approval, of any monetary obligations of Developer to Franchisor or its affiliate under any Franchise Agreement granted under this Agreement.

**D. EXECUTION OF FRANCHISE AGREEMENT**

This Agreement is not a Franchise Agreement and does not grant Developer any right or license to operate a SBJC Business, or to provide services, or to distribute goods, or any right or license in the Marks. A Franchise Agreement must be signed by Developer and delivered to Franchisor at the same time this Agreement is signed by Developer delivered to Franchisor, as prescribed in Section 8(D) of this Agreement.

Franchisee will be required to execute a Franchise Agreement for the initial SBJC Businesses that Franchisee is required to develop hereunder at the same time that Franchisee executes this Agreement.

**4. DEVELOPMENT RIGHTS AND OBLIGATIONS**

**A. RESERVATION OF RIGHTS**

Developer acknowledges and agrees that Developer is only granted the right to develop and operate SBJC Businesses within the Development Area. Franchisor (on behalf of itself and its affiliate and its subsidiaries) retains the rights, in its sole discretion and without granting any rights to Developer: (1) to itself establish and operate, or to license any third party the right to establish and operate, SBJC Businesses

using the Marks and System at locations and on terms Franchisor deems appropriate outside the Development Area granted Developer, (2) to market, offer and sell products and services that are similar to those offered by the SBJC Businesses under a different trademark or trademarks at any location, within outside the Development Area; and (3) to use the Marks and System or other such trademarks, service marks and commercial symbols Franchisor designates, to distribute Franchisor's products and/or services (including private label products that Franchisor may develop in the future) through alternative or dissimilar channels of distribution and under terms Franchisor deems appropriate within and outside the Development Area, including, but not limited to, by electronic means, such as the Internet, and by web sites established by Franchisor, direct mail, or wholesale stores, as Franchisor determines, in its sole discretion.

Franchisor may engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Designated Territory(ies) (defined in the Franchise Agreement) granted by a Franchise Agreement and within the Development Area, provided that in such situations the newly acquired businesses may not operate under the Marks in the Designated Territory(ies) granted by a Franchise Agreement and within the Development Area.

Franchisor has the right to (i) use the Marks and System, and license others to use the Marks and System, and (ii) otherwise conduct any other activities, whether or not using the Marks and/or System, that are not specifically prohibited by the terms of this Agreement.

Franchisor has no obligation and will not pay Developer if it exercises any of the rights specified above within the Development Area granted by the Area Development Agreement or within the Designated Territory granted by a Franchise Agreement.

## **B. RIGHTS DURING DEVELOPMENT PERIODS**

Except as provided below, if Developer: (1) is in compliance with the material terms and conditions contained in this Agreement, including the timely development obligations to open a specific cumulative number of SBJC Businesses over prescribed periods of time as established in Attachment C (the "Development Schedule"); and (2) is in substantial compliance with all material obligations under Franchise Agreements executed by Developer for individual SBJC Businesses under this Agreement; then during the Development Schedule, Franchisor: (i) will grant Developer the right to own and operate SBJC Businesses located within the Development Area pursuant to the terms of this Agreement; and (ii) will not operate (directly or through its affiliate), nor grant a franchise for the location of, any SBJC Business within the Development Area, except for franchises granted to Developer under this Agreement, or other than through the uses and exceptions as described in Section 4(A) of this Agreement.

If Developer, for any reason within his control, fails to comply with the Development Schedule, this failure constitutes a material default of this Agreement, and Franchisor has the right to terminate this Agreement pursuant to Section 14 of this Agreement. In the event Developer fails to cure the noticed default within the time allowed under Section 14, Franchisor may terminate this Agreement and grant individual or area development franchises within the Development Area to third parties or own and operate Facilities owned by Franchisor or by the affiliate of Franchisor. Franchisor and Developer agree that the timely development of Facilities by Developer in compliance with the Development Schedule will control the rights granted Developer by this Agreement, regardless of the time period granted Developer to open a SBJC Businesses pursuant to a Franchise Agreement for such Facility. Upon termination of this Agreement, all rights granted Developer revert to Franchisor, who is free to franchise any other person to

use the System within the Development Area or to itself own and operate SBJC Businesses within the Development Area.

Notwithstanding anything contained in this Section, Franchisor will provide Developer with a one-time reasonable extension of time not to exceed 90 days to comply with its development obligations in any one of the Development Period as set forth in the Development Schedule (see Attachment C), provided: (i) Developer has already executed a lease for, or otherwise obtained, a Facility that Franchisor approves for any SBJC Business(es) it is required to open and operate during that Development Period; and (ii) Developer notifies Franchisor of its need for such an extension no less than 30 days prior to expiration of that Development Period. The parties agree and acknowledge that Franchisor's grant of this one-time extension under this Section will not extend, modify or otherwise affect the expiration of any of Developer's subsequent Development Periods or subsequent development obligations.

### **C. DEVELOPMENT OBLIGATIONS**

Developer will at all times faithfully, honestly, and diligently perform his obligations under this Agreement and will continuously exert his best efforts to timely promote and enhance the development of SBJC Businesses within the Development Area. Developer agrees to open and operate the cumulative number of SBJC Businesses at the end of each Development Period set forth in the Development Schedule (see Attachment C). Developer agrees that compliance with the Development Schedule is the essence of this Agreement.

### **D. TERMINATION OR EXPIRATION OF DEVELOPMENT SCHEDULE**

The Development Schedule and this Agreement will expire at the earlier of (a) the date Developer opens the last Salon it was granted the right to open under this Agreement, or (b) the last day of the last Development Period set forth therein. Upon expiration or termination of this Agreement for any reason, all rights to the Development Area will automatically and immediately revert back to Franchisor (except for those territorial rights granted to Developer under any Franchise Agreement the parties have entered into as of the expiration or termination of this Agreement).

## **5. FACILITY CLOSINGS**

If during the term of this Agreement, Developer ceases to operate any Facility developed under this Agreement for any reason, Developer must develop a replacement Facility to fulfill Developer's obligation to have open and in operation the required number of SBJC Businesses upon the expiration of each Development Period. The replacement Facility must be open and in operation within nine months after Developer ceases to operate the Facility to be replaced or Developer will be in material breach of this Agreement. If, during the term of this Agreement, Developer, in accordance with the terms of any Franchise Agreement for a Facility developed under this Agreement, transfers its interests in that Facility, a transferred Facility shall continue to be counted in determining whether the Developer has complied with the Development Schedule so long as it continues to be operated as a Facility. If the transferred Facility ceases to be operated as a Facility, it will not count toward Developer's compliance with the Development Schedule.

## **6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS**

Developer shall enter into a separate Franchise Agreement with Franchisor for each SBJC Business developed pursuant to this Agreement. The Franchise Agreement to be executed for the first SBJC Business to be developed by Developer under this Agreement must be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement and must be in the form of the Franchise

Agreement. All subsequent SBJC Businesses developed under this Agreement must be established and operated under the then-current form of Franchise Agreement then being used by Franchisor for SBJC Businesses under the System. The then-current form of Franchise Agreement may differ from the form included in Franchisor's Franchise Disclosure Document; however, the provisions regarding royalty fees and advertising contributions shall remain as established in Developer's first Franchise Agreement. Developer must execute the then-current form of Franchise Agreement for each SBJC Business to be developed under this Agreement.

Developer acknowledges that the projected opening date for each SBJC Business set forth in the Development Schedule are reasonable requirements. Developer shall execute a Franchise Agreement for each SBJC Business within 15 days of the earlier of (1) the commencement of construction of the Facility; or (2) the execution of either a lease or purchase contract for the Facility.

## **7. DUTIES OF DEVELOPER**

### **A. ORGANIZATION OF DEVELOPER**

Developer makes the following representations, warranties and covenants and accepts the following continuing obligations:

(1) If Developer is a corporation, limited liability company or a partnership, Developer represents, warrants and covenants that: (i) Developer is duly organized and validly existing under the state law of its formation; (ii) Developer is duly qualified and is authorized to do business in each jurisdiction which requires such qualification; (iii) the execution and performance of this Agreement are within Developer's corporate power, if Developer is a corporation or if Developer is a partnership permitted under Developer's written partnership agreement, or if Developer is a limited liability company, permitted under the management agreement;

(2) If Developer is a corporation, copies of its articles of incorporation, bylaws, other governing documents, any amendments, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, shall be promptly furnished to Franchisor. If Developer is a partnership, copies of Developer's written partnership agreement and other governing documents shall be promptly furnished to Franchisor before the execution of this Agreement. If Developer is a limited liability company, copies of Developer's organizational documents and management agreement shall be promptly furnished to Franchisor;

(3) If Developer is a corporation, partnership, limited liability company, or other form of legal entity other than an individual, Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Developer or, if Developer is a partnership, Developer shall maintain at all times a current list of all owners of an interest in the partnership, or, if Developer is a limited liability company, it shall maintain at all times a current list of managers and members of the limited liability company;

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Developer's Principal's (as defined in Section 1), or if Developer believes in the event any individual later qualifies as one of Principals, Developer shall promptly notify Franchisor and that person shall execute any documents (including, as applicable, this Agreement) as Franchisor may reasonably require;

(5) If Developer is a corporation, Developer must maintain stop-transfer instructions against the transfer of its records of any equity security and each stock certificate of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject

to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 7 shall not apply to a publicly held corporation. If Developer is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to restrictions imposed on assignments by this Agreement. If Developer is a limited liability company, its articles of organization and operating agreement must provide that ownership interests are subject to restrictions on transfers imposed on assignments by this Agreement;

(6) Developer agrees to maintain at all times throughout the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement; and

(7) Each Principal who has right, title, or interest of 10% or more in the ownership of Developer, must each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Guaranty and Assumption of Obligations in Attachment A to this Agreement. The Principals agree to jointly and severally guarantee the performance of all of Developer's obligations, under the terms of this Agreement, except the obligation to open Facilities.

## **B. REQUIREMENTS OF REPRESENTATIVE**

Upon the execution of this Agreement, Developer must designate and retain an individual throughout the term of this Agreement to act on behalf of Developer in all transactions with Developer concerning Developer's obligations under this Agreement (the "Representative"). If Developer is an individual, Developer must perform all obligations of the Representative. The Representative must use reasonable efforts to do the following, during the entire period he serves in that capacity: (1) maintain a direct or indirect ownership interest in the Developer; (2) devote substantial time and reasonable efforts to the supervision and conduct of the business contemplated by this Agreement and execute this Agreement as one of the Principals; and (3) meet Franchisor's standards and criteria for a Representative as set forth in the Manuals or otherwise in writing by Franchisor. If the Representative or any designee is not able to continue to serve in the capacity of Representative or no longer qualifies, Developer must promptly notify Franchisor and designate a replacement.

## **C. DISCRIMINATION PROHIBITED**

In seeking any individual to serve in a managerial position or in the employment of any person or in providing service to the customers and patrons of each SBJC Business, Developer shall not unlawfully discriminate in any manner whatsoever against any individual.

## **D. BEST EFFORTS**

Developer must use his best efforts to substantially comply with all requirements of federal, state and local rules, regulations and orders.

## **8. SITE SELECTION, LEASES, FRANCHISE AGREEMENT**

### **A. SELECTION OF SITE BY DEVELOPER**

Developer assumes all costs, liabilities, expenses and responsibilities for locating, obtaining, financing and developing sites for SBJC Businesses, and for constructing and equipping SBJC Businesses at those sites. The selection of a site and the development of a SBJC Business at any site is the responsibility of Developer. The selection of a site by Developer is subject to our approval and must be in compliance with Franchisor's site selection procedures and its standards for demographic characteristics, parking, traffic patterns and the predominant character of the neighborhood, and other commercial characteristics of

the site and any other factors Franchisor may consider relevant in reviewing a site selected by Developer. Developer must not enter into a binding commitment with a prospective seller or lessor of real estate with respect to the site for a Facility until Franchisor has approved the proposed site. Developer specifically acknowledges that the selection of a site by Developer in compliance with Franchisor's site selection procedures and the approval of a site by Franchisor does not constitute a representation, promise or guarantee by Franchisor that the site and the Facility to be operated at that site will be profitable or successful. Developer acknowledges that factors governing the success of a SBJC Business are unpredictable and beyond Franchisor's control. Franchisor is not responsible to Developer or to any other person or entity if a site approved by Franchisor fails to meet Developer's expectations for revenue or operational criteria.

**B. DEMOGRAPHIC INFORMATION**

Before acquiring a site for any Facility by lease or purchase, Developer must locate a site for the Facility that satisfies the site selection guidelines Franchisor provides to Developer and must submit to Franchisor, in the form Franchisor specifies, a description of the site, a demographic study and other information and materials Franchisor may reasonably require and shall represent in writing that Developer has the option or other firm commitment to obtain the site. Franchisor will review information provided by Developer for the site which may include the population of the work force or residents, character of the neighborhood, household income, ingress and egress, and trade area. Developer must reimburse Franchisor for the reasonable expenses Franchisor incurs for any on-site evaluations, including, but not limited to, the cost of travel, lodging and meals incurred by Franchisor's representatives and employees (consistent with the terms of the Franchise Agreement at issue).

**C. LEASE OR PURCHASE OF SITE**

Developer shall not make any binding commitment to purchase or lease real estate for a proposed site for a SBJC Businesses until the proposed site has been approved by Franchisor and a Franchise Agreement has been executed by Franchisor and Developer (or its affiliate) for a SBJC Businesses at such site. Developer shall provide Franchisor with a copy of either the proposed contract of sale or lease relating to the site before the Franchise Agreement is executed.

**D. FRANCHISE AGREEMENT**

After a proposed site has been approved by Franchisor, a Franchise Agreement shall be executed for Developer (or its affiliate) to operate a SBJC Business at such site. Franchisor will deliver a Franchise Agreement, in the then-current form, to Developer for execution by Developer (or its affiliate). The Franchise Agreement must be executed and returned to Franchisor within 15 days after Franchisor's delivery. If Developer fails to timely execute the Franchise Agreement, Franchisor may, at its sole discretion, revoke its approval of the site and its offer to grant Developer a franchise to operate a SBJC Business at the site.

**9. DEVELOPMENT FEE**

Concurrently with the execution of this Agreement, Developer must pay to Franchisor a nonrefundable area development fee equal to \$\_\_\_\_\_ (the "Development Fee"). The Development Fee is deemed fully earned by Franchisor upon execution of this Agreement in consideration of lost development opportunities and is nonrefundable. Developer will not be required to pay any additional initial franchise fee for each SBJC Businesses opened pursuant to this Agreement upon executing a Franchise Agreement for that SBJC Businesses.

## **10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT**

Developer understands and agrees that any and all individual Franchise Agreements executed by Developer and Franchisor for SBJC Businesses within the Development Area are independent of this Agreement. The continued effectiveness of any Franchise Agreement does not depend on the continued effectiveness of this Area Development Agreement. If any conflict arises with this Agreement and any Franchise Agreement, the Franchise Agreement controls, has precedence and superiority (except with respect to the opening deadline for each SBJC Business Developer is granted the right to open under this Agreement).

## **11. COVENANTS**

A. Developer and the Representative covenant that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer and the Representative must devote substantial time, energy and best efforts to the management and operation of the development activities required under this Agreement.

B. Developer acknowledges that, as a participant in Franchisor's System, Developer will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Developer agrees to the covenants in this Section to protect Franchisor, the System, Marks and Franchisor's other franchisees and developers.

(1) During the term of this Agreement, neither Developer, its Principals, owners, officers or guarantors, nor any immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to or have any interest in or involvement with, any other business that offers or provides, or grants franchises or licenses a third party the right to operate any business that offers or provides, the leasing, subleasing or rental of individual salon suites and/or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SBJC Business (collectively, a "Competing Business"); or

(b) Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

(2) For a period of two years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its Principals, owners, officers and guarantors, nor any member of the immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with business involving the licensing or franchising of any Competing Business. The scope of this non-compete shall be the geographical area where Franchisor can demonstrate it has offered franchises as of the date this Agreement expires or is terminated.

(3) For a period of two years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its Principals, owners, officers and guarantors, nor any member of the immediate family of Developer, its Principals, owners, officers or



guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in or involvement with any other Competing Business: (i) within the Development Area granted to Developer; or (ii) within a 40-mile radius of the perimeter of the Development Area being granted hereunder or any other designated territory or development area licensed by Franchisor to a SBJC Business as of the date of expiration or termination of this Agreement; or

(b) Solicit business from any operators or customers of Developer's former Facilities or contact any of Franchisor's suppliers or vendors for any competitive business purpose.

C. It is the parties' intent that the provisions of this Section 11 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 11 by Developer, any of Developer's Principals, or any member of the immediate family of Developer or Developer's Principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Developer acknowledges that the covenants contained herein are necessary to protect the goodwill of other System franchisees and developers, and the System. Developer further acknowledges that covenants contained in this Section 11 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Developer agrees that in the event of the actual or threatened breach of this Section 11, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Developer and the Principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 11. Developer acknowledges and agrees on Developer's own behalf and on behalf of the persons who are liable under this Section 11 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 11 in no way prevent any such person from earning a living. Developer further acknowledges and agrees that the time limitation of this Section 11 shall be tolled during any default under this Section 11.

D. Developer must ensure that all management personnel of Developer's Facilities opened under this Agreement, as well as any officers or directors of Developer, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement. Developer must furnish Franchisor a copy of each executed agreement.

E. Developer hereby agrees that the existence of any claim Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 11. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 11.

F. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to reduce the period of time or geographic scope of the non-competition covenants set forth in this Agreement and in the System Protection Agreement and Confidentiality and Non-Competition Agreement, by written notice to Developer.

## 12. RELATIONSHIP OF THE PARTIES

A. The parties agree that this Agreement does not create a fiduciary relationship between them, that Developer is an independent contractor and must at all times represent itself as an independent contractor. This Agreement does not create either party as an agent, legal representative, subsidiary, joint venturer, partner, employee or joint employer. Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take any action necessary to that end, including without limitation, exhibiting a notice on signage and member contracts, as required by Franchisor as to content and manner of disclosure.

B. Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of any such action, or for any act or omission of Developer in the conduct of its business pursuant to this Agreement or any claim or judgment arising therefrom.

C. Developer and each of the Principals shall, at all times, indemnify and hold harmless Franchisor and its affiliate, successors and assigns and the officers, directors, shareholders, agents, representatives and employees of each of them ("Indemnitees") from all losses and expenses incurred in connection with any formal or informal action, suit, proceeding, claim, demand, investigation or inquiry or any settlement thereof, which arises out of or is based upon the action or negligence of Developer or any Principal in any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation of any Licensed Mark or other proprietary right owned by Franchisor;

(2) Claims of sexual harassment or discrimination by Developer's employees or by a guest at the SBJC Businesses;

(3) The violation of any federal, state or local law, regulation, rule, standard or directive, or any industry standard, including without limitation, health, sanitation and safety laws and regulations;

(4) Libel, slander or any other form of defamation of Franchisor or the System, by Developer or the Principals;

(5) The violation or breach by Developer or any of the Principals of any warranty, representation, agreement or obligation of this Agreement or any Franchise Agreement; and

(6) Acts, errors or omissions of Developer or any of its agents, servants, employees, contractors, partners, affiliates or representatives.

Notwithstanding anything contained in this Section 12(C), Developer will not be required to indemnify, defend or hold Franchisor harmless for any claims or causes of action that arise solely out of Franchisor's gross negligence or willful misconduct.

D. Developer and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry or investigation.

E. Franchisor may, at any time and without notice, as it, in its reasonable discretion, consent, or agree to settlement, or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation.

F. All losses and expenses incurred under this Section 12 shall be chargeable to and shall be paid by Developer or any of the Principals pursuant to this Section 12, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense. However, Franchisor will indemnify Developer from losses or expenses resulting from the direct result of Franchisor's negligence or intentional acts.

G. The phrase "losses and expenses" shall include, without limitation, all monetary losses, compensatory, exemplary or punitive damages, fines, actual costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, damages to Franchisor's reputation and goodwill, costs of financing or advertising material and media costs and all expenses of recall, refunds, compensation, public notices and such other amounts incurred in connection with the matters described.

H. Developer must give Franchisor notice of any such action immediately upon Developer having received notice of any such action, claim or proceeding.

I. Under no circumstances shall Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Developer. Developer and the Principals agree that the failure of Franchisor to pursue recovery or mitigate loss from third parties will in no way reduce the amounts recoverable from Developer or the Principals.

J. Developer and the Principals expressly agree that the terms of this Section 12 shall continue in full force and effect after the termination, expiration or transfer of this Agreement or any interest herein.

### **13. LICENSED MARKS**

A. Developer acknowledges that Developer has no interest in or to the Marks and Developer's right to use the Marks is derived solely from the individual Franchise Agreements entered into between Developer and Franchisor for the purpose of operating SBJC Businesses. Developer agrees that all usage of the Marks by Developer and any goodwill established exclusively benefits Franchisor. Developer agrees that after termination or expiration of this Agreement, Developer will not, except with respect to SBJC Businesses operated by Developer under individual Franchise Agreements, directly or indirectly, at any time or in any manner identify itself or any business as a Developer or former Developer of, or otherwise associated with, Franchisor or use in any manner or for any purpose any Licensed Mark or other indicia of a SBJC Business or any colorable imitation.

B. Developer must not use any Licensed Mark as part of any corporate or trade names or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may Developer use any Licensed Mark in connection with any business or activity, other than the business conducted by Developer under Franchise Agreements entered into between Developer and Franchisor, or in any other manner not explicitly authorized in writing by Franchisor.

C. Developer must immediately notify Franchisor in writing of any apparent infringement of or challenge to Developer's use of any Licensed Mark, or claim by any person of any rights in any Licensed Mark or similar trade name, trademark, or service mark of which Developer becomes aware. Developer must not communicate with any person other than Franchisor and its counsel regarding any infringement, challenge or claim. Franchisor has sole discretion to take action it deems appropriate and the right to

exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Licensed Mark.

D. Franchisor has registered the domain name www.salonsbyjc.com. Developer acknowledges that Franchisor is the lawful and sole owner of this domain name, which incorporates the trademark SALONS BY JC. Developer agrees not to register the trademark SALONS BY JC or any of the Marks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names, including, but not limited to, generic and country code top level domain names available at the present time or in the future.

#### **14. TERMINATION**

A. Franchisor may terminate this Agreement for a material default of this Agreement by Developer and all rights granted herein shall automatically terminate upon written notice to Developer, upon the occurrence of any of the following:

(1) If Developer becomes insolvent, makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy, or an involuntary petition is filed against Developer in bankruptcy; or Developer is adjudicated bankrupt; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by a court of competent jurisdiction; or if a proceeding for a composition of creditors under any state or federal law should be initiated against Developer; or if a final judgment remains unsatisfied or of record for 30 days or longer, (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer; or if a suit to foreclose any lien or mortgage against the SBJC Business or Facility is levied; or if the real or personal property of Facility is sold after levy thereon by any sheriff, marshal or law officer;

(2) If Developer or any of its Principals fail to comply with Section 11 of this Agreement;

(3) If Developer or a Principal discloses the contents of the Manuals or other confidential information contrary to this Agreement;

(4) If an immediate threat or danger to public health or safety results from the operation of a SBJC Businesses operated by Developer under a Franchise Agreement;

(5) If Developer or a Principal has made material misrepresentations in connection with its application for the franchise;

(6) If Developer fails on three or more occasions within any one year period to comply with one or more provisions of this Agreement, whether or not such failures to comply are cured after notice thereof is delivered to Developer; or

(7) Failure to comply with the conditions of transfer of any interest in Developer as required of this Agreement.

B. Franchisor may terminate this Agreement and all rights granted herein, upon 30 days written notice to Developer, or a less time as specified below, for a material default of this Agreement, which shall constitute good cause for termination and the failure of Developer to cure the good cause for

termination within the notice period. Good cause for termination shall be the occurrence of any one of the following events of default:

(1) If Developer fails to meet the development requirements set forth in the Development Schedule;

(2) If Developer fails to develop, open and operate each SBJC Businesses and execute each Franchise Agreement in compliance with this Agreement;

(3) If Developer fails to designate a qualified replacement Representative;

(4) If Developer misappropriates, misuses or makes any unauthorized use of the Marks or materially impairs the goodwill associated with the Marks or with the System and does not cure such default following written notice from Franchisor;

(5) If Developer, fails, refuses or is unable to promptly pay when due any monetary obligation to Franchisor or its affiliate required by this Agreement, or by any Franchise Agreement or any other agreement between the parties and does not cure the monetary default within 14 days following written notice from Franchisor;

(6) If Developer fails to correct a deficiency of a health, sanitation, or safety issue after notice of such deficiency is issued by a local, state, or federal agency or regulatory authority; or

(7) If Developer fails to comply with any other material term or material condition imposed by this Agreement or any Franchise Agreement executed pursuant thereto.

C. Failure of Developer to cure the default within the specified time, or a longer period of time as applicable law may require, will result in Developer's rights under this Agreement to be terminated effective on the expiration of the notice period, and without further notice to Developer.

D. Upon termination of this Agreement, Developer has no right to establish or operate any SBJC Businesses for which an individual Franchise Agreement has not already been executed by both Franchisor and Developer, as well as delivered to Developer, as of the date of termination. Franchisor, effective upon termination of this Agreement, shall have the absolute right and is entitled to establish, and to license others to establish, SBJC Businesses in the Development Area, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

E. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties, unless Developer's acts or omissions also violate the terms and conditions of the applicable Franchise Agreement.

F. No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

## **15. EFFECT OF TERMINATION AND EXPIRATION**

All obligations of Franchisor and Developer under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

**16. TRANSFER OF INTEREST**

**A. BY FRANCHISOR**

Franchisor has the absolute right to transfer or assign this Agreement and all or any part of its rights, duties or obligations to any person or legal entity without the consent of or notice to Developer. This Agreement shall inure to the benefit of, and be binding on the successors and assigns of Franchisor.

**B. DEVELOPER MAY NOT ASSIGN WITHOUT APPROVAL OF THE FRANCHISOR**

Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer and its owners and that Franchisor has granted these rights to Developer in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Developer and/or its owners. Unless otherwise provided with respect to an assignment to an entity controlled by Developer as provided in Section 16(D), none of these rights nor any ownership interest in Developer may be voluntarily, involuntarily, directly or indirectly, assigned, sold, conveyed, pledged, sub-franchised or otherwise transferred by Developer or its owners (including by merger or consolidation, by issuance of additional securities representing an ownership interest in Developer, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a partnership, by transfer of an interest in Developer or in this Agreement in a divorce proceeding, or if Developer or an owner of Developer dies, by will, declaration of or transfer in trust or the laws of the intestate succession) without the approval of Franchisor. Any attempted assignment or transfer without such approval will constitute a breach of this Agreement and will not transfer any rights or interests to such assignee or transferee.

**C. CONDITIONS FOR APPROVAL OF ASSIGNMENT**

If Developer is in substantial compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of an assignment or transfer contemplated by Section 16(B) so long as the proposed assignee or transferer has good and moral character, sufficient business experience and aptitude to develop and own and operate Facilities, and otherwise meets Franchisor's then-current standards for developers and System franchisees. Franchisor may require that any one or more of the following conditions be met before, or concurrently with, the effective date of any such assignment or transfer:

(1) All the accrued monetary obligations of Developer or any of its affiliates and all other outstanding obligations to Franchisor or its affiliate arising under this Agreement or any Franchise Agreement or other agreement between them and all trade accounts and any other debts to Franchisor, of whatsoever nature, prior to the transfer becoming effective shall be satisfied;

(2) Developer and its affiliates are not in material default of any substantive provision of this Agreement, any amendment hereof or successor hereto, or any Franchise Agreement granted pursuant to its terms, or other agreement between Developer or any of its affiliates and Franchisor or its affiliate;

(3) Developer and its Principals, as applicable, shall have executed a general release, in a form satisfactory to Franchisor, releasing Franchisor of any and all claims against Franchisor and its affiliate and their respective past and present partners, the past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under or related to this

Agreement and any other agreements between Developer and Franchisor, or under federal, state or local laws, rules, and regulations or orders;

(4) The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's managerial and business experience standards, that the transferee possesses good moral character, business reputation and credit rating; that the transferee has the aptitude, financial resources and capital committed for the operation of the business, and the geographic proximity of other territories with respect to which transferee has been granted development rights or of other SBJC Businesses operated by transferee, if any;

(5) The transferee shall sign a written assumption agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several liability from the date of the transfer of all obligations, covenants and agreements of Developer in this Agreement; and, if transferee is a corporation, limited liability company or a partnership, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreement;

(6) Developer shall pay a transfer fee of \$10,000 to Franchisor at the time of transfer, unless the transfer is being made: (i) to an immediate family member of Developer that Franchisor approves pursuant to Section 16(F); or (ii) in the form of an encumbrance of the assets of any Salons By JC Business (or a subordinating Franchisor's security interest in such assets) as a necessary condition to obtain SBA or traditional bank financing;

(7) Developer acknowledges and agrees that each condition, which must be met by the transferee, is reasonable and necessary; and

(8) Developer must pay any referral fees or commissions that may be due to any franchise broker, sales agent or other third party upon the occurrence of such assignment.

Franchisor's consent to a transfer of any interest in Developer described herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee. Upon an approved transfer under this Section, Developer will only be bound by, and liable in connection with, its post-term obligations under this Agreement.

#### **D. ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY**

(1) Notwithstanding the provisions of this Section 16 of this Agreement, upon 30 days' prior written notice to Franchisor, and without payment of a transfer fee, Developer may assign this Agreement to a corporation or limited liability company that conducts no business other than the development and/or operation of SBJC Businesses. Developer shall be the owner of all the voting stock or interest of the corporation or limited liability company, or if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the corporation as he had in Developer before the transfer. Developer and each of its Principals, as applicable, may transfer, sell or assign their respective interests in Developer, by and amongst themselves with Franchisor's prior written consent, which consent shall not be unreasonably withheld; but may be conditioned on compliance with Section 11, except that such transfer, sale or assignment shall not effect a change in the controlling interest in Developer.

(2) Any person who is or becomes a shareholder or member of Developer or has or acquires beneficial ownership of any shares of stock equal to or greater than 10% ownership interest in

Developer must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations undertaking to be bound jointly and severally to all provisions of this Agreement. Developer must furnish Franchisor at any time upon request a certified copy of the articles of incorporation or articles of organization and a list, in a form Franchisor requires, of all shareholders or members of record and all persons having beneficial ownership of shares of stock, reflecting their respective interests in Developer.

**E. RIGHT OF FIRST REFUSAL**

If Developer receives and desires to accept any bona fide offer to transfer an ownership interest in this Agreement from a third party, then the Developer shall promptly notify Franchisor in writing and send Franchisor an executed copy of the contract of transfer. Franchisor shall have the right and option, exercisable within 30 days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to Developer that Franchisor intends to purchase the Developer's interest on the same terms and conditions offered by the third party. Closing on the purchase must occur within 60 days from the date of notice by Franchisor to the Developer of Franchisor's election to purchase. If Franchisor elects not to accept the offer within the 30 day period, Developer shall have a period not to exceed 60 days to complete the transfer subject to the conditions for approval set forth in Section 16(C) of this Agreement. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 16 shall not constitute a waiver of any other provision of this Agreement. If the offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent, or any publicly-traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by Franchisor, and his determination shall be binding.

**F. DEATH OR DISABILITY**

Upon the death or permanent disability of Developer (or the managing shareholder, managing member or partner), the executor, administrator, conservator or other personal representative of that person, or the remaining shareholders, partners or members, must appoint a competent manager that is approved by Franchisor within 90 days from the date of death or permanent disability (the "90 Day Period"). Before the end of the 90 Day Period, the appointed manager must attend and successfully complete Franchisor's training program and must either execute Franchisor's then-current form of area development agreement for the unexpired term of this Agreement, or furnish a personal guaranty of any partnership, corporate or limited liability company Developer's obligations to Franchisor and Franchisor's affiliates. If the SBJC Businesses is not being managed by a Franchisor approved manager during the 90 Day Period, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Developer's Facilities for and on behalf of Developer until an approved assignee is able to assume the management and operation of the SBJC Businesses. Franchisor's appointment of a manager of the SBJC Businesses does not relieve Developer of his obligations, and Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the SBJC Businesses or to any creditor of Developer for any products, materials, supplies or services purchased by the SBJC Businesses during any period in which it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services and to cease to provide management services at any time. Franchisor's right of first refusal set forth in Section 16(E) will not apply to a transfer under this Section if the transferee is an immediate family member of Developer that Franchisor approves.



## **G. PUBLIC OR PRIVATE OFFERINGS**

(1) Developer acknowledges that the written information used to raise or secure funds can reflect upon Franchisor. Developer agrees to submit any written information intended to be used for that purpose to Franchisor before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. This requirement applies under the following conditions: (i) if Developer attempts to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interest) and (ii) if any of its owners attempt to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interests) Developer (or any of its owners) agrees not to use the written materials submitted to Franchisor or any other written materials to raise or secure funds unless and until Franchisor approves of the language. No information respecting Franchisor or its affiliate shall be included in any securities disclosure document, unless that information has been furnished to Franchisor, in writing, pursuant to the written request of the Developer. The written request shall state the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or its affiliate or any of their businesses in the offering literature or prospectus, the literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for the offering whatsoever. Developer must pay Franchisor a public offering fee of \$3,500 for the costs to Franchisor to review the information. The written consent of Franchisor pursuant to this Paragraph G does not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

**“NEITHER J ‘N C REAL ESTATE DEVELOPMENT, LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER J ‘N C REAL ESTATE DEVELOPMENT, LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER J ‘N C REAL ESTATE DEVELOPMENT, LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”**

(3) Developer and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliate, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor as the result of the offer or sale of securities. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys’ fees) asserted by a purchaser of any security or by a governmental agency. Franchisor has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or its affiliate or any of their respective officers, directors, employees or agents is named as a party.

## **H. NOTICE TO FRANCHISOR**

Provided Developer is not then a public company, if any person holding an interest in Developer (other than Developer or a Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Developer shall promptly notify Franchisor of such proposed transfer in writing and provide information as Franchisor may reasonably request before the transfer. The transferee may not be one of Franchisor's competitors. The transferee must execute a System Protection Agreement and Owners Agreement in the form then required by Franchisor, which form shall be in substantially the same form attached to Franchisor's Franchise Disclosure Document. Franchisor also reserves the right to designate the transferee as one of the Principals. If Developer is a public company, this provision applies only to transfers in interest by Principals or to any person or entity controlling more than 10% of Developer's voting stock.

## **17. APPROVALS**

A. Wherever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor for such approval or consent.

B. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or to any third party to which it would not otherwise be subject, by providing any waiver, approval, advise, consent, or services to Developer in connection with this Agreement, or by any reason of neglect, delay or denial of any request therefor.

## **18. NONWAIVER**

A. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer or Principals with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver or estoppel of Franchisor's right to demand exact compliance with any of the terms herein and Developer and the Principals warrant and undertake that it shall not rely on such failure, custom or practice. Waiver by Franchisor of any particular default by Developer or any of the Principals shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by its other developers or by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

B. All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement, the rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or early termination of this Agreement shall not discharge or release Developer from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or early termination of this Agreement.

**19. DEVELOPER’S RECORDS AND REPORTS**

A. Developer must keep accurate records concerning all transactions and written communications between Franchisor and Developer relating to the development and operation of Salons in the Development Area. Franchisor’s duly authorized representative has the right, following reasonable notice, at all reasonable hours of the day to examine all Developer’s records with respect to the subject matter of this Agreement, and has full and free access to records for that purpose and for the purpose of making extracts. All records must be kept available for at least three years after preparation.

B. Developer must furnish to Franchisor monthly written reports regarding Developer’s progress on the development of SBJC Businesses under this Agreement.

**20. NOTICES AND PAYMENTS**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals shall be deemed so delivered at the time delivered by hand or by e-mail with receipt confirmed by the receiving party or one business day after sending by overnight courier with delivery confirmed and addressed to the party to be notified at its most current address of which the notifying party has been notified. The following addresses for the parties shall be used unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

J ‘N C Real Estate Development, LLC  
Attn: Steve Griffey  
18402 US Hwy 281 N., Ste. 267  
San Antonio, Texas 78259

With an additional copy to:

Fisher Zucker, LLC  
Attn: Lane Fisher, Esq.  
21 S. 21<sup>st</sup> Street  
Philadelphia, PA 19103

Notice to Developer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
ATTN:\_\_\_\_\_

**21. GOVERNING LAW AND ALTERNATIVE DISPUTE RESOLUTION**

A. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to the state’s conflict of laws principles.

B. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor’s management, after providing notice as set forth in Section 20 of this Agreement, and make every effort to resolve the dispute internally. Developer must exhaust this internal dispute resolution

procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

C. At Franchisor's option, all claims or disputes between Developer and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place in San Antonio, Texas under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Developer will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Marks, the System, or in any confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Developer's payment obligations under this Agreement.

## **22. LITIGATION AND OTHER DISPUTE RESOLUTION PROVISIONS**

A. Subject to Sections 21 and 22(B) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated in the state court of general jurisdiction closest to San Antonio, Texas or, if appropriate, the United States District Court for the Western District of Texas. Developer acknowledges that this Agreement has been entered into in the State of Texas, and that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters in Texas, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Texas as set forth in this Section.

B. Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Marks and confidential information; (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution

of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

C. Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in Sections 21 and 22 of this Agreement, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

D. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Developer must notify Franchisor within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

E. Developer shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Developer under this Agreement or any related agreements.

F. Developer further agrees that no cause of action arising out of or under this Agreement may be maintained by Developer against Franchisor unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Developer becomes aware of facts or circumstances reasonably indicating that Developer may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Developer hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

G. Developer hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Developer's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties in connection with any opened or unopened Salons for the term of their respective franchise agreement had Developer complied with its development obligations under this Agreement, which the parties agree and acknowledge Franchisor may claim under this Agreement.

H. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT OR THE PERFORMANCE OF EITHER PARTY.

I. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S

GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

**23. ENFORCEMENT**

**A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, is considered severable and if, for any reason, any portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Developer is a party, otherwise upon Developer's receipt of a notice of non-enforcement from Franchisor.

(2) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure Franchisor prescribes is invalid or unenforceable, the prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is prescribed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions, or any specification, standard or operating procedure Franchisor prescribes, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in that jurisdiction, unless Franchisor elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

**B. EXCEPTIONS**

Neither Franchisor nor Developer are liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war or riot; or (6) any other similar event or cause. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

**C. RIGHTS OF PARTIES ARE CUMULATIVE**

The rights of Franchisor and Developer under this Agreement are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy precludes the exercise or enforcement by Franchisor or Developer of any other right or remedy which Franchisor or Developer is entitled by law to enforce.

**D. COSTS AND ATTORNEYS' FEES**

If Developer is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Developer and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Developer must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding. Developer will not be responsible for reimbursing Franchisor for any damages or expenses that are a direct result of Franchisor's own gross negligence or willful misconduct, as adjudicated by a court of competent jurisdiction.

**E. VARIANCES**

Developer acknowledges that Franchisor has and may at different times approve exceptions or changes from the uniform standards of the System in Franchisor's absolute sole discretion, which Franchisor deems desirable or necessary under particular circumstances. Developer understands that he has no right to object to or automatically obtain such variances, and any exception or change must be approved in advance from Franchisor in writing. Developer understands existing Developers may operate under different forms of agreements and that the rights and obligations of existing Developers may differ materially from this Agreement.

**F. BINDING EFFECT**

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Developer and Franchisor.

**G. CONSTRUCTION/INTEGRATION CLAUSE**

This Agreement, all Attachments to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, undertakings, representations, and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Developer. Developer acknowledges that Developer is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of Developer's own independent investigation of the SBJC Business and not as a result of any representations about Franchisor made by Franchisor's shareholders, officers, directors, employees, agents, representatives, independent contractors, attorneys, or Developers, which are contrary to the terms set forth in this

Agreement or of any franchise disclosure document, offering circular, prospectus, or other similar document required or permitted to be given to Developer pursuant to applicable law.

Developer hereby acknowledges and further represents and warrants to Franchisor that:

1. Developer has placed no reliance on any oral or written statements, whether referred to as representations, warranties, inducements, or otherwise, which are not contained in this Agreement or in the Franchise Disclosure Document;

2. Developer has entered into this Agreement after making an independent investigation of Franchisor's operations and the System;

3. Franchisor has not made any guarantee or provided any assurance that the business location will be successful or profitable regardless of whether Franchisor may have approved of the franchise or site location;

4. Developer has (a) read this Agreement in its entirety and understands its contents; (b) been given the opportunity to clarify any provisions that Developer did not understand and (c) had the opportunity to consult with professional advisors regarding the operation and effect of the Agreement and the operation of the System;

5. Developer has, together with its advisors, sufficient knowledge and experience in financial and business matters to make an informed decision with respect to the franchise offered by Franchisor; and

6. Developer has received a copy of the Franchise Disclosure Document not later than the earlier of the first personal meeting held to discuss the sale of a franchise, or 14 calendar days before execution of this Agreement or 14 calendar days before any payment of any consideration.

Except as may have been disclosed at Item 19 of Franchisor's Franchise Disclosure Document, Developer represents and warrants to Franchisor that no claims, representations, or warranties regarding the earnings, sales, profits, success or failure of SBIC Businesses have been made to Developer and no such claims, representations or warranties have induced Developer to enter into this Agreement.

Except for those changes permitted to be made unilaterally by Franchisor, no amendment, change or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

## **24. CAVEAT**

A. The success of the business venture contemplated to be undertaken by this Agreement is speculative and depends, to a large extent, upon the ability of the Developer as an independent business person, and the active participation of Developer in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

B. Developer acknowledges that it has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross sales, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth in this Agreement, to induce the Developer to accept this franchise and execute this Agreement.



C. Developer represents and acknowledges that he has received a copy of this Agreement, with all blanks filled in, from Franchisor at least seven calendar days before the date of execution of this Agreement. Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.

**25. MISCELLANEOUS**

A. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

B. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs.

C. The “Developer” as used in this Agreement is applicable to one or more persons, a corporation or a partnership or limited partnership or limited liability company as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Developer under this Agreement, their obligations and liabilities to Franchisor shall be joint and several. References to “Developer” and “Assignee” which are applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Developer or the Assignee, if Developer or the Assignee is a corporation, partnership, limited partnership or limited liability company.

This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

***[THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK***

***SIGNATURES ON THE FOLLOWING PAGE]***

IN WITNESS WHEREOF, the parties have executed, sealed and delivered this Agreement in duplicate on the date recited in the first paragraph.

APPROVED:

**FRANCHISOR:**

J 'N C REAL ESTATE DEVELOPMENT, LLC

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

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

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

**DEVELOPER:**

\_\_\_\_\_  
entity name (if any).  
a(n) \_\_\_\_\_

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

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

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

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

(If Developer is a Limited Liability Company)

\_\_\_\_\_  
Name of Limited Liability Company

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

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

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

## ATTACHMENT A

### GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this day of \_\_\_\_\_, by \_\_\_\_\_, (each a “Guarantor”).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the “Area Development Agreement”) by J ‘N C REAL ESTATE DEVELOPMENT, LLC (the “Franchisor”), and \_\_\_\_\_ (“Developer”), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Area Development Agreement and as provided in the Area Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Area Development Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation, those obligations related to: confidentiality and non-disclosure; indemnification; the Marks; the in-term and post-term covenants against competition, as well as all other restrictive covenants; and the governing law, venue and other dispute resolution provisions set forth in the Area Development Agreement.

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor’s undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Area Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor’s liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor’s liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including 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 Area Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Area Development Agreement by a trustee of Developer; (6) neither the Guarantor’s obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys’ fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking

or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty and Assumption of Obligations as of the date set forth above.

GUARANTOR(S):

\_\_\_\_\_  
Guarantor

\_\_\_\_\_  
Guarantor

\_\_\_\_\_  
Guarantor

**ATTACHMENT B**

**DEVELOPMENT AREA.** The development rights and obligations of Developer, \_\_\_\_\_, to timely develop and open (check one) \_\_\_ three to five Facilities; \_\_\_ six to nine Facilities; or \_\_\_ ten or more Facilities shall be within the following DEVELOPMENT AREA:

---

**FRANCHISOR:**

J ‘N C REAL ESTATE DEVELOPMENT, LLC

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

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

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

**DEVELOPER:**

\_\_\_\_\_  
entity name (if any).

a(n) \_\_\_\_\_

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

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

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

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

(If Developer is a Limited Liability Company)

\_\_\_\_\_  
Name of Limited Liability Company

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

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

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

**ATTACHMENT C**

**DEVELOPMENT SCHEDULE**

1. Development Schedule

Developer, \_\_\_\_\_, agrees to timely open SBJC Businesses in compliance with the following Development Schedule. Developer further agrees that failure to timely open the Facilities in compliance with the Development Schedule shall cause the rights of exclusivity granted to Developer regarding the geographic area defined in Attachment B to be forfeited.

The Development Schedule is as follows:

FACILITY NUMBER	DATE OF FACILITY OPENING (DEVELOPMENT PERIOD)	CUMULATIVE NUMBER OF FACILITIES TO BE OPENED

2. Forfeiture of Rights of Exclusivity

Developer's failure to comply with the Development Schedule causes the rights of exclusivity to be forfeited.

**FRANCHISOR:**

J ‘N C REAL ESTATE DEVELOPMENT, LLC

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

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

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

**DEVELOPER:**

\_\_\_\_\_  
entity name (if any).

a(n) \_\_\_\_\_

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

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

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

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

Developer: \_\_\_\_\_

(If Developer is a Limited Liability Company)

\_\_\_\_\_  
Name of Limited Liability Company

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

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

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



**ATTACHMENT D**

**STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS**

- A. The following is a list of shareholders, partners, members or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>
-------------	---

- B. The following is a list of all of Principals described in and designated pursuant to this Area Development Agreement, each of whom shall execute the Guaranty and Assumption of Obligations substantially in the form set forth in Attachment A of this Area Development Agreement:

**EXHIBIT D**

**FINANCIAL STATEMENTS**

J'NC REAL ESTATE DEVELOPMENT, LLC

FINANCIAL STATEMENTS

December 31, 2022, 2021, 2020  
(With Independent Auditors' Report Thereon)

J'NC REAL ESTATE DEVELOPMENT, LLC

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements	
Balance Sheets .....	3
Statements of Income .....	4
Statements of Changes in Members' Equity .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-14

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
J'NC Real Estate Development, LLC

### **Opinion**

We have audited the accompanying financial statements of J'NC Real Estate Development, LLC (a Texas limited liability company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in members' equity, and cash flows for the years ended December 31, 2022, 2021, and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of J'NC Real Estate Development, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022, 2021, and 2020, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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



San Antonio, Texas  
April 12, 2023

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**BALANCE SHEETS**  
**December 31, 2022 and 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 986,802	\$ 385,737
Restrictive Cash for Brand Advertising	86,656	94,351
Accounts Receivable	389,479	327,854
Accounts Receivable, Members	312,000	152,000
Operating Lease Right-of-Use Assets	62,038	-
Deferred Success Fees and Commissions, Current	1,136,841	465,197
Total Current Assets	<u>2,973,816</u>	<u>1,425,139</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>52,827</u>	<u>47,429</u>
<b>OTHER ASSETS</b>		
Deferred Success Fees and Commissions, Long-Term	3,010,038	2,661,343
Operating Lease Right-of-Use Assets	112,197	-
Security Deposits	5,470	5,470
Total Other Assets	<u>3,127,705</u>	<u>2,666,813</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,154,348</u>	<u>\$ 4,139,381</u>

**LIABILITIES AND MEMBERS' EQUITY**

<b>CURRENT LIABILITIES</b>		
Accounts Payable, Trade	\$ 59,448	\$ 7,792
Accounts Payable, Brand Advertising	86,656	94,351
Accrued Expenses	32,225	44,602
Operating Lease Liability, Current	61,613	-
Deferred Franchise Fees, Current	535,212	417,212
Current Portion of Long-Term Obligations	-	1,142
Total Current Liabilities	<u>775,154</u>	<u>565,099</u>
<b>LONG-TERM OBLIGATIONS</b>		
Deferred Franchise Fees, Long-Term	5,036,782	3,355,675
Operating Lease Liability	114,264	-
Long-Term Obligations, less deferred financing fees and current maturities	150,000	150,000
Total Long-Term Obligations	<u>5,301,046</u>	<u>3,505,675</u>
<b>MEMBERS' EQUITY</b>	<u>78,148</u>	<u>68,607</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 6,154,348</u>	<u>\$ 4,139,381</u>

*The accompanying notes form an integral part of these financial statements.*



**J'NC REAL ESTATE DEVELOPMENT, LLC**

**STATEMENTS OF INCOME**

**Years Ended December 31, 2022, 2021, 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>FRANCHISE OPERATIONS REVENUES</b>			
Franchise Fee Income	\$ 480,893	\$ 358,601	\$ 1,123,087
Franchise Royalty Income	3,261,619	2,790,344	1,784,564
Brand Fund Income	623,948	426,834	163,891
Transfer Fees	102,500	50,000	-
Referral Fee Income	72,137	28,118	51,920
Miscellaneous Income	25,764	140	20
	<u>4,566,861</u>	<u>3,654,037</u>	<u>3,123,482</u>
<b>FRANCHISE COST OF SALES</b>	<u>733,264</u>	<u>802,868</u>	<u>1,103,994</u>
Gross Profit	<u>3,833,597</u>	<u>2,851,169</u>	<u>2,019,488</u>
<b>OPERATING EXPENSES</b>			
Advertising and Brand Fund Costs	632,966	482,056	192,408
Depreciation and Amortization	12,692	10,257	14,617
General and Administrative	476,579	275,773	243,343
Payroll and Related Costs	1,106,057	868,394	552,853
Professional Services	178,110	400,525	132,052
	<u>2,406,404</u>	<u>2,037,005</u>	<u>1,135,273</u>
Net Income From Operations	<u>1,427,193</u>	<u>814,164</u>	<u>884,215</u>
<b>OTHER INCOME (EXPENSES)</b>			
Interest Expense	(7,652)	(42,105)	(88,363)
Insurance Proceeds	-	-	652,361
COVID-19 Relief Grants and Forgiven Loans	-	-	87,086
Loss on Disposal of Assets	-	-	(899)
	<u>(7,652)</u>	<u>(42,105)</u>	<u>650,185</u>
Net Income	<u>\$ 1,419,541</u>	<u>\$ 772,059</u>	<u>\$ 1,534,400</u>

*The accompanying notes form an integral part of these financial statements.*



**J'NC REAL ESTATE DEVELOPMENT, LLC**

**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**Years Ended December 31, 2022, 2021, and 2020**

Members' Equity, December 31, 2019	\$ 307,334
Net Income	1,534,400
Distributions	(849,000)
Adoption of Accounting Standard (1)	<u>(946,186)</u>
Members' Equity, December 31, 2020	46,548
Net Income	772,059
Distributions	<u>(750,000)</u>
Members' Equity, December 31, 2021	68,607
Net Income	1,419,541
Distributions	<u>(1,410,000)</u>
Members' Equity, December 31, 2022	<u>\$ 78,148</u>

(1) Accounting Standards Codification ("ASC") 606, *Revenue Recognition-Revenue from Contracts with Customers*.  
Refer to Note 1 Summary of Significant Accounting Policies for further details.

*The accompanying notes form an integral part of these financial statements.*

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income	\$ 1,419,541	\$ 772,059	\$ 1,534,400
Adjustments to Reconcile Net Income to Net Cash			
Provided by Operating Activities:			
Non-Cash Charges to Net Income			
Depreciation and Amortization	12,692	10,257	14,617
Deferred Success Fee and Commission Amortization	162,273	162,273	985,566
Deferred Financing Cost Amortization	-	9,168	35,816
Loss on Disposition of Property and Equipment	-	-	899
Security Deposit Forfeiture	-	-	2,602
Insurance Proceeds	-	-	(652,361)
Deferred Franchise Fees Recognized	(480,893)	(358,601)	(1,123,087)
Changes in Assets and Liabilities:			
Restrictive Cash for Brand Advertising	7,695	(68,498)	(7,138)
Accounts Receivable	(61,625)	(87,387)	93,345
Accounts Receivable, Members	(160,000)	(150,000)	-
Prepaid Commissions	(1,182,612)	(459,734)	(245,000)
Operating Lease Right-of-Use Assets	(174,235)	-	-
Accounts Payable, Trade	51,656	(7,487)	2,077
Accounts Payable, Brand Advertising	(7,695)	68,498	7,138
Accrued Expenses	(12,377)	34,819	(8,067)
Accrued Loss Contingency	-	(250,000)	250,000
Operating Lease Liability	175,877	-	-
Deferred Franchise Fee Deposits	2,280,000	1,280,000	180,000
Total Adjustments	<u>610,756</u>	<u>183,308</u>	<u>(463,593)</u>
Net Cash Provided from Operating Activities	<u>2,030,297</u>	<u>955,367</u>	<u>1,070,807</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds From Sale of Property and Equipment	-	-	250
Purchase of Property and Equipment	(18,090)	(13,149)	(34,564)
Security Deposits, New	-	-	(5,470)
Net Cash Used by Investing Activities	<u>(18,090)</u>	<u>(13,149)</u>	<u>(39,784)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Distributions to Members	(1,410,000)	(750,000)	(849,000)
Proceeds from Notes Payable	-	-	150,000
Payments on Related Party Obligations	(1,142)	(245,639)	(140,225)
Net Cash Used by Financing Activities	<u>(1,411,142)</u>	<u>(995,639)</u>	<u>(839,225)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>601,065</b>	<b>(53,421)</b>	<b>191,798</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>385,737</b>	<b>439,158</b>	<b>247,360</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 986,802</b>	<b>\$ 385,737</b>	<b>\$ 439,158</b>

*The accompanying notes form an integral part of these financial statements.*

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

**Note 1 - BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Description**

J'NC Real Estate Development, LLC (the Company) is located in San Antonio, Texas and was organized on January 23, 2008, as a Texas Limited Liability Company comprised of three members. The Company is a franchisor that allows franchisees the right to independently own and operate a business that offers and provides high-end retail space to beauty and wellness practitioners under the name of Salons by JC. Currently there are Salons by JC locations in twenty-six states throughout the United States.

**Basis of Accounting**

The accompanying financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Cash and Cash Equivalents**

The term "Cash and Cash Equivalents" includes cash on hand and on deposit and short-term highly liquid investments, if any, which are readily convertible into known amounts of cash, with scheduled maturities of three months or less from the date of acquisition. The Company had no cash equivalents as of December 31, 2022 and 2021.

**Accounts Receivable**

Accounts receivables consist of franchise fees and continuing royalties earned from franchisees but not received as of the balance sheet date. Management determines an allowance for doubtful accounts based upon specific uncollectible receivables. Management has determined that all receivables are collectible as of December 31, 2022 and 2021.

**Revenue Recognition**

Revenues consist of sales from franchise revenue. The Company recognizes revenue when it satisfies a performance obligation. The Company receives continuing franchise fees, initial franchise fees, and franchisee advertising fund contributions pursuant to the Company's area development and franchise agreements.

**Initial Franchise Fee Revenue**

The Company recruits potential franchisees, provides support in identifying locations for salons, and assists with pre-opening efforts in exchange for the initial franchise fee. The Company capitalizes these fees upon collection from the franchisee and amortize the fees over the estimated life of the franchise agreement as the services comprising the performance obligation are satisfied. The Company typically grants franchise rights to franchisees for a ten-year term.

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

Note 1 -**BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

**Continuing Franchise Fee Revenue**

The Company's franchisees are required to remit either a flat minimum fee of \$500 to \$600 per month or 5.5% of the franchisees' gross revenues as royalties, depending on the terms of the franchise agreement. The Company recognizes this royalty as the underlying franchisee sales occur.

**Referral Fees**

The Company also earns and collects referral fee revenues from a furniture supplier that furnishes the franchisee salons with furniture. The Company earns a 5% rebate on all such sales that are paid by the franchisees and the rebate is paid to the Company on a quarterly basis.

**Commissions and Ongoing Royalty Success Fees**

The Company pays commissions to brokers and developers on franchise sales. The commissions range from 35% - 75% of the initial franchise fee and are recorded and included in cost of sales in the periods when the corresponding franchise fees are recognized as revenue. Commissions paid by the Company before the related franchise fees have been earned are recorded as deferred commissions.

The Company also pays ongoing royalty success fees to certain brokers and developers which range from .5% to 1% of the of the franchisees sales. The obligation for ongoing royalty success fees occurs and is recognized as the franchisees generate revenues.

**Advertising and Brand Fund Costs**

The Company established a system-wide brand advertising fund during the year 2018. Franchisees are required to remit up to 1% of revenues to the brand fund on a monthly basis which is used for marketing and advertising efforts throughout the system. A total of \$598,875, \$434,670, and \$170,185, was collected during the years 2022, 2021 and 2020, respectively, from the franchisees for the brand fund expenditures. As of December 31, 2022 and 2021, the brand fund restricted cash and related liability were \$86,656 and \$94,351, respectively, to be used for future marketing and advertising efforts. The Company recognizes these advertising and brand contributions from franchisees when the underlying franchisee sales occur. The Company expenses advertising, marketing, and brand fund costs when incurred. Advertising, marketing, and brand fund costs for the years ended December 31, 2022, 2021 and 2020 were \$632,966, \$482,056, and \$192,408, respectively.

**Furniture and Equipment**

Furniture and equipment is stated at cost. Depreciation is provided for in amounts sufficient to allocate the cost of the depreciable assets to operations using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years.

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

Note 1 -**BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

**Debt Issuance Costs**

Debt issuance costs in the amount of \$83,922 were incurred during the year 2017. Debt issuance costs are presented as a reduction of the carrying amount of the debt. The costs are amortized using the interest method over the life of the debt and are included in interest expense. Total amortization expense for the years ended December 31, 2022, 2021, and 2020 were \$44, \$9,168, and \$35,816, respectively.

**Fair Value of Financial Instruments**

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and long-term obligations. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based upon their short-term nature. The recorded value of long-term obligations approximates fair value, as the interest rates on the obligations approximate current market rates.

**Income Taxes**

No provision is made for Federal income taxes. Taxes are paid by the members on their personal returns based upon their pro-rata share of income.

The income tax position taken by the Company for any years open under the various statutes of limitations is that the Company continues to be exempt from Federal income taxes by virtue of its pass-through entity status. Management believes this position meets the more-likely-than-not threshold and, accordingly, the tax benefit of this income tax position (no income tax expense or liability) has been recognized for the years ended on or before December 31, 2022. However, the years 2019 and later remain subject to examination.

The Company is subject to the Texas Franchise Tax which is based upon the gross margin of the Company as defined. This tax if incurred is reflected in general and administrative expenses. Texas Franchise Tax expense included in general and administrative expenses for the years 2022, 2021, 2020 were \$15,301, \$6,219, and \$5,266, respectively.

**Concentration of Credit Risk**

The Company maintains cash balances which, at times may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. At December 31, 2022 and 2021 cash balance in the amounts of \$854,055 and \$280,046, respectively exceeded the federally insured limits.

**Recently Adopted Accounting Pronouncements**

Effective January 1, 2020, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2014-09, *Revenues from Contracts with Customers*, ASC Topic 606, using



**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

Note 1 -**BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

the modified retrospective method. This adoption had an effect on revenues from all contracts with customers that had not yet been completed as of the adoption date. Therefore, there was an adoption impact recognized in the opening balance of members equity as of January 1, 2020. The adoption of the new guidance changed the timing of recognition of initial franchise fee revenue. Previously, these fees were generally recognized upfront upon the execution of the area development and franchise agreements once initial services required by the agreements were performed. The new guidance generally requires these fees to be recognized over the estimated life of the related franchise agreement for the respective salon. Prior period information has not been restated and continues to be reported under the accounting standards in effect for those periods. Refer to Note 1 above for additional disclosures required under ASC Topic 606.

Effective January 1, 2022, the Company adopted Accounting Standards Update 2016-02, *Leases*, ASC Topic 842, which requires the recognition of “right-to-use” assets and lease liabilities, initially measured at the present value of the lease payments on of the Company’s lease obligations. ASU 2016-02 was adopted using the modified retrospective transition method. Adoption of the standard resulted in the recording of \$234,661 of operating lease assets and operating lease liabilities, as of January 1, 2022. The Company did not adjust Balance Sheets prior adoption date. Adoption of the standard did not impact the Company’s Statements of Income or Cash Flows. The adoption was applied using the package of practical expedients allowed by ASU 2016-02, and therefore, the Company did not reassess:

- Whether any expired or existing contracts are or contain leases under the new definition;
- The lease classification for any expired or existing leases; or
- Whether previously capitalized costs continue to qualify as initial direct costs.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events**

The Company evaluated its December 31, 2022 financial statements for subsequent events through April 12, 2023, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which required recognition and disclosure in the financial statements.

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

**Note 2 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ -	\$ 45,615
Furniture & Equipment	72,145	54,055
Leasehold Improvements	13,272	13,272
	<u>85,417</u>	<u>112,942</u>
Less: Accumulated Depreciation	32,590	65,513
	<u>\$ 52,827</u>	<u>\$ 47,429</u>

Depreciation expense for the years ended December 31, 2022, 2021, and 2020 was \$12,692, \$10,257, and \$14,617, respectively.

**Note 3 – LONG-TERM OBLIGATIONS**

Long-obligations at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Note Small Business Administration, secured by all tangible & intangible property, due in monthly installments of \$731, including interest at 3.75%, commencing December 10, 2022, and first applied to accrued and deferred interest then to principal through June 2050.	\$ 150,000	\$ 150,000
Long-term obligation to related party, payable in monthly installments of \$21,288, including interest at 7.23%, through October 15, 2024	-	1,186
	<u>150,000</u>	<u>151,186</u>
Less: Unamortized debt issuance costs	-	44
Less: Current maturities	-	1,186
	<u>\$ 150,000</u>	<u>\$ 149,956</u>

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

**Note 3 – LONG-TERM OBLIGATIONS – (continued)**

Long-term obligations mature as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ -
2024	-
2025	-
2026	-
2027	1,301
Thereafter	<u>148,699</u>
	<u>\$ 150,000</u>

**Note 4 - LEASES**

The Company leases office space and equipment pursuant to lease agreements through September 2025. The leases contain no significant restrictions. The office space lease provides for escalating monthly base rental payments over its term in amounts ranging from \$5,065 to \$5,470. The equipment lease requires monthly rentals in the amount of \$160. As discussed above, the Company adopted effective January 1, 2022, ASU 2016-02, ASC 842, *Leases*, which requires the recognition of right-of-use asset and lease liabilities based upon the present value of the remaining lease payments. As permitted by ASC 842, the Company used a 5-year U.S. Treasury rate of 2.38% as the incremental borrowing rate to discount cash flows to determine the present value.

The following is a schedule by years of minimum future rentals for the operating leases and the amortization of the net present value of the lease liability as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 65,430
2024	66,646
2025	50,188
Thereafter	-
Total Minimum Payments	<u>182,264</u>
Less: Present Value Discount	<u>(6,387)</u>
Present Value of Total Lease Liabilities	<u>\$ 175,877</u>



**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

**Note 4 – LEASES – (continued)**

Total rent expense for all operating leases for the years ending December 31, 2022, 2021, and 2020 amounted to \$69,883, \$63,433, and \$54,627, respectively.

**Note 5 – RELATED PARTIES**

The Company during the years 2022, 2021, and 2020 utilized some of its employees to provide certain administrative and bookkeeping services at no charge to another company (Related Party) owned by some of the Company's members (Common Members).

On January 6, 2017, the Company amended an independent contractor agreement (AICA) with a company that was retained in 2012 to locate and present qualified candidates to the Company for approval to operate Salons by JC franchises. The AICA settled with the independent contractor all success fees due them prior to the execution of the AICA with the Company and its members agreeing to pay them \$1,500,000 by and pursuant to a promissory note for this amount. This was a non-interest-bearing note that was due on or before September 30, 2017 by which time permanent third-party financing was to be obtained. Under the terms of the AICA the Company agreed to provide the independent contractor an accounting of all gross sales for all franchisees referred by them. When this accounting was provided the Company and the independent contractor agreed that a total of \$176,923 was to be paid to the independent contractor in full settlement of ongoing success fees for years prior to 2017. This resulted in a remaining amount due the independent contractor including interest in the amount of \$1,323,077 to be refinanced with a permanent third-party lender.

On September 25, 2017, the third-party financing discussed above was obtained with a permanent loan in the amount of \$1,400,000 with the borrower being the Related Party instead of the Company to allow the lender to secure the loan with certain assets of the Related Party. The proceeds from this loan paid-off the \$1,323,077 due by the Company to the independent contractor, funded a 4% loan origination fee in the amount of \$56,000, and funded other closing costs totaling \$20,923. Additionally, the Company paid a \$7,000 loan processing fee to a broker related to this indebtedness. The loan agreement also required the Common Members, along with their spouses, to personally guarantee the loan balance. Additionally, life insurance policies are required from the Common Members equal to or exceeding the full amount of the loan. The \$1,400,000 loan is due in monthly installments of \$21,288, including interest at 7.23%, through maturity on October 15, 2024.

It is the intent of the Related Party, the Company, and the Common Members, that the Company repay this loan and all related costs. Therefore, a long-term obligation due the Related Party is reflected in these financial statements under the same terms of the Related Party loan to the third-party lender discussed above. This obligation was paid-off in full during the year 2022.

During the years 2022, 2021, and 2020 the Company paid a total of \$1,187, \$255,450, and \$191,588, respectively, for principal and interest on this indebtedness. At December 31, 2022 and 2021 the

**J'NC REAL ESTATE DEVELOPMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022, 2021, and 2020**

**Note 5 – RELATED PARTIES – (continued)**

Company had accounts receivable due from the Company's members in the amounts of \$312,000 and \$152,000, respectively, for 2023 and 2022 distributions funded in advance.

**Note 6 – RETIREMENT PLAN**

The Company established a 401(k) profit-sharing plan and trust effective January 1, 2020 that features a 4% safe harbor match of employee contributions. In addition, the Company may make discretionary profit-sharing payments as well. The employees may elect to defer amounts according to the maximum allowed under Federal guidelines. For the years ended December 31, 2022, 2021 and 2020, 4% safe harbor matching contributions were \$33,619, \$17,768, and \$1,688, respectively.

**Note 7 – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATON**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Cash Paid During the Year for:</u>			
Interest	\$ 21,335	\$ 9,812	\$ 53,539
<u>Noncash Investing and Financing Activities:</u>			
Security deposit applied to rent expense	-	-	2,602
Life insurance proceeds directly applied to pay down related party obligation	-	-	652,361
Operating lease right-of-use asset in exchange of operating lease liability	234,661		

**EXHIBIT E**

**STATE ADDENDA  
AND AGREEMENT RIDERS**

## STATE ADDENDA AND AGREEMENT RIDERS

### ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR J 'N C REAL ESTATE DEVELOPMENT, LLC

The following modifications are made to the J 'N C Real Estate Development, LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 20\_\_ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Texas. When the term “**Supplemental Agreements**” is used, it means Development Agreement.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. If you are signing the Franchise Agreement in one of these states, the following language applies:

**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.**

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

#### **CALIFORNIA**

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Texas. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the

Franchise Agreement or Supplemental Agreements restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator's fees.

The Franchise Agreement and Supplemental Agreements require the application of the law of Texas. This provision may not be enforceable under California law.

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

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

The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

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

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

The following Risk Factor is hereby added to the State Cover Page:

WE HAVE NOT RESEARCHED THE SPECIFIC STATE LAWS OF CALIFORNIA APPLICABLE TO THE ESTABLISHMENT AND OPERATION OF AN SBJC BUSINESS TO DETERMINE WHETHER ANY OF THE PRODUCTS OR SERVICES OFFERED BY A SALONS BY JC FRANCHISE ARE NOT PERMITTED BY STATE LAW.

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

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.

## **HAWAII**

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT 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 YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE 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 US AND YOU.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit J of the FDD on the page entitled, "State Effective Dates."

2. States which have refused, by order or otherwise, to register these Franchises are:  
None
3. States which have revoked or suspended the right to offer the Franchises are:  
None
4. States in which the proposed registration of these Franchises has been withdrawn are:  
None

## **ILLINOIS**

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation,

whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

Items 5 and 7 of the FDD and Section 4 of the Franchise Agreement are hereby revised to state that payment of the Initial Franchise Fee, shall be deferred until after all of Franchisor's initial obligations are complete and the Franchise is open for business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

See the last page of this Exhibit E for your signature.

## **INDIANA**

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The "Summary" column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Designated Territory.

The "Summary" column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The "Summary" column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor's Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is 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, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.



The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

## **IOWA**

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

### **NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to J 'N C Real Estate Development, LLC, 2511 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

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

## **MARYLAND**

### **AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

Item 17 of the FDD and the Franchise Agreement are amended to state: "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."

Representations in the Franchise Agreement and Development Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement and Development Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

The Maryland Securities Commissioner has required us to obtain a surety bond because of our financial condition. We have obtained a surety bond in the sum of \$125,000, and that bond is on file with the Maryland Securities Division. If we fail to strictly comply with all applicable provisions of, and all orders, rules, and regulations issued pursuant to, the Maryland Franchise Registration and Disclosure Law, we may become liable for the payment of the bond sum to the State of Maryland for the use and benefit of any person(s) that have a claim under the conditions of the bond obligation.

## **MICHIGAN**

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

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

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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 five years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

(i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

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

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

## **MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.

2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Under the Item 6 of this Disclosure Document, the amount of the Dishonored Check Charge is hereby deleted and replaced with "\$30" pursuant to Minnesota Statute 604.113.

## **NEW YORK**

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

**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 added at the end of Item 3:

Except as provided above, with regard to 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 ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for Franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for Franchisor approval of transfer:**"

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by Franchisee.**"

You may terminate the agreement on any grounds available by law.

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

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

### **NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any section of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 15 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

**OHIO**

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials \_\_\_\_\_ Date \_\_\_\_\_

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller’s receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to J ‘N C Real Estate Development, LLC, 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

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

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

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

Its: \_\_\_\_\_

**RHODE ISLAND**

§ 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.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, 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, the Supplemental Agreements, and all other documents signed by them, including, but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.



## **SOUTH DAKOTA**

Intentionally left blank.

## **VIRGINIA**

The following risk factor is hereby added:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$1,007,875 to \$1,911,200. This amount exceeds the franchisor's stockholders equity as of December 31, 2021, which is \$68,607.

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for J ‘N C Real Estate Development, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **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.

Exhibit H to this Franchise Disclosure Document is amended to provide that a General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

Exhibit I to this Franchise Disclosure Document is amended to provide that the Questionnaire/Certification does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

## **WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

*(Signatures on following page)*

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- |                          |            |                          |              |                          |              |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan     | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii     | <input type="checkbox"/> | Minnesota    | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois   | <input type="checkbox"/> | New York     | <input type="checkbox"/> | Virginia     |
| <input type="checkbox"/> | Iowa       | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington   |
| <input type="checkbox"/> | Indiana    | <input type="checkbox"/> | Ohio         | <input type="checkbox"/> | Wisconsin    |
| <input type="checkbox"/> | Maryland   |                          |              |                          |              |

Dated: \_\_\_\_\_, 20\_\_\_\_

**FRANCHISOR:**

J ‘N C REAL ESTATE DEVELOPMENT, LLC

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

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

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

Rev. 050918

**EXHIBIT F**

**LIST OF CURRENT AND FORMER FRANCHISEES**

**Current Franchisees as of December 31, 2022:**

Last Name	First Name	Phone Number	Address	City	State	Zip Code
Delot*	Land	615-669-5480	920 Bob Wallace Ave. SW	Huntsville	AL	35801
Carter	Rita	251-345-1920	3725 Airport Blvd	Mobile	AL	36608
Sumner	Eric	480-231-8809	4848 E. Catus Rd.	Scottsdale	AZ	85254
Ridley	Kevin	410-409-5445	43473 Boscell Rd	Fremont	CA	94538
Hussaini	Moin	310-796-6244	7401 Yorktown Ave. #101	Huntington Beach	CA	92648
Ramirez*	Eugene	661-877-7638	571 Town Center Dr.	Oxnard	CA	93036
McGhee	Darin	619-252-4396	3651 Midway Dr	San Diego	CA	92110
Tuttle*	Barrett	404-808-3695	4735 Hamilton Ave. #81	San Jose	CA	95130
Barthalow-Alphin*	Brad/Nicole	415-640-7803	3211 Crow Canyon Place, Space M003/7	San Ramon	CA	94583
Barthalow-Alphin*	Brad/Nicole	415-640-7803	1940 Tice Valley Blvd	Walnut Creek	CA	94595
Kukel	Scott	720-838-7763	2130 S. University Boulevard	Denver	CO	80210
Correia	Derek	914-980-9841	15 Backus Ave.	Danbury	CT	06810
McGuinness*	Jim	732-908-0906	1645 Boston Post Road	Milford	CT	06460
Correia	Derek	914-980-9841	515 West Ave	Norwalk	CT	06850
Dahms	Gary	830-803-6248	333 North Main Street Suite 50	West Hartford	CT	06117
Cooke*	Denise	707-972-8378	1536 West Brandon Blvd.	Brandon	FL	33510
Scher*	Peter	352-256-7520	2 Aragon Ave.	Coral Gables	FL	33134
Scher*	Peter	352-256-7520	2 Oakwood Blvd, Suite 180	Hollywood	FL	33020
Long*	Dave	786-527-5100	4750 N. Federal Highway	Lighthouse Point	FL	33064
Scher*	Peter	352-256-7520	14009 SW. 88th Street	Miami	FL	33186
Scher*	Peter	352-256-7520	8208 Mills Dr. (Palms Town & Country)	Miami	FL	33183
Bayard	Lisa	215-783-2894	800-810 S. Fifth Ave., Suite. 201 & 203	Naples	FL	34102
Patel	Urjeet	478-845-8753	4910 East Colonial Dr.	Orlando	FL	32803
Bedrin*	Garret	201-410-3427	9910 Alt A1A	Palm Beach Gardens	FL	33410
Long*	Dave	786-527-5100	176 South Flamingo Road	Pembroke Pines	FL	33027
Long*	Dave	786-527-5100	674 N. University D.	Pembroke Pines	FL	33024
Delot*	Land	615-669-5480	1445 2nd Street	Sarasota	FL	34236

Last Name	First Name	Phone Number	Address	City	State	Zip Code
Cooke*	Denise	707-972-8378	3448 Lithia Pinecrest Rd	Valrico	FL	33596
Stiebel	Dave	678-896-5222	11770 Haynes Bridge Rd, Suite 401	Alpharetta	GA	30009
Murphy	Jim	404-858-3817	1544 Piedmont Rd, Ste 117	Atlanta	GA	30324
Holmberg	Doug	678-699-3365	3189 Buford Dr. #1339	Buford	GA	30519
Murphy	Jim	404-858-3817	2900 Delk Road	Marietta	GA	30067
Singh	Jay	912-389-0445	591 Bullsboro Dr. Space 12	Newnan	GA	30265
Brooks	Ruben	404-858-4685	8949 Roswell Rd	Roswell	GA	30350
Agard	Trevor	708-205-8464	6690 Rosell Road Suite #411	Sandy Springs	GA	30328
McCarthy*	Terry	630-621-0451	308 E. Rand Rd	Arlington Heights	IL	60004
Salaba	Tom	773-504-2217	619 E. Boughton Rd.	Bolingbrook	IL	60440
Lang	Bob	917-771-7332	2860 North Broadway	Chicago	IL	60657
O'Connor	John	847-612-5947	113-295 Skokie Valley Rd, #B005	Highland Park	IL	60035
Vermette*	Lauren	617-233-2407	43 Middlesex Turnpike	Burlington	MA	01803
Vermette*	Lauren	617-233-2407	65 Main St. Suite 117	Stoneham	MA	02180
McGuinness*	Jim	732-908-0906	10451 Twin Rivers	Columbia	MD	21044
McGuinness*	Jim	732-908-0906	1153 State Route 3 N	Crofton	MD	21054
Estep*	Mark	267-893-9922	Loch Raven Plaza 1322 Goucher Blvd.	Towson	MD	21286
Donnellon	Ed	248-797-2158	43227-43235 Crescent Blvd.	Novi	MI	48375
Kokku*	Princeton	651-894-3839	15125 Cedar Ave S	Apple Valley	MN	55124
Koughan	Brent	612-210-4403	11820 Ulysses St. NE	Blaine	MN	55434
Kokku*	Princeton	651-894-3839	13901 Aldrich Ave. South	Burnsville	MN	55306
Koughan	Brent	612-210-4403	12685 Riverdale Blvd.	Coon Rapids	MN	55448
Ruckdashel	Karen	651-341-3332	7240 E. Point Douglas Rd. Suite 160	Cottage Grove	MN	55016
Koughan	Brent	612-210-4403	7860 Vineyard Lane	Maple Grove	MN	55369
Simek*	April	612-250-2354	3016 Hennapin Ave South	Minneapolis	MN	55408
Simek*	April	612-250-2354	11337 Highway 7	Minnetonka	MN	55343
Simek*	April	612-250-2354	2934 W 66th St	Richfield	MN	55423
Horton	Bert	612-801-2637	132 Division St.	Waite Park	MN	56387
Stawski	Roger	612-719-7385	8160 Collier Way	Woodbury	MN	55125

Last Name	First Name	Phone Number	Address	City	State	Zip Code
Hindrichs*	Mark	815-302-4744	13901 Manchester Rd	Town & Country	MO	63011
Cox	Eugene	919-696-7155	2416 Walnut St.	Cary	NC	27511
Moreno*	Luis	704-907-9496	11121 Carmel Commons Blvd. #100	Charlotte	NC	28228
Moreno*	Luis	704-907-9496	6832 Morrison Blvd	Charlotte	NC	28211
Moreno*	Luis	704-907-9496	709 International Dr. Suite. B	Charlotte	NC	28270
Moreno*	Luis	704-907-9496	10614 Providence Rd.	Charlotte	NC	28277
Bedrin*	Garret	201-410-3427	2731 Battleground Ave	Greensboro	NC	27408
Bedrin*	Garret	201-410-3427	1231 Eastchester Dr	High Point	NC	27265
Bennett*	Eric	704-582-9473	9747-A Sam Furr Road	Huntersville	NC	28078
Neveu	Daniel	910-315-2797	6140 Falls of Neuse Rd	Raleigh	NC	27609
Bedrin*	Garret	201-410-3427	615 St. George Square Ct	Winston Salem	NC	27103
Bedrin*	Garret	201-410-3427	700 Paramus Park	Paramus	NJ	07562
Bedrin*	Garret	201-410-3427	1300 Route NJ-17N	Ramsey	NJ	07446
McGuinness*	Jim	732-908-0906	1026 Broad St	Shrewsbury	NJ	07702
McGuinness*	Jim	732-908-0906	1825 NJ-35	Wall Township	NJ	07719
Bedrin*	Garret	201-410-3427	327 Franklin Ave. Suite. 21	Wyckoff	NJ	07481
Kyle	Angie	917-628-8559	145 Disc Dr Suite 109-111	Sparks	NV	89436
Ezekiel*	Abraham	631-594-8948	880 West Sunrise Highway	Bay Shore	NY	11706
Tuttle*	Barrett	404-808-3695	124 W. 24th	Manhattan	NY	10011
Tuttle*	Barrett	404-808-3695	127 East 59th St	New York	NY	10022
Ezekiel*	Abraham	615-669-5480	1260 Old CR	Westbury	NY	11590
Myers	Greg	513-505-1059	3825 Edwards Road	Cincinnati	OH	45209
Nuttal	Reid	405-496-1833	8655 Sancus Blvd.	Columbis	OH	43240
Patel	Sejal	405-245-2315	2054 S Service R	Moore	OK	73160
Patel	Sejal	405-245-2315	3000 West Memorial Road, Suite 112	Oklahoma City	OK	73120
Ingram	Karen	903-491-9460	6614 Memorial	Tulsa	OK	74133
Massaro	Nick	215-262-4886	TBD	Warrington	PA	TBD
Kosbe	Wayne	678-386-7512	1117 J-1 Woodruff Rd.	Greenville	SC	29607
Bennett*	Eric	704-582-9473	13 Hillcrest Blvd	Spartanbrug	SC	29307
Matsinger	Scott	423-280-3787	271 Northgate Mall	Chattanooga	TN	37405

Last Name	First Name	Phone Number	Address	City	State	Zip Code
Delot*	Land	615-669-5480	615 Bakers Bridge Road "cool springs"	Franklin	TN	37067
Johnson*	Thomas	615-669-5480	99 E. Main Street	Franklin	TN	37064
Delot*	Land	615-669-5480	1984 Providence Pkwy #655	Mt. Juliet	TN	37122
Delot*	Land	615-669-5480	760 Thompson Ln	Murfreesboro	TN	37204
Delot*	Land	615-669-5480	210 25th Ave North, #100	Nashville	TN	37203
Johnson*	Thomas	615-669-5480	210 25th Ave North, #100 (nashville expansion)	Westend	TN	37064
Bounds	Dana	830-399-9434	10001 S IH-35 #200	Austin	TX	78747
Burgtorf*	John	512-524-6228	3801 Capital of Texas Highway N, Suite D-200	Austin	TX	78746
Ratcliff*	John	479-270-4003	14010 N. US 183 #416	Austin	TX	78750
Covill	John	830-660-3276	4938 South Staples St	Corpus Christi	TX	78411
Westlund	Carol	214-543-7457	9540 Garland Rd #294	Dallas	TX	75218
Katz	Larry	818-326-6229	2640 W University Dr Suite 1266	Denton	TX	76201
Ratcliff*	John	479-270-4003	19056 Gulf Freeway	Friendswood	TX	77546
Burgtorf*	John	512-524-6228	Wolf Crossing	Georgetown	TX	78626
Duong	Tai	512-484-9131	11145 Westheimer Rd. "Westchase"	Houston	TX	77042
Harwerth*	Craig	713-515-6111	110 Meyerland	Houston	TX	77096
Panjwani	Jeff	832-573-1498	6935 FM 1960 West	Houston	TX	77069
Ratcliff*	John	479-270-4003	2617 West Holcombe #F	Houston	TX	77025
Tuttle*	Barrett	404-808-3695	8401 Westheimer Rd	Houston	TX	77063
Tuttle*	Barrett	404-808-3695	24551 Katy Freeway	Katy	TX	77494
Barthallow-Alphin*	Brad/Nicole	415-640-7803	500 East Round Grove Rd. Suite. #301	Lewisville	TX	75077
Duong	Tai	512-484-9131	6238 Highway 6	Missouri City	TX	77459
Ratcliff*	John	479-270-4003	2650 Pearland Parkway, Suite 196	Pearland	TX	77581
Tuttle*	Barrett	404-808-3695	11200 Broadway St., Space 1410	Pearland	TX	77584
Tuttle*	Barrett	404-808-3695	9515 W. Broadway St. #201	Pearland	TX	77584
Parker*	Carey	469-879-2152	8240 Plano Road, Suite. 200	Plano	TX	75024
Tuttle*	Barrett	404-808-3695	9107 Fram to Market Rd 723	Richmond	TX	77406



Last Name	First Name	Phone Number	Address	City	State	Zip Code
Tuttle*	Barrett	404-808-3695	4122 FM 762 Rd	Rosenberg	TX	77469
Ratcliff*	John	479-270-4003	3021 S. Interstate 35, Suite 260	Round Rock	TX	78664
Roberts	John	214-232-6926	2801 E. State Hwy 114	Southlake	TX	76092
Tuttle*	Barrett	404-808-3695	6603 Spring Stuebner Rd	Spring	TX	77389
Tuttle*	Barrett	404-808-3695	4057 Riley Fuzzel Rd	Spring	TX	77386
Duong	Tai	512-484-9131	16510 - 16762 Southwest Freeway	Sugarland	TX	77479
Browne	Bruce	214-546-5360	301 Trophy Lake Dr #156	Trophy Club	TX	76262
Tuttle*	Barrett	404-808-3695	1011 Bay Area Blvd	Webster	TX	77598
Coulopoulos	Dean	703-282-2178	3865 Wilson Blvd	Arlington	VA	22203
Zuniga	Silvia	703-201-9561	21000 Southbank Street	Sterling	VA	20165
Miller	Kelly	206-650-6942	5101 25th Ave NE	Seattle	WA	98105

\* These franchisees also have area development rights.

**Franchisees with Unopened Outlets as of December 31, 2022:**

Last Name	First Name	Phone Number	City	State
Batra	Shreshth	916-600-0149	Elk Grove	CA
Chan	Nelson	626-382-9789	Monterey Park	CA
Gorman	Raymond	808-321-1293	Rocklin	CA
Mota*	Pedro	949-438-8393	Laguna Niguel	CA
Heien*	Alex	214-403-0011	Englewood	CO
Dziugelis*	Aurimas	954-999-0003	Fort Lauderdale	FL
Goldman	Christine	321-231-5262	Orlando	FL
Long	Dave	786-527-5100	Golden Beach	FL
Miller	Troy	407-406-4091	Orlando	FL
Molano	Andres	305-431-7297	Davie	FL
Whiteman	Janelle	614-581-1336	Sarasota	FL
Wilson*	Chris	732-803-0226	Ocoee	FL
Soran*	Marci	404-218-9053	Lilburn	FL
Kosbe	Wayne	678-386-7512	Woodstock	GA
Oldweiler	Chad*	773-592-7006	Atlanta	GA
Capitani	Stephen	732-887-7868	Alpharetta	GA
Petzold	Kent	801-550-8052	Meridian	ID
Miller*	Tammy	412-716-7218	Highland	MI
Carter	Levis	228-217-7100	Lucedale	MS
Bedrin	Garret	201-410-3427	Glen Rock	NJ
DeGennaro	Matt	732-236-6161	Matawan	NJ

Last Name	First Name	Phone Number	City	State
Mitarotonda	Michael	201-410-4932	Franklin Lakes	NJ
Ezekiel*	Abraham	631-894-8948	Manalapan	NY
Lada*	Sebastian	201-456-6825	Elmwood	NY
Frey	Annette	267-918-0743	Furlong	PA
McCullough+	Owen	803-467-1803	Lexington	SC
Hattan	Evan	918-938-2197	Lakeline	TN
Barclay*	Reggie	832-654-0481	Sugar Land	TX
Cassel	Brett	336-263-2187	Coppel	TX
Dominguez	Connie	832-870-7964	Spring	TX
Hochart*	Kris	210-421-2691	San Antonio	TX
McKinney*	Scott	832-628-0950	Houston	TX
Parker	Carey	469-879-2152	Plano	TX
Sarmiento	Andre	757-751-3141	Marion	TX
Szabo	Christopher	713-894-2973	Houston	TX
Burgtorf	John	512-524-6228	Leander	TX
Shaibeh*	George	979-421-3047	Corpus Christi	TX
Powilleit	Sven	425-504-9194	Edmonds	WA

\*These franchisees also have area development rights.

+This franchisee has signed two franchise agreements for unopened outlets.

### **Former Franchisees:**

The name, city, state and current contact information (to the extent known) of any individual who had a Salons by JC Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 2022, to December 31, 2022, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Last Name	First Name	Telephone	City	State
Gothberg	Martin	408-246-8170	San Ramon	CA
Kinnard*	Justine	862-377-1776	Kennett Square	PA
McLeod	Tomeka	832-242-4166	Houston	TX

*\*this individual did not open for business.*

**EXHIBIT G**

**OPERATIONS MANUAL**  
**TABLE OF CONTENTS**



## Operations Manuel

### Index

Section 1: Real Estate (9 pages)

Section 2: Salon Pre-opening Checklist (9 pages)

Section 3: Concierge Connect (21 pages)

Section 4: New Salon Marketing (16 pages)

Section 5: Safety and Security (11 pages)

**EXHIBIT H**

**SAMPLE RELEASE AGREEMENT**

In consideration for the consent of J ‘N C Real Estate Development, LLC (the “Franchisor”), to the assignment by \_\_\_\_\_ (“Franchisee”) of its interest in that certain franchise agreement entered into by and between Franchisor and Franchisee dated \_\_\_\_\_ (the “Franchise Agreement”), Franchisee hereby remises, releases, and forever discharges Franchisor, its officers, directors and employees and agents, and their respective successors, assigns, heirs and personal representatives, from all debts, covenants, liabilities, actions, and causes of action of every kind and nature, including but not limited to those arising out of or existing under the Franchise Agreement, the offer and sale of the franchised business described therein, and out of the franchise relationship between the parties hereto, whether in law or in equity, from the beginning of time to the date hereof. Franchisee acknowledges that this Release is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released.

This Release has been entered into and agreed to as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

**FRANCHISEE:**

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

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

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

**Print Name:** \_\_\_\_\_

## EXHIBIT I

### FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION

**NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES : CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE): FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.**

As you know, J ‘N C Real Estate Development, LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate one or more franchises that utilize our then-current proprietary marks and system of operations (each, a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Development Agreement and/or Franchise Agreement, and pay us the appropriate franchise/development fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes\_\_\_ No \_\_\_ 1. Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or schedule attached to these agreements, that you intend to enter into with us?
- Yes\_\_\_ No \_\_\_ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes\_\_\_ No \_\_\_ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes\_\_\_ No \_\_\_ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes\_\_\_ No \_\_\_ 5. Have you reviewed the Disclosure Document and Franchise Agreement (and/or Development Agreement) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?
- Yes\_\_\_ No \_\_\_ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises (or DMA or Development Area), competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes\_\_\_ No \_\_\_ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?

- Yes \_\_\_ No \_\_\_ 8. Do you understand that we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under our then-current proprietary marks or any other mark at any location outside your (a) Designated Territory under the Franchise Agreement, and (b) DMA or Development Area if you have entered into a Development Agreement, without regard to the proximity of these activities to the premises of your Franchised Business(es), DMA or Development Area?
- Yes \_\_\_ No \_\_\_ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement and/or Development Agreement must be mediated, at our option, in San Antonio, Texas?
- Yes \_\_\_ No \_\_\_ 10. Do you understand the Franchise Agreement and Development Agreement provide that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes \_\_\_ No \_\_\_ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement or Development Agreement is us?
- Yes \_\_\_ No \_\_\_ 12. Do you understand that (a) the Franchisee (or one of its principals if Franchisee is an organization) must serve as the “Concierge Manager” that handles and is responsible for the day-to-day management and operation of the Franchised Business, unless we approve Franchisee to engage a third party to serve as its Concierge Manager for a given Franchised Business, and (b) you (or your third-party Concierge Manager) must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes \_\_\_ No \_\_\_ 13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes \_\_\_ No \_\_\_ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises (other than those that you timely fulfill your development obligations and have contracted to open under the Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?
- Yes \_\_\_ No \_\_\_ 15. Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes \_\_\_ No \_\_\_ 16. Do you understand that we will not approve your purchase of a franchise from us, and that we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes \_\_\_ No \_\_\_ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business

that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_ No \_\_\_ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_ No \_\_\_ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_ No \_\_\_ 20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.**

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated: \_\_\_\_\_, 20\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated: \_\_\_\_\_, 20\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_\_\_

**GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)**



**EXHIBIT J**

**STATE EFFECTIVE DATES**

## State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending Registration
Hawaii	Not Registered
Illinois	Pending Registration
Indiana	Pending Registration
Maryland	Not Registered
Michigan	Pending Registration
Minnesota	Pending Registration
New York	Pending Registration
Rhode Island	Pending Registration
North Dakota	Not Registered
South Dakota	Pending Registration
Virginia	Pending Registration
Washington	Pending Registration
Wisconsin	Pending Registration

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT K**

**RECEIPTS**

**RECEIPT**  
**(Retain This Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If J 'N C Real Estate Development, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, J 'N C Real Estate Development, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires J 'N C Real Estate Development, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If J 'N C Real Estate Development, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Drew Johnston, 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259, 210-314-3126
Nesa Opp, Franchise Evolution Partners, 3400 East Bayaud Ave., Suite 345, Denver, CO 80209, 919-522-0127
Brian Garoutte, Franchise Evolution Partners, 3400 East Bayaud Ave., Suite 345, Denver, CO 80209, 919-896-7285

Issuance Date: April 17, 2023

I received a disclosure document issued April 17, 2023, which included the following exhibits:

- A. List of State Franchise Administrators/Agents for Service of Process
- B. Franchise Agreement (and Exhibits)
- C. Development Agreement (and Exhibits)
- D. Financial Statements
- E. State Specific Addenda
- F. List of Franchisees and Franchisees That Left Our System in the Past Fiscal Year or That Have Not Communicated to Us in the 10 Weeks Prior to the Issue Date of this Disclosure Document
- G. Operations Manual Table of Contents
- H. Sample Termination and Release Agreement
- I. Franchisee Questionnaire/Compliance Certification
- J. State Effective Page
- K. Receipts

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**

**RECEIPT  
(Our Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If J ‘N C Real Estate Development, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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If J ‘N C Real Estate Development, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit A.

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_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

Rev. 012417

**Please sign this copy of the receipt, date your signature, and return it to J ‘N C Real Estate Development, LLC, 18402 US Hwy 281 N., Ste. 267, San Antonio, Texas 78259.**