

## FRANCHISE DISCLOSURE DOCUMENT



REGAL NAILS, SALON & SPA, LLC  
A Nevada Limited Liability Company  
5150 Florida Boulevard  
Baton Rouge, LA 70806  
888-414-6245  
[www.regalnails.com](http://www.regalnails.com)

The franchisee will operate a Regal Nails Salon & Spa® location, a modern, high style nail salon in a shopping center.

The total investment necessary to begin operation of a typical Regal Nails Salon & Spa franchised business is from \$172,722 to \$720,666. This includes \$156,500 to \$664,466 that must be paid to the franchisor or its affiliate(s).

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 government 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 Loan Nguyen, Regal Nails Salon & Spa, LLC, 5150 Florida Boulevard, Baton Rouge, LA 70806, 225-906-0561.

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

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

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

Issuance Date: March 28, 2024

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Louisiana. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with franchisor in Louisiana than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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.

## **DISCLOSURES REQUIRED BY MICHIGAN LAW**

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

**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.**

Michigan law provides that a franchisor whose most recent statements are un-audited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or sub-franchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or sub-franchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

**SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:**

Michigan Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
525 W. Ottawa St.  
G. Mennen Williams Bldg., 1<sup>st</sup> Floor  
Lansing, Michigan 48913  
(517) 373-7117

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

**The Franchisor and Its Predecessor**

To simplify the language in this disclosure document, "we", "us" or "our" means Regal Nails, Salon & Spa, LLC (the "Franchisor"). We are a limited liability company formed in the State of Nevada on September 30, 2005. Our principal place of business is 5150 Florida Boulevard, Baton Rouge, Louisiana, 70806.

We conduct business under our registered trademark "Regal Nails Salon & Spa". We have offered franchises for Regal Nails Salon & Spa nail salons since April 1, 2006. On January 1, 2011, we also acquired the rights and obligations as franchisor for franchised Regal Nails & Spa outlets from our former affiliate Regal Nails Select, LLC. We do not own or operate any nail salons.

We have never offered franchises in any other line of business and other than those activities described in this paragraph we do not engage in any other business activities. Our agents for service of process in the states whose franchise laws require us to name a state agency as agent for service are shown on Exhibit D.

We have no parent companies. Our predecessor and affiliate Regal Nails, LLC is a Louisiana limited liability company formed in 1996. The principal business address of Regal Nails, LLC is 5150 Florida Blvd., Baton Rouge, La 70806. From 1997 through most of 2005, Regal Nails, LLC offered franchises for salons operating under the trade name "Regal Nails," which are substantially similar to those offered in this disclosure document. On April 1, 2006, we assumed Regal Nails, LLC's rights and obligations under 227 "Regal Nails" subleases and franchise agreements. By March 1, 2008, all of the Regal Nails franchise agreements and subleases were transferred to us. Neither we nor Regal Nails, LLC offer new Regal Nails franchises and all of the existing Regal Nails franchises that were transferred to us have already begun, or will shortly begin, operating as "Regal Nails Salon & Spa" salons. Regal Nails, LLC never offered franchises in any other line of business. Regal Nails, LLC formerly operated four company-owned Regal Nails salons in California but has sold them and has no plans to open additional Regal Nails salons.

**The Franchisor's Affiliates**

Regal Nails, Canada, ULC. is a wholly-owned subsidiary of ours. Its principal place of business is 5150 Florida Blvd., Baton Rouge, La. 70806. This subsidiary was formed as an Alberta ULC on October 13, 2006. It is engaged in selling franchises under the Canadian Trademark, Regal Nails, Salon & Spa. Regal Nails, Canada, ULC has offered Regal Nails, Salon & Spa franchises since December, 2006. Regal Nails, Canada, ULC has not offered franchises in any other line of business.

Our affiliate Alfalfa Nail Supply, Inc. ("Alfalfa") is a Louisiana corporation formed in 1995. Its principal business address is 11488 S. Choctaw Dr., Baton Rouge, La. 70815. Alfalfa does not own or operate a business of the type offered in this disclosure document. Alfalfa sells a full line of nail supply products, furniture and fixtures to nail salons, including franchised Regal Nails Salon & Spa salons and salons which are not associated with us or Regal Nails. Alfalfa has never offered franchises.

## **The Franchise, The Market and Competition**

You will operate a full service nail salon offering, at a minimum, manicures and pedicures under the name “Regal Nails Salon & Spa.” The services you offer to customers will be subject to the restrictions of the lease to the premises or other applicable agreements, such as the Exchange Concessionaire Contract (the “ECC”) for Exchange shopping centers on military bases. Regal Nails Salon & Spa salons are typically located in a Wal-Mart (“WM”). However, they may also be located in or as part of other big box retail stores and shopping centers.

If you have the proper licenses, equipment and space, you may also perform waxing services if not restricted from doing so by the landlord. A small number of franchisees, based on your landlord’s policies, may obtain the privilege of performing eyelash extension services from us; at this time, we do not anticipate or expect to extend this privilege to other franchisees. Conditions for obtaining these services can be found in Item 16. The core business of your Regal Nails Salon & Spa salon will be that of a full service nail salon, and these additional services will be only a small part of your business. If you obtain the privilege of performing eyelash extension services from us, you may purchase the approved eyelash extension materials and supplies from any supplier. We may require that you purchase certain furniture for waxing and eyelash extension services from Alfalfa.

If your salon will be in a Wal-Mart or any other location where we are a party tenant, you must understand that our business model and your ability to operate your franchised business in such a location are tied to our ability to maintain a master lease agreement with Wal-Mart or the respective landlord and to any decision it makes on whether or not to make a specific space in one of its stores subject to the master lease agreement. We do not control and cannot predict what any of those decisions may be. A landlord of whom we are a party tenant to is not obligated to grant us leases for new spaces. If we are party tenant to the lease, then we and the landlord will enter into a lease for your space and then the Sublease Schedule of your Franchise Agreement will apply to the terms of our sublease of the premises to you. If, for any reason, the lease for your salon premises is terminated by the landlord, then we may terminate the franchise agreement for the salon without fault or liability to us.

For Wal-Mart locations, at present, you are only permitted to perform manicure, pedicure, and waxing services and sell related goods from these locations. We reserve the right to franchise or own and operate “test locations” that may perform additional services, such as hair care and eyelash extensions, within Wal-Mart locations.

**This paragraph solely pertains to locations within a Wal-Mart center in the United States.** Our current master lease agreement with Wal-Mart (the “2009 Wal-Mart Master Lease Agreement” or the “2009 MLA”) is in effect as of the date of this disclosure document and has no defined term. The initial term of the lease/sublease for a space in a Wal-Mart is generally 60 to 66 months (depending on when rent commences), with up to 2 consecutive additional 3-year options, subject to your compliance with certain requirements and renewal of our lease for your space with Wal-Mart. We and Wal-Mart enter into only an initial lease for your space and have to mutually agree to renew the lease, in our respective discretion. Certain existing franchisees who have remodeled their spaces have been offered a longer initial sublease term with two 3-year mutual renewal options when a corresponding offer is made by Wal-Mart to us for the lease to such premises. In very limited circumstances, some franchisees have requested that a shorter sublease term be granted; when and where Wal-Mart is willing to grant a shorter lease term to us, we have obliged the requesting franchisee and have offered a shorter term. This is rare and we reserve the right to decline to

offer such shorter terms or to offer an extension to the then current term if available. Franchisees with locations that do not remodel as requested by Wal-Mart at renewal may lose their location with the landlord. At Wal-Mart's option, the term at renewal for locations that do not remodel as requested may be reduced to one year. We are not permitted under the 2009 MLA to sublet, assign, or otherwise transfer any premises in California without Wal-Mart's written consent. You should know that Wal-Mart, under the 2009 MLA, requires performance covenants to be met; if a performance covenant is not met by a specific location, Wal-Mart reserves the right to terminate the lease for that specific location. If the 2009 MLA or our lease with Wal-Mart for your particular salon premises ends for any reason, including but not limited to your decline of an offer to relocate the location within the Wal-Mart store, your Franchise Agreement also will end and we will have no liability to you. You should also understand that Wal-Mart is not a party to any agreement with you, Franchise or otherwise, and has no obligations to you; however, under the Sublease Schedule that is part of your Franchise Agreement, you are obligated to operate the salon as if you were the primary tenant under the 2009 MLA. Refer to Items 10 and 17 and Exhibit C-1 of this disclosure document for more information on the termination of your rights to the Regal Nails Salon & Spa franchise.

We have been party tenants to other master lease agreements with other big box retailers, such as HEB and Meijers. Where we are party tenants to a master lease agreement, the respective landlords are not a party to any agreement with our franchisees; however, under the Sublease Schedule that is a part of your Franchise Agreement, a Franchisee would be obligated to operate the salon as if it was the primary tenant under the master lease agreement. The terms of the master lease agreements have varied. But recently the majority of master lease agreements signed have been for a term of 60 months with a 5-year mutual renewal option. This may not always be the case and terms of any lease that we are party tenant to may be less. The term of your sublease will coincide with the terms of the master lease. Further unlike the Wal-Mart locations, which tend to be located inside the Wal-Mart, these other big box retailers may have the salon located outside of the store itself. Should we enter into a master lease that impacts your chosen location prior to your execution of a franchise agreement with us, we will provide you with a copy of the master lease for your review.

Where we are not a party tenant to a master lease agreement for the salon premises, then the Sublease Schedule in your Franchise Agreement will not apply and you will not be bound by its terms. You and your landlord will be the only parties to such leases. However, we will require that both you and your landlord sign a rider to your lease agreement granting us the right but not the obligation to have the lease assigned to us in the event of a default of our Franchise Agreement or your lease agreement. The terms of your lease will be left to you to negotiate. However, we retain the right to review and approve the lease to determine whether it meets our minimum requirements for a Regal Nails Salon & Spa outlet. Under no circumstances will we approve a lease with a term longer than 5 years or shorter than 3 years. Less than 1% of franchisees have entered into leases directly with their landlord.

Your clientele consists principally of shoppers who value the accessibility of your location and seek professional personal grooming services. The substantial majority of your clients will be female. The business is not seasonal, but may be related to the shopper traffic volume of your Wal-Mart store and any seasonally-related traffic patterns it experiences, such as increased volume over a holiday season or decreased volume during any slow sales periods for the store. You may experience less traffic when a store first opens and until the marketing area population is familiar with it, if a competitor cuts into the store's market share, if economic conditions become less favorable to department store sales, and due to other variables

affecting retail store traffic.

Your competitors consist of other licensed chains, such as Dashing Diva, Natural Nail Care Clinics, Foxy Nails, John Rich, Revlon, Beauty First, Outlooks, Dominique Torres, Dream Nails, and independent nail and beauty salons and spas in strip shopping centers. You also may compete with Regal Nails and Regal Nails Salon & Spa salons located in other Wal-Mart stores or other locations as well as Regal Nails & Spa salons, and if implemented, Wal-Mart test locations.

### **Laws, Rules and Regulations**

The board of cosmetology in several states, as well as other similar state government agencies, have licensing and permitting laws and regulations that may apply to your salon, including, for example, nail technician licencing, cosmetologist licensing, other related licensing, bonding and insurance, compliance with certain codes, safety regulations, health requirements, and other similar requirements. Under the Franchise Agreement, you warrant and represent that you are familiar with the laws and licensing requirements applicable to your nail salon and agree to comply with them before opening and throughout the franchise term. There are usually other laws and regulations, at varying levels of government, which may or may not be specific to nail salons in your state and local area, with which you must familiarize yourself and comply, including laws and regulations dealing with the handling, storage and disposal of hazardous chemicals. In addition, there are many other general business laws with which you must comply, including the Age Discrimination in Employment Act, Americans with Disabilities Act, Fair Labor Standards Act, federal and state withholding and tax laws, gender based discrimination laws, Illegal Immigration Reform and Control Act, Immigration Responsibility Act, Occupational Safety and Hazards Act, Title VII of the Civil Rights Act, wage and hour law and other labor and employment laws, worker's compensation insurance, and others.

## **ITEM 2 BUSINESS EXPERIENCE**

### **General Manager and Chief Executive Officer - Mr. Quy T. Ton**

Mr. Ton has been our Manager and Chief Executive Officer since our inception in September, 2005. He also is a co-founder, General Manager of Regal Nails, LLC in Baton Rouge, Louisiana since its inception in 1995 and has been the General Manager of Regal Nails Select, LLC since its inception in October, 2008. He also has also served as the President and founder of our affiliate, Alfalfa since its incorporation in September, 1997. Since its inception in February 2012, Mr. Ton has also served as a Manager of Beautiful Regal, LLC.

### **Chief Financial Officer - David Anderson**

Mr. Anderson has been our CFO since September, 2005. He has been the CFO of Regal Nails, LLC in Baton Rouge, Louisiana since July 2003.

### **Chief Operating Officer- Loan Nguyen**

Ms. Nguyen has served as our Chief Operating Officer since October, 2007. She has also served as Chief Operating Officer of Regal Nails since October, 2007. Ms. Nguyen has been employed in Baton Rouge, Louisiana throughout this period.

### **Manager and President- Human Resources, Inspection and Set-Up - David Nguyen**

Mr. Nguyen has been our President- Human Resources, Inspection and Set-Up since June, 2010. He has been in charge of our Human Resources department since April, 2009, our Inspection department since October, 2007 and our Set-Up department since September, 2005. Mr. Nguyen has also been in charge of set-up operations for Regal Nails, LLC since its inception in 1995. As of November 29, 2011, Mr. Nguyen was also appointed as a Manager of Regal Nails, Salon & Spa, LLC.

**Chief Accounting Officer- Suan Le**

Ms. Le has served as our Chief Operating Officer since February, 2020. Ms. Le was previously employed by Regal Nails, Salon & Spa, LLC in its accounting department since January, 2007.

**ITEM 3  
LITIGATION**

**Material Actions Involving the Franchise Relationship**

Collection Action (Former Franchisees that owed past due amounts to Franchisor)

Regal Nails, Salon & Spa, LLC v. Hoang Minh T. Ha. Filed November 2, 2020 in the District Court of the Southern District of Florida, Fort Pierce Division, State of Florida, Case # 2:20-CV-14388-JEM.

Regal Nails, Salon & Spa, LLC v. Hen Nguyen. Filed November 30, 2022 in the US District Court for the Eastern District of Kentucky at Pikeville, County of Pike, State of Kentucky, Case# 7:22-cv-00112-REW-EBA.

Regal Nails, Salon & Spa, LLC v. Trung Duc Nguyen. Filed January 30, 2023 in the State Court of Forsyth County, Forsyth County, State of Georgia. Case# S-8612.

Regal Nails, Salon & Spa, LLC v. Ashley Kennedy and Devante Hardison. Filed March, 23, 2023 in the 3<sup>rd</sup> Judicial District Court for the Parish of Lincoln, Lincoln Parish, State of Louisiana, Case# 62953.

Breach of Contract

Regal Nails, Salon & Spa, LLC v. Diana Nguyen. Filed June 29, 2023 in the District Court for the Central District of California, Southern Division, Orange County, State of California, Case# 8:23-cv-01169.

**Actions by Public Agencies**

Commonwealth of Virginia, ex. Rel. State Corporation Commission v. Regal Nails, LLC and Quy T. Ton, Case No. SEC-2007-00043 (Settlement Order entered into with the Virginia Division of Securities and Retail Franchising, June 27, 2007). Regal Nails, LLC and Mr. Ton were alleged to have failed to properly disclosed franchisees as required under the VA Retail Franchising Act (the "Act") and granted or offered to grant a franchise in Virginia prior to registering under the Act. Without admitting or denying any violation of law, Regal Nails and Mr. Ton entered into a Settlement Order agreeing not to violate the Act in the future; to pay \$20,000 in monetary penalties; and, to pay \$1,000 to defray the cost of investigation.

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

**ITEM 4  
BANKRUPTCY**

There is no bankruptcy which must be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

Once you have held this disclosure document for a period of at least 14 days, you will then submit to us an application along with an Application Fee of \$250.00. A background check will be performed to determine if you are qualified to be a franchisee in our system. This may include a credit check and a criminal background check. The Application Fee is fully earned when paid and non-refundable under all circumstances, even if you are denied a franchise.

The following table summarizes the initial fees due to us or our affiliate prior to the opening of your Salon and further described in this item.

<b>Fees Payable to Franchisor or its Affiliate in order for a Franchisee to Begin Operation of a Salon</b>	
Application Fee	\$250
Snow White Package	\$150,000 - \$545,000
Full First and Last Month's Monthly Fee	\$1,000 - \$30,000
Security Deposit	\$1,000 - \$32,400
Pro-Rata Monthly Fee	\$0 - \$14,517
Monthly Utility Charge and/or CAM	\$200 - \$1,200
Pro-Rata Insurance	\$1,000 - \$8,000
Insurance Handling Fee	\$50
Rental Tax	\$0 - \$800
Additional Furniture, Fixtures and Equipment	\$0 - \$27,249
Sales Taxes	\$3,000 - \$5,000
<b>Total</b>	<b>\$156,500 - \$664,466</b>

The Initial Franchise Fee is \$25,000, regardless of the size or location of your salon, and is fully earned and payable in one lump sum when you sign the Franchise Agreement and, if applicable, the Site Deposit Addendum. If we are a party tenant to the lease of your premises, then upon confirmation of the site by the landlord, you will be notified and requested to pay a \$45,000 Confirmation Fee within ten days. If we are not a party tenant to the lease of your premises, then a Confirmation Fee is due within 60 days of the signing of the Franchise Agreement or is due upon your confirmation that you have secured from your landlord a site approved by us, whichever happens first. The Initial Franchise Fee and the Confirmation Fee are credited against the total cost of your Snow White Package, as described below.

A. Prices shown in the following table are for new salons that will be delivered to franchisees and have Grand Openings in 2024, and do not include applicable taxes for which you will be responsible. Our Snow White Package assumes that the franchisee has a white box space location for the salon. The Snow White Package includes a custom-built, finished, equipped nail salon, with furniture, fixtures, signs and equipment, including an autoclave, start-up supplies, an initial inventory and the Regal Nails Salon & Spa décor. Pricing is based upon the square footage, build out of, and sufficient furniture, fixtures and equipment for a 400 sq. ft. salon. Refer to Exhibit G for the contents of the Snow White Package, ProtoDesign. The initial cost of this franchise may decrease if we and you agree to reduce the furniture, fixtures, décor, equipment and/or initial inventory items in the Snow White Package. The Snow White Package prices for locations in Wal-Mart will be less than those of locations in other shopping centers or stand-alone nail salons because typically the extent of required construction is less.

Prices for Salons with Grand Openings in 2023 UNITED STATES (US) and Puerto Rico (PR)					
Square Feet	0-450	451-600	601-799	800-999	901-1200
<b>WM Snow White Package (Most Areas)</b> Note 1	\$150,000				
<b>WM Snow White Package (High Cost Areas)</b> Note 2	\$200,000				
<b>Non-WM Snow White Package (Most Areas)</b>	\$250,000				
<b>Non-WM Snow White Package (High Cost Areas)</b>	\$300,000				
<b>Monthly Fee</b>	RANGE: \$500 to \$15,000 The Monthly Fee includes monthly franchise fee and the base rent and rental tax for the premises if we are a party tenant to the lease for the premises.				

<b>Existing Locations</b> Note 3	Up to \$30,000 over the prices for the Snow White Package shown above
<b>Exclusive Brand Add-on.</b> Note 4	Up to \$20,000 over the prices of Snow White Package shown above.
<b>Additional Governmental, Municipal, and/or Impact Fees</b> Note 5	Up to \$40,000 over the prices for the Snow White Package shown above
<b>Additional Construction Costs</b> Note 6	Up to \$150,000 over the prices for the Snow White Package shown above
<b>Additional Review Costs</b> Note 7	Up to \$5,000 over the prices of the Snow White Package shown above

**Note 1:** In Most Areas (those areas other than “High Cost Areas,” as defined below), the Snow White Package will cost \$150,000 to \$250,000.

**Note 2:** “High Cost Areas” are those which have higher wage rates for the trades; where there are additional charges for material or shortages of material and shipping costs; more rigorous building and construction codes; more expensive permits; higher local taxes and fees; where construction may be delayed due to adverse weather and other adverse factors. “High Cost Areas” include: AK, AZ, CA, CT, FL, HI, MA (within a 65 mi radius from Boston’s City Hall), NH, NJ, NV, NY (within an 85 mi radius of New York City’s City Hall), OR, RI, TX (within a 45 mi radius of Houston or Dallas’ City Hall), VT, WA, and Puerto Rico. Distances are measured, as the crow flies, from City Hall. In High Cost Areas, Snow White Package will cost \$200,000 to \$300,000. In 2023, the cost of the Wal-Mart Snow White Package in a High Cost Area was negotiated down to \$152,000.

**Note 3:** “Existing Locations” are open and operating premises that are usually custom built for other retailers and that will be renovated to become Regal Nails Salon & Spa franchises. These premises generally require extensive renovations before they can be converted into nail salons, hence the higher price for the Snow White Package. When you request a salon site, inquire into whether it is an Existing Location because the Snow White Package may cost as much as \$20,000 more than other locations. Applicable to all locations.

**Note 4:** From time to time, certain non-Regal Nails exclusive brand add-ons may be available to new franchisees. Franchisees adding on this package will be supplied initially with mostly those branded polishes. If available, Franchisees may be required to maintain an exclusivity

agreement with the polish manufacturer, in exchange for polishes will be offered to them at a special price from Alfalfa Nail Supply, Inc.; provided, however that Regal Nails branded products may not be included in any list of excluded polishes. Participating franchisees may also be eligible to receive special products and services from the polish manufacturer.

**Note 5:** Additional Governmental, Municipal, or Impact Fees are imposed by certain governmental authorities for either the construction of the salon or the right to do business in that jurisdiction. These additional fees are outside of our control and vary from jurisdiction to jurisdiction. You are responsible for paying these fees, and any subsequent increases to these fees, to us as we are responsible for paying them to governmental authorities, as applicable. Applicable to all locations.

**Note 6:** Additional Construction Costs are unanticipated increases in costs as a result of construction. Increases may be due to, but not limited to, an increase in governmental requirements, labor demands, scope of work, and/or supply shortage. You may also see increases as a result of your request for additional items, such as rooms or plumbing, not normally found in a typical Regal Nails salon. These additional costs are outside of our control and vary from project to project. You are responsible for paying these fees, and any subsequent increases to these fees, to us as we are responsible for paying them to building contractors, as applicable. Applicable to all locations.

**Note 7:** Additional Review Costs are imposed when the landlord for a premises that we are tenant to requires an additional review of the architectural plans of the salon by its selected vendor. These additional costs are outside of our control and vary depending on the landlord and the location of the salon. You are responsible for paying these fees and subsequent costs to us as we are responsible to such landlord to pay for such costs. Applicable to all locations.

**B. Salons that are delivered after 2024:**

1. There is an annual increase of 8% over the price for the Snow White Package shown above for salons that are delivered and open after 2024.

2. If, through no fault of yours, the Grand Opening is delayed not more than six months, pushing the Grand Opening Date of your salon into the next succeeding year, the price of your salon will not be increased.

3. The Monthly Fee in the U.S. may be increased by 25%.

**C. Refunds:**

1. If we are a party tenant to the lease for your premises:

a. If we are unable to obtain confirmation of the site because the landlord declines our offer or we receive communications from the landlord conveying that the premises is unavailable, you may request a refund of the entire Initial Franchise Fee.

b. If you renege or otherwise withdraw after making a request for a site but before the landlord confirms your requested site, you may request a refund of your Initial Franchise Fee less \$15,000.00.

c. If you request a site and site has been confirmed by the landlord, you will be required to pay \$45,000.00 Confirmation Fee within 10 days of notice. If you fail to pay the full Confirmation Fee within the 10-day period, you forfeit the entire Initial Franchise Fee. There will be no refund.

d. If you have paid both the Initial Franchise Fee and the Confirmation Fee, but subsequently renege or threaten to renege or in any other way communicate to us your intent to renege on your remaining obligations under the Franchise Agreement, then your Franchise



Agreement may be terminated by us without liability to us upon notice to you. There will be no refund.

2. If we are not a party tenant to the lease for your premises:

a. If you renege within 30 days after signing the Franchise Agreement and have not yet obtained our approval for a site, then you may request a refund of your Initial Franchise Fee less \$15,000.00.

b. You forfeit the entire Initial Franchise Fee if you renege after obtaining our approval of a site. There will be no refund.

c. You forfeit the entire Initial Franchise Fee if you fail to select a site, get our approval for the site, and secure such site from the landlord within 60 days of signing the Franchise Agreement. There will be no refund.

d. You forfeit the entire Initial Franchise Fee if you fail to remit to us the \$45,000.00 Confirmation Fee within sixty days of signing the Franchise Agreement. There will be no refund.

D. Other than as provided above, there are no refunds under any conditions. You must understand that we do not control any landlord's, including Wal-Mart's, site development decisions, development schedules, or leasing offers and may not be able to offer you a franchise at the location you desire at any particular time, if at all.

E. The balance of the cost of your Snow White Package and any additional amounts owed to us or an affiliate for supplemental equipment, furniture, fixtures or equipment are due at the time of the delivery and set up of your salon.

F. You also will pay us the following upon completion of delivery, setup, stocking and testing of your salon and before you begin operations:

- 1) The full first and last month's Monthly Fee, which ranges from \$1,000 to \$30,000 for two months in most areas.
- 2) A Security Deposit equal to the last two months' Monthly Fee (estimated to range in total from \$1,000 to \$30,000 for two months) plus two month's Monthly Utility Charge, and/or two months of Common Area Maintenance (CAM), as applicable (estimated to range, as indicated in F.4 below, from \$200 to \$1,200 per month). However, not all landlords will require an initial Monthly Utility Charge and/or CAM, therefore your Security Deposit total may equal \$1,000 if there are no Monthly Utility Charges and/or CAM included in the Security Deposit, making the total Security Deposit range estimate equal to \$1,000 to \$32,400. The Security Deposit is refundable, without interest, when the franchise agreement for your location expires, if we do not apply it toward damages, including liquidated damages, unpaid balances such as unpaid franchise fees, other fees, and fines, or other losses we suffer in connection with your sublease/use of the premises, including for amounts paid by us for customer service complaints or gift certificate issues. No deposits, or portions of deposits, will be returned until you have vacated the salon, left it broom clean and in "white box" condition and delivered possession to us. Security Deposit will not be returned earlier than 3 calendar months after the expiration of the franchise. You also have to return to us our Confidential Operations Manual ('COM'), cancel or assign your fictitious name filing, as we may require and return all other materials belonging to us. Refer to Article 38 of the Franchise Agreement (Exhibit A of this disclosure document) and Section 5 of the Sublease Schedule (Exhibit C-2 of this disclosure document). Upon early

termination of the franchise agreement for any reason, you forfeit your security deposit.

- 3) The pro-rata Monthly Fee for the earlier of the month in which you begin operating the salon or the month in which rent commences (See no.4, below), calculated for the period from the Payment Commencement Date under your Franchise Agreement until the first day of the succeeding month. We estimate that this amount will range from \$0 to \$14,517.
- 4) For locations in which we are party tenants to the lease to the premises, if the landlord charges a Monthly Utility Charge and/or CAM, then the pro-rata and first full month's Monthly Utility Charge and/or CAM, as specified in the Franchise Agreement (estimated from \$200 to \$1,200 per month). Your Monthly Utility Charge and/or CAM is payable in advance and determined by the landlord. CAM here for our purposes includes the property insurance charged by the landlord, even if the landlord itself separates CAM and property insurance and property taxes for the premises in the lease.
- 5) Primary Comprehensive General Liability (CGL) with Professional Liability (PL) included and limited Property Insurance premium is pro-rated for the balance of the then current term. Currently, the annual insurance term begins in May of each year, but is subject to change by Regal. You must purchase your required coverage from the carrier approved by us. You are required to have specific coverages, and are required to purchase your policy from our approved carrier. Currently the annual premium for the insurance coverage approved by and obtained through our carrier in the U.S. is \$1,000 to \$8,000 depending upon location and risk. The premium is subject to change. Premiums are due for one lump sum; however, at our option we permit you to pay the premium in installments with a \$15 to \$25 fee per installments. CGL and PL premiums are higher for salons along the Gulf of Mexico (approximately \$1,500 to \$8,000) and for those salons whose claims history and record has not met the standards of the underwriter. There is an additional handling fee of \$50.00. While, at this time, coverage is not offered in Puerto Rico and franchisees in Puerto Rico must independently obtain comparable insurance coverage as required in the franchise agreement, we do reserve the right to designate a required provider of the insurance.
- 6) Rental tax (if applicable and as established by local law) could be as much as \$800 per month. Currently, only Florida and Arizona impose rental taxes, but that may change. If applicable, we may impose at our discretion an averaged monthly rental tax payment amount which will be calculated as the anticipated total rental tax due divided by the number of months remaining in the term ("Averaged Rental Tax"). If we are party tenant to the lease, the rental tax will be included in the Monthly Fee.
- 7) Additional or substitute furniture, fixture, equipment, decorative items or inventory you order from us or our affiliate Alfalfa which are in addition to or upgrades to items in the Snow White Package. Costs range from nothing (if you make no additional purchases) to as much as \$27,249. If you wish to purchase additional fixtures, furniture, equipment and decorative items for your Regal Nails Salon & Spa salon, you must purchase them from Alfalfa. You may wish to purchase these items, for example, if your Salon is larger than a standard Salon. You may upgrade items in the Snow White Package by purchasing substitute fixtures, furniture, equipment, decorative items, and initial inventory but we must agree to the

upgrade and they must be purchased from us as part of your Snow White Package, if available, or Alfalfa. You may purchase additional inventory from any source. By *inventory*, we are referring to the consumable supplies you may use in your services or products that you may sell.

- 8) In addition to all other payments under this Agreement, you agree to pay us (or our affiliates) immediately upon demand: the amount of all sales taxes, use taxes, trademark license taxes and any other tax or levy – however denominated – imposed on, required to be collected, or paid by us or our affiliates (but not including corporate income taxes imposed on us or our affiliates) on account of goods or services we or our affiliates have furnished to you through sale, lease or otherwise, or on account of collection by us of the Initial Franchise Fee, or other fees called for by the Franchise Agreement. Except for sales taxes, which may range from \$3,000 to \$5,000, we cannot predict whether you will have to pay any of these taxes or estimate how much they will be.
- 9) For Wal-Mart locations, Wal-Mart may charge additional fees before the opening of the salon for the right to operate out of its premises. These additional fees will be provided to you if applicable. This includes utility reimbursement, key money, a lease premises improvement charge, additional security deposit, and additional fire insurance reimbursement fee. If charged by Wal-Mart, you will be responsible for these additional fees and must pay them through us before the opening of your salon. At this time, Wal-Mart does not contemplate charging a lease premises improvement charge or additional security deposit, but reserves the right to do so. Wal-Mart has indicated that it plans to insure the structure of the lease premises for fire damage and seek reimbursement for this coverage, which has been estimated to be an average of \$0.10 per sq. ft. annually but may be more or less depending on the insurance rating of the area. Wal-Mart has also indicated that it would charge key money if additional services are requested to be offered on its premises. Although they have not stated or done so, we are anticipating that Wal-Mart may make the decision to charge key money for new locations. You must pay us any additional fees Wal-Mart requires and we will send them to Wal-Mart.
- 10) These amounts will vary from salon to salon. Except as provided above in this Item 5, none of these amounts are refundable unless we fail to deliver possession of the agreed upon salon site to you and as set forth above.

For Wal-Mart locations: If you obtain the privilege of performing eyelash extension services from us before you open, we require you to purchase certain furniture for these services. The costs of this furniture, which are not refundable, are not included in point 7 above. The cost of an electronic HT Perfect Chair which we recommend to use for eyelash extensions is \$1,999, but there is also a \$1,699 non-electronic model available. This furniture must be purchased from Alfalfa. Conditions for obtaining the privilege to offer waxing and/or eyelash extension services can be found in Item 16. At this time, we do not expect to or anticipate granting this privilege to franchisees not already in our testing group.

**ITEM 6  
OTHER FEES**

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Monthly Fee	\$500 to \$15,000	First week of each month, payable in advance for that month.	<p>Paid via ACH debits to your account (electronic funds transfers). The authorization form you sign is attached as Part 5 to the Franchise Agreement (See Exhibit A to this disclosure document).</p> <p>Monthly Fee may increase on renewal based on the Monthly Fee in our then-current form of Franchise Agreement.</p> <p>The low end of the range applies if we are not a party tenant to the lease of the salon premises. The high end of the range applies if we are a party tenant to the lease of the salon premises, in which case the Monthly Fee includes monthly franchise fee, base rent and rental tax for the premises. If we are a party tenant to your lease, Monthly Fees begin on the Payment Commencement Date identified in your Franchise Agreement.</p>

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Percentage Rent <sup>(2)</sup> , if we are a party tenant to the lease to the premises	Variable, dependent upon formula by Landlord	January, for the amount due for the preceding calendar year's gross sales.	<p>Via ACH debits to your account for payment by us.</p> <p>Some landlords will require that, over and above base rent, a percentage of gross sales above a break point must be paid as percentage rent to the landlord. If an amount is due, we will collect it from you and pass it on to the landlord.</p> <p>For Wal-Mart locations: Currently, the formula is 6.5% of Gross Sales above the natural break point of base rent divided by 0.065.</p>
Monthly Utility Charge and/or CAM <sup>(2)</sup> , if we are a party tenant to the lease to the premises and the lease includes a utility or CAM charge.	Estimated \$200 to \$1,200 per month	Last week of each month, payable in advance for the following month.	<p>Via ACH debits to your account for payment by us.</p> <p>CAM as defined here includes property insurance and property tax charged by the landlord, even if the landlord separates these items from the CAM in the lease itself for the premises.</p> <p>The CAM may increase based on the actual cost to the landlord.</p> <p>These charges will begin on the Payment Commencement Date identified in your Franchise Agreement.</p>

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
CGL and PL and limited Property insurance premium <sup>(4)</sup>	Currently \$1000 to \$8,000 per year. Poor rating with the underwriter or locations along the Gulf of Mexico coast may cost as much as the higher end of the range.  A \$15 to \$25 fee is applied per installment if we permit premiums to be paid in installments.	Annually	Via ACH debits to your account for consolidation and payment to the insurance broker/carrier. Subject to change. The underwriters, not us, determine which salons must pay the higher premium and how much. This coverage is not currently available to Puerto Rico franchisees but we reserve the right to designate an insurance provider for Puerto Rico franchisees. You will grant us a limited power of attorney to obtain these policies for you and to execute all necessary documents to obtain, maintain, and/or cancel such policies.
Insurance Handling Charge	\$50.00	Annually, in addition to the insurance premium, due at the same time	To compensate us for finding, placing, and obtaining CGL and PL and limited Property insurance and for assistance in handling your claims
System Advertising Fund Contribution (not yet required)	When fund formed, \$25 to \$500 per month	Periodic basis to be established by us, such as monthly, quarterly, semi-annually or annually	We may form an advertising fund and if we do you must contribute. Contribution amount will not then change during term of Franchise Agreement. Payment will be via ACH debits to your account. See Item 11.
Advertising Cooperative Dues (not yet required)	When cooperative formed, initial contribution, \$10; after that, as decided by your cooperative, at least \$10 per month	Established by Cooperative	We may form an advertising cooperative for your area. The cooperative will set the fees payable to the cooperative after the \$10 initial contribution which you pay to us and we pass on to the cooperative, but fees will be at least \$10 per month. Company-owned salons will not belong and will have no voting power. See Item 11.

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
NSF, stop payment, returned item charges and interest	\$100 per item. Interest is 1% per month on amounts owed us.	Payable within 30 days of the date of the invoice	We may also charge you for any bank charges incurred because of your late payments
Joint Merchant Services Solution and Point of Sale System Hardware	\$750 to \$1,500 per terminal.	Payable upon purchase.	This is the cost of the equipment needed in order to process credit, debit, gift card, and digital forms of payment as charged by designated vendor from who you must purchasing the equipment. The designated vendor may, entirely at its option, offer an installment plan for payment for the hardware. This same hardware is also the hardware necessary if you elect to use our designated point of sale system.
Point of Sale Subscription Fee	Currently, \$14 to \$100 per month, subject to increase by designated vendor	Monthly	Applicable only if you elect to use your merchant services solution terminal as a point of sale terminal as well. In the event you do elect to also use our designated point of sale system, you will pay this monthly subscription fee to our designated point of sale system vendor. This amount is in addition to the cost of purchasing the joint merchant services solution and point of sale system hardware. While, as of the issuance of this disclosure document, we do not require that you subscribe to use the point of sale system software compatible with the hardware you must purchase, we do reserve the right to require that you to do so in the future..

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Expansion Fee	\$2,500	Upon signing of expansion agreement plus the estimated costs of expansion	Requests to expand, initiated by you, require a \$2,500 fee. The costs of the expansion are customarily prepaid. The costs of expanding your salon may range from \$25,000 to \$40,000 depending upon its size and location
Remodeling, Removal, Relocation, Costs	<p>Cost depends upon the condition of your salon.</p> <p>If we are party tenant to the lease to the premises, prior to us seeking a renewal of the premises, we may request, and you agree to pay to us, 50% of the estimated remodeling/updating costs for the furniture, fixture, equipment and décor (expressly including flooring).</p>	With signing of the agreement	Occurs when the landlord/prime lessor remodels, expands, moves or converts a store to a super center. Also occurs upon your request. Costs range from \$2,000 to \$50,000 depending upon condition, size and location in Wal-Mart locations; we estimate this may be more in non-Wal-Mart locations. If we or the landlord/prime lessor request, and you have not done so within the last three years, you must, at your sole expense, remodel according to our specifications, plans and timeline. If you fail to remodel according to our specifications, plans and timeline, we may, at your sole expense, complete the remodel with a contractor of our choice. Upon our request, you must send in photographs of your fully remodeled salon as evidence of completion per our specifications.
Successor Franchise Fee	The Successor Franchise Fee in effect when a renewal franchise is granted will be \$500	Payable on or before you sign a successor Franchise Agreement	The Successor Franchise Fee as of the date of this disclosure document is \$500, but we can change it and it may be higher at the time of any successor franchise you may be granted.



<b>(1) TYPE OF FEE<sup>(1)</sup>"</b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Transfer Fee <sup>(5)</sup>	\$1,000  \$500 for transfer to a business entity owned by you.	Payable before transfer	Waived in the event of death or disability of the franchisee.
Inspection Fines and Reimbursement	Currently ranging from \$25 to \$500/deficiency  Reimbursement for the expenses of a quality assurance inspection if corrective work is not done within 14 days of written report.	Payable within 30 days of demand	Assessed if your operation does not meet our standards or requirements, as provided in the COM, which we can change.  Expenses may include board, lodging, wages, transportation as well as the actual costs of the corrections, repairs or replacements and the costs of re-inspection.
Payment for failure to open on Targeted Commencement Date (Store Grand Opening) <sup>(6)</sup>	\$10,000  Additional \$300/day for each additional day salon is not open.	Payable on demand	Additional charge if your salon is not open on scheduled Grand Opening. (Applicable only to franchisees to open in a new, relocated or expanded Wal-Mart store)
Payment for failure to be operational within 120 days of taking possession <sup>(6)</sup>	\$10,000 Additional \$300/day for each additional day salon is not operating.	Payable on demand	Additional charge if your salon is not operational within timeframe. (Applicable only to franchisees to open in an already operating Wal-Mart store)
Failure to operate business according to Franchise Agreement <sup>(6)</sup> <sup>(7)</sup>	Currently ranging from \$200 for first deficiency to \$500 for each additional deficiency.	Payable on demand	Additional charge if you fail to operate your salon according to the Sublease Schedule of the Franchise Agreement. For example, performing services not permitted by the landlord. More than 2 incidents may lead to your eviction.

<b>(1) TYPE OF FEE<sup>(1)</sup>"</b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Failure to maintain premises as required under Franchise Agreement <sup>(6)</sup>	Cost of repairs+ 10% administrative fee and interest	Payable on demand	Additional charge if you fail to maintain the premises according to the Sublease Schedule to the Franchise Agreement. Includes repair and replacement of lighting, plumbing, utility repairs and sewer stoppage.
Failure to repair premises on vacating the salon premises <sup>(6)</sup>	Minimum of \$15,000, plus \$100 per day.	Payable on demand	Additional charge if you fail to repair the premises according to the Sublease Schedule to the Franchise Agreement on vacating the salon premises. Security Deposit will be applied to this amount.
Failure to maintain required insurance <sup>(6)</sup>	Cost of insurance + 10% administrative fee and interest	Payable on demand	We may obtain required insurance for you if you fail to do so.
Insurance Maintenance Administration Fee	Currently not expected to exceed \$100 per year	Annually	In the event we discontinue our insurance program and you are thereafter required to obtain and maintain your own insurance, this administration fee will be due to us or our designated vendor who administers compliance with minimum insurance requirements.
Lien Removal <sup>(6)</sup>	Cost of lien + Interest at minimum of 15% per annum	Payable on demand	Additional rent charged if a lien is placed on the premises/salon because of your failure to pay
Late charges by Wal-Mart <sup>(6)</sup>	1 ½% per month	Payable on demand	Interest charged on late payments

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Late Fees on Invoices	\$100.00 plus interest of 12% per year on the overdue amounts, or such lower rate if required by law, compounded monthly.	Payable on demand	This is the late fee for amounts invoiced to you by us and not paid within 30 days of invoice.
Application Fee	\$250	With application	To cover costs of handling and processing, credit report, etc.
Security Interest	Varies		The Franchise Agreement gives us a continuing security interest in goods, wares, equipment, furniture, fixtures, inventory, improvements and other personal property of yours, including the proceeds from any of them.
Audit Costs	Varies	Payable on demand	Paid only if an audit shows a reporting error of more than 2% of Gross Sales.
Administrative Fee	\$500 per report that is not received	Payable on demand	For each report you are required to provide but that we do not receive, we may impose the Administrative Fee to cover our expenses related to such failure.
Indemnification <sup>(8)</sup>	Varies	On demand	
Collection	Varies	On demand	In the event that we must submit your delinquent account to collection by a third party, you are responsible for the additional costs and expenses incurred by us. This is usually a percentage of the delinquent amount owed, usually between 15% to 40% as well as any court costs, if applicable.

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Taxes	\$3,000 to \$5,000	Promptly when due	You must pay us all taxes we pay (except for our corporate income taxes) on account of (a) services or goods we furnish to you, or (b) the Initial Franchise Fee or Monthly Fees you pay.
Resolution of customer complaints <sup>(9)</sup>	Varies	On demand	Our costs to resolve customer complaints against you.
Wal-Mart imposed fees <sup>(10)</sup>	Varies. Insurance Reimbursement Fee estimated to be on average \$0.10 per sq. ft. annually, but may be lower or higher depending on the location of the premises.	Before opening and annually.	Additional fees imposed by the 2009 MLA for right to operate a salon on its premises.  Applicable only if we are party tenant to the lease for the premises and the prime lessor/landlord is Wal-Mart.
White Box Fee	\$25,000	Upon Notice	For failure to return the salon premises to us in White Box condition. Applicable only if we a party tenant to the lease for the premises.

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Holdover <sup>(2)</sup>	<p>If we consent to a Holdover Period, then 150% of then current Monthly Fee (which includes the monthly franchise fee, base rent and any applicable tax) and utility charges for locations where we are a party tenant to the lease.</p> <p>If you continue to operate after expiration without our consent, then 300% of then-current Monthly Fee (which includes the monthly franchise fee, base rent and any applicable rent taxes) and utility charges for locations where we are a party tenant to the lease.</p>	Last week of each month, payable in advance for the following month	<p>Via ACH debits to your account for payment by us.</p> <p>150% of applicable fees and charges imposed in the event that you continue to operate the salon and occupy the premises after the expiration of the Franchise Agreement and we, at our option, extend the terminated agreement on a month-to-month basis as a holdover period.</p> <p>300% of applicable fees and charges are due to us in the event that you continue to operate the salon, without our consent to a Holdover Period, after the expiration of the Franchise Agreement. In this case, you will also be responsible for any and all legal costs and expenses, including court costs and attorneys' fees, resulting from your continued operations after termination or nonrenewal.</p>

<b>(1) TYPE OF FEE<sup>(1)</sup></b>	<b>(2) AMOUNT</b>	<b>(3) DUE DATE</b>	<b>(4) REMARKS</b>
Liquidated Damages	The total of all Monthly Fees (which includes the monthly franchise fee, base rent and rental tax if we are party tenant to the lease) due through the remainder of the franchise term, plus, if applicable Monthly Utility Charges and/or CAM due through the remainder of the Franchise Agreement.	At the time of termination	This amount is payable on the early termination of the Franchise Agreement and will be discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank.

(1) All fees are imposed, collected by and payable to us, unless otherwise noted. All fees are non-refundable, except for those limited refund circumstances noted in Item 5, above. You must participate in our electronic funds transfer program which authorizes us to utilize a pre-authorized bank draft system. As noted in the chart, some of these fees have annual increases.

(2) If we are a party tenant to the lease, you promise to us that you will comply with all of the terms and conditions of the lease to the premises, as though you had signed it yourself. You also agree that we have the rights that the landlord/prime lessor would have under the lease in terms of enforcing your obligations. Under the Franchise Agreement and lease, you may pay additional rents including percentage rent, which is calculated according to your sales and other variables, which cannot be estimated or stated, if you default, or continue operating or occupying the premises after your lease's expiration or termination (Refer to Exhibit A). If this is a Wal-Mart location, see C-1 of the disclosure document for the applicable provisions in the 2009 MLA. In addition to monthly and percentage rent, some landlords may require a Monthly Utility Charge and/or CAM for the share of the premises' utilities. CAM for our purposes includes amounts charged for property insurance and property tax by the landlord, even if the landlord separately itemizes CAM, property insurance and property tax on the lease for the premises. If such amounts are required by the landlord, it will be passed onto you to pay along with any increases to the amount. For example, HEB charges \$200 for utilities for certain locations, with a possible 10% annual increase and, in Florida, a landlord has charged \$1150 for CAM and increased it annually according to actual costs.

(3) Some jurisdictions impose a rental tax, based either on the area leased or the amount of your rent. If they apply to your salon, and you are operating under a sublease with

us, we collect them from you and then remit them for you. For Wal-Mart locations, please refer to Exhibit C-1 of this disclosure document (Section 4.9 of the 2009 MLA).

(4) You must maintain CGL and PL and limited Property insurance throughout the term of your Franchise Agreement and are required to obtain these insurance coverages through our group carrier. You pay us as shown in the table. We pay the premiums to the broker/carrier on behalf of our franchisees. Annual premiums are subject to change based upon carrier increases and other variables. If we permit you to pay us the annual premiums in installments, then a surcharge ranging from \$15 to \$25 may be applied.

(5) A transfer is a conveyance of an interest of 1/3 or more in the franchise. Your transferee is permitted to pay the fee, if so negotiated by you. On a transfer by you to a business entity, owned by you, the Transfer Fee is \$500, but you must keep at least a 1/3 equity interest in the entity and meet other conditions (Refer to Item 17 of this disclosure document).

(6) We charge you these amounts if we are required to pay them to the landlords/prime lessors as their tenant. They are payable immediately on demand by us unless otherwise noted.

(7) Failure to operate during required time periods and any unauthorized use of premises, among other violations, can result in these charges.

(8) You must indemnify us for any costs or damages we experience due to a claim relating to your operation of the salon and/or for failure to perform under the Franchise Agreement. For Wal-Mart locations, under the 2009 MLA, you must indemnify Wal-Mart and its related entities for any damages arising out of your acts or those of your employees or invitees, your salon operation or breach of the lease. We anticipate that other leases under which we are a party tenant will likely have similar provisions requiring you to indemnify the landlord. Leases and other agreements pertaining to the premises, such as the ECC, that we are not party tenants to will likely have similar provisions protecting your landlord.

(9) Under the terms of the Franchise Agreement, if you are unable to resolve a customer complaint, including unredeemed gift certificates issued for your location, you authorize us to resolve it for you and you will pay to us any related costs that we incur. Refer to Section 29 C. of the Franchise Agreement, Exhibit A of this disclosure document. All fees are imposed uniformly.

(10) For Wal-Mart locations, under the 2009 MLA, you may be required to pay additional fees for the right to operate out of a Wal-Mart location. These additional fees may include utility reimbursement, key money, lease improvement charge, additional security deposit, or additional fire insurance reimbursement. If charged by Wal-Mart, you are responsible for these additional fees as well as paying for them prior to the opening of your salon and annually for the Insurance Reimbursement Fee. Other landlords may charge similar additional fees.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT  
YOUR ESTIMATED INITIAL INVESTMENT**

(1) TYPE OF EXPENDITURE	(2) AMOUNT	(3) METHOD OF PAYMENT	(4) WHEN DUE	(5) TO WHOM PAYMENT IS TO BE MADE
Snow White Package, against which the Initial Franchise Fee and Confirmation Fee will be credited <sup>(1 and 2)</sup>	\$150,000 to \$545,000	Lump Sum / Installments	Initial Franchise Fee due on your signing of the Franchise Agreement. Confirmation Fee due on receipt of landlord's confirmation of proposed site Snow White Package due in Installments (See Item 5, above)	Us
Pro-rata CGL and PL and limited Property Insurance <sup>(3)</sup>	\$1,000 to \$8,000 per year <i>Premiums determined by underwriter, based on location and experience.</i>	Lump Sum/annually <sup>(3)</sup>	Following set up of your salon before opening and annually in February	Us
First Full and Final Months' Monthly Fee <sup>(4)</sup>	Estimated to be between \$1,000 to \$30,000  Based on a Franchise Fee of \$500/month to \$15,000/month	Paid before opening.	Before Opening	Us. If we are party tenant to lease to premises, this includes the monthly franchise fee, base rent and rental tax.
Second and Third Month's Monthly Fee <sup>(4)</sup>	\$1,000 to \$30,000  Based on a Franchise Fee of \$500/month to \$15,000/month	Paid Monthly	First of the month in advance for that month.	Us. If we are party tenant to lease to premises, this includes the monthly franchise fee, base rent and rental tax.
Rental Tax <sup>(4)</sup>	Estimated \$0 to \$2,400	As negotiated between you and your landlord.	As negotiated between you and your landlord.	Us or your Landlord



<b>(1) TYPE OF EXPENDITURE</b>	<b>(2) AMOUNT</b>	<b>(3) METHOD OF PAYMENT</b>	<b>(4) WHEN DUE</b>	<b>(5) TO WHOM PAYMENT IS TO BE MADE</b>
	Based on \$0/ to \$800/month range			
Pro-Rata Monthly Fee <sup>(4)</sup> for month of salon opening	Estimated to be from \$0 to \$14,517	Lump Sum	Following set up of your salon before opening	Us
Monthly Utility Charge and/or CAM <sup>(5)</sup>	Estimated \$600 to \$3,600  Based on \$200/ to \$1,200/month	Paid before opening	Before Opening and monthly	Us, if we are party tenant to the lease and it is included in amounts due under the lease, and your utility company if lease calls for you to contract directly with them.  To your landlord, if we are not party tenant to the lease, and utility companies if lease calls for you to contract directly with them.
Security Deposit <sup>(6)</sup>	Equal to last two months' Monthly Fee plus any applicable rental taxes and Monthly Utility Charges and/or CAM  Estimated to be from \$1,400 to \$32,400	Lump Sum	Following set up of your salon before opening	Us
POS Subscription Fee for 3 months	\$72 to \$300 Based on \$14/ to \$100/month	Monthly	As arranged between you and POS vendor	POS vendor
Joint Merchant Services Solution and POS System Hardware	\$750 to \$1,500 Based on one unit of equipment	Lump Sum or as arranged with vendor	As arranged between you and vendor	Designated equipment vendor

(1) TYPE OF EXPENDITURE	(2) AMOUNT	(3) METHOD OF PAYMENT	(4) WHEN DUE	(5) TO WHOM PAYMENT IS TO BE MADE
	purchased.			
Workers Compensation Insurance and Employer's Liability Insurance	\$300 to \$1,000	As Arranged	Before Opening	Insurance Carriers
Licenses, Certificates of Occupancy, Occupational Licenses, d/b/a, etc. <sup>(7)</sup>	\$200 to \$600	As Incurred	Before Opening	State and local authorities.
Additional Equipment, Furnishings and/or Supplies <sup>(8)</sup>	\$0 to \$27,249	As Incurred	Following set up of your salon before opening	Us or affiliates
Travel & living expenses for Training Class <sup>(9)</sup>	\$700 to \$3,000	As Incurred	Before Opening	Transportation Lines, Hotel Facilities
Miscellaneous Opening Costs <sup>(10)</sup>	\$400 to \$800	As Incurred	As Incurred	Suppliers, utility company, PO box rental
Additional Funds <sup>(11)</sup> 3 months	\$12,000 to \$15,000	As Incurred	As Incurred	Employees, Suppliers, Utility company
Sales/ License Taxes	\$3,000 to \$5,000	Lump Sum	Upon Purchase	Snow White Package Sales: Collected by Us Consumer sales/License: State & Local Authorities
Application Fee	\$250	Lump Sum	Upon Submission	Us
Insurance Handling Charge	\$50	Lump Sum	Paid with insurance premium	Us
<b>TOTAL</b> <sup>(12)(13)</sup>	<b>\$172,722 to \$720,666</b>			

Certain estimated costs for opening most salons and first three months of operation of most salons equipped with the Snow White Package. Amounts are not refundable, unless otherwise noted

(1) The Snow White Package will cost, for salons in the 50 U.S. states and Puerto Rico, \$150,000 to \$250,000 in Most Areas and \$200,000 to \$300,000 in High Cost Areas. The high

figure reflects additional possible cost to you, including \$30,000 more if your salon is in an Existing Location, up to \$40,000 more for additional governmental municipals and/or impact fees, up to \$150,000 more for additional construction costs, up to \$20,000 if you add on the exclusive brand add-on if available, and up to \$5,000 more for additional architecture plan review costs if imposed by the landlord for locations that we are a party tenant to. The Initial Franchise Fee (\$25,000) and Confirmation Fee (\$45,000) are applied as credits against the cost of the Snow White Package. See Item 5 concerning refunds of the Initial Franchise Fee and the Site Deposit.

(2) Estimated costs range from a 400 sq. ft. salon to a 1,200 sq. ft. salon. The salon is delivered to you furnished, decorated, and stocked with an initial inventory supply, and equipped and tested by us. We recommend that you select a site with a minimum of 800 sq. ft., and we reserve the right not to approve any site that is smaller than 800 sq. ft.

(3) We require CGL and PL and limited Property insurance policies as a continuing condition of our Franchise Agreement, which we currently require that you purchase through us. We've negotiated a policy which offers group rates to you and provides some additional coverage. The policy includes: \$4,000,000 of general aggregate coverage, \$2,000,000 each occurrence; Damage to premises, \$100,000; medical \$5,000; personal and advertising injury \$1,000,000; products aggregate liability is included in the foregoing. Professional liability is \$1,000,000 per wrongful act with an aggregate of \$2,000,000. This insurance package must be purchased from our approved group carrier through us and premium costs will vary from location to location. Regal charges a \$50 administrative fee on these policies to compensate for the cost, expense, and time incurred in connection with them and assistance with claims. The underwriters of this insurance policy, not us, determine the premium. Fewer than 20 locations are now paying the higher premium. Should the premium increase, you will be billed for the increase. Premiums must be paid in one lump sum. However, at our option, we may permit premiums to be paid by you in installments with a \$15 to \$25 fee per installment. We are listed as additional insureds on all policies as well as Wal-Mart or other landlord if we are a party tenant to the lease for the premises. Under the Sublease Schedule to the Franchise Agreement, Wal-Mart also requires that you maintain workers' compensation coverage that meets statutory limits, or if none, then \$500,000 per occurrence and obtain Employer's Liability coverage with a minimum of \$500,000, for each employee for bodily injury by accident and for each employee for bodily injury by disease; generally, these premiums range from \$300 to \$1,000 annually and are determined by state law. You must provide proof of this coverage upon request.

(4) The Monthly Fee includes the monthly franchise fee, base rent and rental tax if we are a party tenant to the lease. The Monthly Fee will be determined by us in our sole discretion and will take into account the amount of monthly base rent charged to us for the premises if we are party tenant to the lease. In addition to the monthly base rent and rental tax, if the lease to the premises calls for additional rent such as additional percentage rent, then you will be responsible for these additional amounts and applicable taxes as well. Additional rent and applicable taxes will be paid to us, and we will remit it to the landlord of the premises. The Monthly Fee will be included in your Franchise Agreement before you sign. You may request that we negotiate the successor monthly base rent with the landlord to reduce the Monthly Fee to an amount more satisfactory to you, but you do assume the risk that the landlord may decide to not renew the lease to your salon premises.

Please note that one of the landlords we lease from, Wal-Mart, may move to a percent-based rent and, once implemented, calculate rent as a certain percent of your gross sales per

month, anticipated not to exceed 20%, subject to a minimum monthly rent payment. If and when the landlord converts its rent structure to percentage-based rent, the Monthly Fee structure may be amended to reflect the change by separating rent payments and rental tax from the Monthly Fee.

Rental tax charges (if any) depend upon the laws of the jurisdiction in which your salon is located. The illustration in the chart assumes that no rental tax is due for the 400 sq. ft. salon and that a rental tax of \$800 per month is due for a 1,500 sq. ft. salon in a high market value in which we are not a party tenant to the lease for the premises. If we are party tenant to the lease, the rental tax will be included in the Monthly Fee.

Depending upon the day in any given calendar month that you first begin operating the salon, you will owe a pro rata portion of your Monthly Fee, which will correspond with the number of days you occupied the salon during that partial calendar month. The range shown assumes no Pro-Rata Monthly Fee (if you begin operating on the first day of a calendar month) at the low end, and \$14,517 that operates 30 days out of a 31-day month with \$15,000 estimated Monthly Fee.

If we are not a party tenant to the lease of the premises, the amount of pro-rata rent and rent itself is negotiated between you and your landlord. The amounts for the Pro-rata rent and rent for 3 months if we are not a party tenant to the lease on the chart above are only estimates, based on a low end rate of possibly abated rent negotiated between you and your landlord and the maximum high end rent of \$10,000/month. The amount of the pro-rata rent will depend on the day of the month in which your salon opens, with the high end estimated again at \$10,000/monthly and you operating 30 days out of a 31-day calendar month.

(5) In addition to monthly base rent and rental tax, whether we are a tenant to the least of the premise or not, the landlord may charge an amount for the usage of the shared utilities by the premises ("Monthly Utility Charge") and/or an amount for common area maintenance ("CAM"). The Monthly Utility Charge and/or CAM if required by the landlord are your responsibility. If we are party tenant to the lease, we will collect this amount from you and forward it to the landlord. If we are party tenant to the lease, the CAM in our Franchise Agreement includes the property insurance and the property tax charged by the landlord, even if the landlord separately itemizes the CAM, property insurance, and property tax in the lease to the premises.

(6) The Security Deposit is a sum equal to the last two month's Monthly Fee and, if we are party tenant to the lease, any applicable rental taxes and Monthly Utility Charge and/or CAM. It is also explained in note I.2, Item 5, above. The Security Deposit is held by us to ensure the faithful performance of your Franchise Agreement, including returning the premises to white box and broom clean condition. It will be returned to you at the expiration of your Franchise Agreement, without interest, and subject to the return to us of our COM and other materials belonging to us and cancellation or assignment of your fictitious business name ("DBA"). No deposits or portions of deposits, will be returned to you until you have vacated the salon, left it broom clean and in "white box" condition, if required by the landlord, and delivered possession to us. Further, no deposits or portions of deposits will be returned to you earlier than 3 calendar months after the expiration of the franchise to address any unresolved claims or expenses. We are not required to maintain your Security Deposit in a separate account. It earns no interest for you. We have the right but not obligation to apply your Security Deposit against any overdue obligation by you to us under your Franchise Agreement or under any other agreement or arrangement you or your principals, if you are a

corporate entity, have entered into with us, including returning the premises in white box and broom clean condition, and for any amounts we have paid as a result your operations, including customer service complaints and gift certificate issues. If we do apply your Security Deposit in such a manner, you must replenish your Security Deposit within 14 days of notice, subject to local law. If your Security Deposit is increased, you must increase your Security Deposit within 14 days of notice, subject to local law. Upon early termination of the franchise agreement or in the event of a holdover by you for any reason, you forfeit your security deposit.

(7) You must obtain and pay for all necessary business licenses, fictitious name filings, and other permits, etc. The State Board of Cosmetology or similar administrative or regulatory body of your state regulates your business and your profession and you must satisfy all laws and licensing requirements applicable to your nail salon before opening and during the franchise term. You also must meet their operations standards or risk a shutdown, temporary or permanent, by such bodies.

(8) Many franchisees order optional, extra furnishings and equipment, such as additional pedicure spas, technician's tables, dryers, etc., in addition to those provided in the Snow White Package (refer to Ex. G of this disclosure document for a list of items provided by us with the Snow White Package). If your salon is larger than 400 sq. ft., you may choose to order extra furnishings and equipment, which will result in higher startup expenses. This chart provides an estimated range of additional charges you can incur. Your actual costs will vary depending upon the items that you order and the size of your salon. If you perform waxing services or obtain the privilege of performing eyelash extension services from us before you open, we may require that you purchase certain furniture for these services. The costs of this furniture are not included in the estimate on the chart. A wooden cart to house the wax materials will cost \$250. The cost of an electronic HT Perfect Chair which we recommend to use for eyelash extensions is \$1,999, but there is a \$1,699 non-electronic model available. This furniture must also be purchased from Alfalfa. Conditions for obtaining the privilege to offer eyelash extension services can be found in Item 16.

(9) You and your manager are required to attend training at our training facility in Baton Rouge, Louisiana before opening. You are responsible for all costs of attendance, including transportation, lodging, meals, incidentals and any other expenses. The low end estimate is based on one person attending at the estimated low end cost, and the high end estimate is based on two people attending at the estimated high end cost. Your overall costs to attend may be less or more depending on the actual price of travel and lodging, when you book them, the number of people attending, and your travel and lodging preferences. See Item 11 for additional information about training.

(10) These expenses relate to miscellaneous items, decorative items, flowers, candy, paper supplies, stationery, cotton goods, advertising, flyers, handouts, samples, bric-a-brac, telephone line installation, etc.

(11) Additional Funds is an estimate of the funds needed to cover business (not personal) expenses during the first 3 months of operation of the franchised salon. You will need capital to support on-going costs of your businesses, such as additional supplies, additional inventory, advances, advertising, flyers, labor costs and your salary, marketing expenses, utilities, taxes, loan payments, maintenance costs, and other expenses, to the extent that revenues do not cover business costs. In addition, the estimates presented relate only to costs associated with the franchise business and do not cover any personal, "living" or other expenses you may have. Additionally, you are responsible for connecting utilities if they are not connected by the premises' landlord, including internet or data services so that we have

access to your merchant services solution and, if applicable, your Point of Sale System.

(12) States and local authorities levy sales taxes, use taxes, trademark license taxes and other types taxes – however denominated – on, or required to be collected, or paid by us or our affiliates (but not including corporate income taxes imposed on us or our affiliates) on account of goods or services we or our affiliates have furnished to you through sale, lease or otherwise, or on account of collection by us of the Initial Franchise Fee, Monthly Fees or other fees called for by this Agreement. Except for sales taxes, which may range from \$3,000 to \$5,000, we cannot predict whether you will have to pay any of these taxes or estimate how much they will be.

(13) The chart is intended to show the range of costs for our smallest salon (400 sq. ft., and assuming no supplemental furnishings, equipment, etc., purchases beyond those items provided in the Snow White Package, no applicable rental tax, and occupancy on the first day of a calendar month, thus requiring no Pro-Rated Monthly Rent payment) and our largest salon (1500 sq. ft., and assuming \$27,249 in supplemental furnishings, equipment, etc. and the greatest possible Pro Rata Monthly Rent payment under the current rental structure). (Refer to Item 5 of this disclosure document for additional rent and rental tax information).

We have based this estimate of Additional Funds on the experiences of our staff members and those of our affiliates, such as Regal Nails, which has 10 years in the industry.

We offer no financing other than that shown in Item 10.

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

We may require that products and services purchased for your salon: (a) meet certain specifications; (b) be a specific brand, kind, or model; (c) be purchased only from suppliers or providers that we have expressly approved of; and/or (d) be purchased from sources that we choose (which may include us or our affiliates or related companies or a buying cooperative organized by us or our affiliates or related companies). We will publish all our requirements in the Confidential Operations Manual (“COM”) or otherwise communicate them to you in writing. We may designate certain authorized products and services and select specific products and services as optional or mandatory. All mandatory items must be present in your salon and/or used, as applicable. You must comply with any terms, conditions, or other restrictions imposed by the suppliers or providers concerning your purchase. This includes, without limitation, terms of payment, unless a charge is being disputed. You must maintain enough inventory of products to meet our standards as set forth in the COM or as otherwise communicated to you in writing. You acknowledge and agree that we our affiliates or related companies may negotiate purchase agreements with designated and approved suppliers and providers for your benefit and the benefit of the franchise system, and that we may derive revenue or obtain rebates, bulk pricing discounts, or allowances from such suppliers and providers on account of franchisee purchases or lease. You agree that, regardless of policy or practice, we have, at all times, the right to retain and use all such benefits as we deem appropriate.

If we revoke approval or a previously approved product or service, you must discontinue use of such product or service and remove it from the salon within 60 days of disapproval. We have the right to shorten this period, if in our opinion, the continued use of the product or service would prove detrimental to the brand, franchise system or our reputation.

We are the exclusive initial supplier for the salon. We oversee the build out of the salon and supply the fixtures, equipment, initial supplies and inventory, décor and other items such

as the Snow White Package, which you must purchase from us before opening your salon. We purchase all of the Snow White Package items from our affiliate, Alfalfa. Our General Manager, Mr. Quy T. Ton is the sole owner of Alfalfa, an approved supplier of furniture, fixtures, and equipment, including pedi-spas. Mr. Ton has ownership interests in us as well as Regal Nails, LLC. None of our officers has any ownership interest in any other third-party approved supplier.

The premises, which will mostly likely occupy 400 to 1500 square feet, will house an attractive salon. If we are party tenant to the lease, then you must sublease the premises from us. The salon and the furniture, fixtures and equipment in the Snow White Package are designed to complement one another and to be adequate for opening a salon. Some franchisees choose to purchase additional or upgraded equipment or opening supplies. Franchisees of larger salons will experience greater costs for extra furniture, fixtures, equipment, and decorative items, and will have to purchase them from us or Alfalfa. (See Item 7 of this disclosure document for estimated cost ranges). You also must order additional/replacement furniture, fixtures, and equipment from Alfalfa, which has specially designed furniture for your salon, as well as a matching color scheme and decor. We are the exclusive supplier for the Snow White Package and Alfalfa is the exclusive supplier for your salon furniture, fixtures, equipment, and decorative items.

Your salon comes stocked with an initial inventory of nail care products and supplies, which you purchase from us as part of the Snow White Package. Except for Regal Nails or Regal branded items, we do not currently require you to replenish them with products we or our affiliates sell or which we have approved, except as otherwise stated as follows. Regal Nails or Regal branded products must be purchased from Alfalfa Nail Supply, Inc. Products and suppliers approved by us are contained in the Confidential Operations Manual ("COM"). As consumer trends and preferences in the market vary and/or new products are developed, or whenever we consider appropriate, we can modify our product line and our approved suppliers/products. These changes and new nail salon products are generally publicized as modifications to the COM. Our approval of products and suppliers is based upon results in the field, customer comments and/or our testers. You are not required to obtain these approved nail care products/supplies or to purchase from named approved suppliers, but we suggest that you try them. If you want us to consider a product or supplier for inclusion in our COM, we will use reasonable efforts to consider and reply to your request within 30 days, although we are not obligated to do so. If you desire to request inclusion of nail care products/supplies in our COM you must submit to us a written request to us for approval of the proposed nail care products/supplies, no approval fee is required. We will notify you if and when we no longer approve a previously approved supplier. If we develop a proprietary line of products, then we may require you to purchase such product line.

Renewing franchisees who we already approved to provide eyelash extension services may, as long as the prerequisites for providing such services are still met and continue to be met, continue to provide eyelash extension services under their renewal Franchise Agreement, so long as it is permitted by the landlord. Any right granted to provide eyelash extension services is not transferable. Such renewing franchisees may purchase approved eyelash extension materials and supplies from any supplier (Alfalfa does not currently offer eyelash extension materials and supplies). New franchisees, or renewing franchisees who have not previously offered eyelash extension services, will not be permitted to perform such services.

All single use, expendable supplies, such as buffers, files, pumi-stones, liners, toe separators, autoclave bags, slippers, liners, etc., are designed to be used only one time and

should not be re-used on another customer. These items are disposable and should be disposed of after their first use as intended. Single use helps to prevent staph and similar infections. These items may be purchased from any vendor.

You are solely responsible for maintaining the salon premises, fixtures, and equipment keeping them in good repair and “as new,” condition. You must maintain an adequate inventory and supplies after opening, and all according to the COM and our standards and specifications. You should use an EPA and Hospital Grade sterilizer to clean your pedi-spas. You agree to not use Credo or other razor-type tools in your salon. An FDA-approved autoclave to sterilize your instruments is provided as part of your initial setup and highly recommended to use if permitted by your state as a sterilization method in addition to methods required by your state.

For locations where we are a party tenant to the lease to the premises, you must employ qualified contractors to do repairs, remodeling or other work in your salon. You are responsible for the quality of the work performed, its timely performance, and payment of your contractors. All contractors must be properly licensed and have workers comp coverage required by state law.

You must purchase your CGL and PL and limited Property insurance coverage through us from our approved agent and carrier (“Insurance Program”). You will grant us a limited power of attorney to obtain, maintain, and/or cancel such insurance coverage and execute all documents necessary granting us such rights. Not all risks are covered and if desired or required by the state, these additional coverages must be obtained by you and not through us. We reserve the right, however, to discontinue or modify the Insurance Program on written notice to you. In the event we do discontinue or modify the Insurance Program, you will still be required to obtain and maintain the minimum required insurance coverage. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which your salon is located and with a rating of “A+” or better. The insurance policy or policies must protect you, us, and our affiliates, and our and our affiliates’ respective, past, present, and future officers, directors, owners, members, managers, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage, or expense whatsoever arising out of or occurring upon or in connection with the condition, operation, management, use, or occupancy of your salon as well as any vehicles used in connection with the franchise.

Currently, the specific insurance coverages we require include a CGL and PL with the liability limits described in this paragraph as well as Property insurance with property amounts appropriate and determined by you, but no less than \$25,000 of Business Personal Property (otherwise known as Contents); the CGL and PL and Property Insurance will be obtained through us by an approved agent and insurer and is the primary policy for your salon. The CGL policy will have liability limits at a minimum \$2,000,000 each occurrence, with at least \$4,000,000 of Aggregate General Liability coverage. Additional General Liability coverage will include Damage to Premises Rented by you of \$100,000, and Medical Payments in the amount of \$5,000. The CGL shall further include Personal and Advertising Injury Liability of \$1,000,000 Per Occurrence and Products Liability as included in the foregoing. The PL will be a minimum of \$1,000,000 per wrongful act with an aggregate of \$2,000,000, or included and shared within the minimum limits of the Comprehensive Commercial General Liability. A deductible may apply and is estimated to range from \$500 to \$1,000 for CGL and PL policies. The Property coverage is to provide insurance protection for your least Business Personal Property and Contents at an appropriate coverage level determined by you as the salon owner, and with a coverage amount of at least \$25,000 for the Business Personal Property.



The Property coverage will extend to any and all Betterments and Improvements as well as a reasonable amount of Business Interruption coverage. This policy will be on an 'All Risk' or "Special' peril coverage basis and afford 'Replacement Cost' valuation on all applicable coverage. Any deductible will be no greater than \$1000 Per Loss in most areas. However, if the salon is situated in a coastal area, the property coverage may have a Wind/Hail deductible no worse than 5% of the coverage limit(s). A Wind/Hail exclusion is not acceptable. We provide no Property coverage whatsoever on behalf of the Salon location and make no warranties or representations of the adequacy of the amount of coverage you request. On all coverage, we are to be provided Loss Payee status with regards to the Property as well as an Additional Insured as Grantor of Franchise with regards to the Liability. Furthermore, if we are a party tenant to the lease, you shall further require the liability insurance to extend coverage to us, as a separate additional insured as Manager/Lessor of Premises, and name the landlord and/or our lessor as an additional insured. This will be in addition to and not a part of any other requirements from the legal owner of the property location.

We, our affiliates, and other parties we designate must be named as additional insureds on a primary non-contributory basis under each policy, except for policies required by statute in your jurisdiction, including, but not limited to, workers' compensation and employer's liability insurance policies. You and your insurers must also waive rights of subrogation against us. We may require additional types of coverage or increase the required minimum amount of coverage upon reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. Upon our request or as specified in the COM, you must provide us or our designees with certificates of insurance evidencing the required coverage. Your insurer(s) must commit not to cancel or amend the policy or policies without at least 30 days' prior written notice to us. If you fail to obtain and maintain insurance coverage as required by your Franchise Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee, currently 10% of the cost for the insurance, for our services in procuring the insurance. We also reserve the right to impose an Insurance Maintenance Administration Fee for the administration of your compliance with our minimum insurance requirements, and you agree to provide all related insurance information we or our designees request with respect to such administration program. Currently, we do not expect that this Insurance Maintenance Administration Fee will exceed \$100 per year.

There is no requirement that you buy a computer, but, if you develop your own website, you must have regular access to a computer with a connection to the Internet so that you can review and maintain your website and receive communications from us. You can use any computer hardware and software you desire to access the Internet.

Under the terms of your franchise agreement, we do reserve the right to require that you purchase our designated hardware and software requirements, including our designated merchant services solution and Point of Sale system. As of the date of this disclosure document, we do require that you purchase our designated merchant services solution hardware, which also currently functions as the hardware for our designated Point of Sale system, however we do not require that you purchase the software subscription necessary to use the hardware as your Point of Sale system. We reserve the right to designate a vendor for all hardware and software solutions used in connection with the Salon, including for merchant services solutions, the Point of Sale system, and any related maintenance plan, however, it is ultimately your responsibility to ensure that the data of the merchant services solution and, applicable if purchased, the Point of Sale system is, at all times, remotely accessible to us, your Landlord (if we are party tenant to the lease), and to our designees for

the purpose of collecting sales and customer data. To ensure there is no disruption in data collection, your merchant services solution and, if applicable, Point of Sale system should be connected to the internet and/or the cloud databases. Existing franchisees must purchase the merchant services solution and may, at their option, purchase the Point of Sale system upon notice and/or renewal, whichever occurs first. We may also designate a merchant service provider which you agree to engage and use in connection with Salon operations. Of that, Regal will receive 15% of the net profit of the merchant services rate, which may be used in any manner at our discretion. You are responsible for obtaining and maintaining data or internet services for our connection to your merchant services solution and, applicable if purchased, Point of Sale system.

We do not control Alfalfa, its product pricing or discounts, all of which may change in the future. We purchase the Snow White Package from Alfalfa. During the fiscal year ended December 31, 2023, we received a total revenue of \$22,957,745. \$10,947 or 0.05% of our total revenue was derived from franchisee purchases and includes purchases by franchisees of the Snow White Package, which we paid to Alfalfa, and payments from the approved merchant services solution vendor. After the initial purchase of the Snow White Package, there are other required items franchisees must purchase directly from Alfalfa. During the fiscal year ended December 31, 2023, Alfalfa received \$1,231,876 from our franchisees' direct purchases from Alfalfa. In 2023, we received 5% on all sales from Alfalfa for purchases of Regal Nails branded products and an additional 2.5% on all sales from Alfafla for purchases of Regal Nails mani/pedi pods.

We have no purchase agreements with other suppliers, nor do we have any volume purchase agreements, which result in benefits to us as a result of franchisee purchases. There are no purchasing cooperatives.

Assuming the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7, we estimate the proportion of your purchases and leases of goods and services from approved suppliers, or which meet our specifications, to be approximately 80% to 85% of all purchases and leases in establishing your franchise business and approximately 65% to 80% of ongoing costs of operating your salon.

**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement and other agreements, including the 2009 MLA, the Site Deposit Addendum, and the Confidentiality Agreement and Agreement Not to Compete. It will help you find out more detailed information about your obligations in these agreements and in other items of this disclosure document.**

**FRANCHISEE’S OBLIGATIONS**

OBLIGATION	SECTION IN AGREEMENTS	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	4 and 18A of the Franchise Agreement  2 of Site Deposit Addendum	5, 7, 8, 11 and 17

OBLIGATION	SECTION IN AGREEMENTS	ITEM IN DISCLOSURE DOCUMENT
b. Pre-opening purchases/leases	6, 7 of the Franchise Agreement and the Site Deposit Addendum  3 and 5 of Site Deposit Addendum	5, 6, 7, 8,11,17
c. Site development and other pre-opening requirements	6, 7, 19 A., 21, 23 of the Franchise Agreement  2.4 of the 2009 MLA  2, 3, and 5 of Site Deposit Addendum	7, 12, 17
d. Initial and ongoing training	15,19, 21 of the Franchise Agreement	6, 7, 11,15
e. Opening	21 of the Franchise Agreement  2.4 of the 2009 MLA	7, 11
f. Fees	6 A., 6 B., 6.C., 7, 8, 13,16 B., 17, 21 B. 6 &7, 29, 30, 39, 44, and 45 of the Franchise Agreement  3 and 5 of Site Deposit Addendum  2.4 (G), 4.4-4.7, 4.9(C), 4.10, 6.11, 7.1(B), 7.2(C), 10.1(E), 14.4,17.3(B), 18.1, 19.13, 19.14 of 2009 MLA  4, 5, 8, and 10 of Sublease Schedule to Franchise Agreement  3 and 5 of Site Deposit Addendum	5, 6, 7,11

OBLIGATION	SECTION IN AGREEMENTS	ITEM IN DISCLOSURE DOCUMENT
g. Compliance with standards and policies/Confidential Operations Manual	11, 12, 13, 14, 20, 21, 26, 27 of the Franchise Agreement  6.2-6.6, 6.8-6.12, 7.2, 7.3(B), 8.1, 8.3, 17.1, 17.2, of 2009 MLA	8, 11
h. Trademarks and proprietary information	9 B., 10, 11 of the Franchise Agreement  Confidentiality Agreement and Agreement Not to Compete	13
i. Restrictions on products/services offered	11, 21 of the Franchise Agreement  Appendix-1 of 2009 MLA  3 of Sublease Schedule to Franchise Agreement	8, 16
j. Warranty and customer service requirements	21 and 29 of the Franchise Agreement  6.5 of 2009 MLA	Not Applicable
k. Territorial development and sales quotas	None	12
l. On-going product/service purchases	14 of the Franchise Agreement	8
m. Maintenance, appearance and remodeling requirements	16, 20,22, 26, 28 of the Franchise Agreement  7.2, 7.3(B) of 2009 MLA	6, 17
n. Insurance	23 of the Franchise Agreement  14, Appendix-2 of 2009 MLA	7, 8
o. Advertising	26 of the Franchise Agreement  6.8 of 2009 MLA	6, 11

OBLIGATION	SECTION IN AGREEMENTS	ITEM IN DISCLOSURE DOCUMENT
p. Indemnification	9 B.4, and 24 of the Franchise Agreement  13.2 of 2009 MLA	13
q. Owner's participation/management/staffing	14, 15, 21 of the Franchise Agreement  2.5, 10.1(C), 10.10 of 2009 MLA	15
r. Records/Reports	21, 25, 27 of the Franchise Agreement  8.2(B), Appendix-1 of 2009 MLA	11
s. Inspections/Audits	18, 25, 28 of the Franchise Agreement  2(B), 9.1, Appendix-1 of 2009 MLA	6
t. Transfer	30 of the Franchise Agreement  10 of 2009 MLA	6, 17
u. Renewal	16 of the Franchise Agreement	6, 17
v. Post-Termination obligations	33 and 38 of the Franchise Agreement; Site Deposit Addendum  15 of Sublease Schedule to the Franchise Agreement  17.2-17.8, 18.1 of 2009 MLA  Confidentiality Agreement and Agreement Not to Compete	17

OBLIGATION	SECTION IN AGREEMENTS	ITEM IN DISCLOSURE DOCUMENT
w. Non-Competition covenants	33 of the Franchise Agreement  Confidentiality Agreement and Agreement Not to Compete	17
x. Dispute resolution	34-37, 42 of the Franchise Agreement  19.11, 19.12, and 19.13 of 2009 MLA on lease-related matters	17
y. Other (describe)	Not Applicable	Not Applicable

### ITEM 10 FINANCING

We do not offer direct financing. We do not guarantee your note or obligation. If we are a party tenant to the lease, we provide indirect financing through our lease of the salon site, which we sublet to you and for which we remain liable to the landlord. This indirect financing applies exclusively to rents owed under the lease, and does not extend to equipment, fixtures, inventory, supplies or any other items. In most cases, the rent due under the Franchise Agreement and the lease is based on the salon premises sq. ft. and its market value. The terms under which we will sublease a premises to you is included in the Sublease Schedule attached to the Franchise Agreement.

For Wal-Mart locations, you should understand that an initial lease term with Wal-Mart will generally be between 60 and 66 months, and your Monthly Fee includes the monthly franchise fee, base rent and rental tax for the months of your actual initial term. In certain limited instances, such as agreeing to remodel or a request by you for a shortened term, your terms may be shorter or longer, depending on negotiations between us and you and us and Wal-Mart.

You must add any applicable taxes, Monthly Utility Charge and/or CAM, repairs, maintenance costs, fees (including any Wal-Mart imposed key money, leased premises improvement charge, additional security deposit, and insurance reimbursement fee) and other expenses associated with occupancy of the salon (refer to Items 6 and 7 of this disclosure document). The first month's Monthly Fee and any related rental tax is payable in advance, as are all monthly payments. Your Security Deposit is equal to the two final months' Monthly Fee and, if we are party tenants to the lease to the premises, any applicable Monthly Utility Charge and/or CAM. Your Security Deposit does not earn interest. Security Deposits may be mixed with other funds of ours. We have the right to but are not obligated under the Franchise Agreement to apply deposits toward amounts owed to us, damages, or other particular lease/franchise obligations. The Security Deposit is refundable at the expiration of the lease and delivery of the premises in condition satisfactory to us, subject to offset for damages and other amounts you may owe us (Section 7.D of Franchise Agreement).

Term – the length of your sublease with us. A Term is generally 60 to 66+ months (36

months for renewal terms), depending upon the commencement date of the lease to the salon premises. Longer Terms may be granted for certain locations that remodel their salons. A reduction in months is possible as well if requested by you, from the onset, and approved by the landlord.

Interest Rate- N/A

Prepayment Penalty - None

Security Required - When you sign the Franchise Agreement, you (and your owners, if you are a business entity) grant us a security interest in all property, including personal property, which is on the salon premises then or during the term of the Franchise Agreement. (Section 7.D of Franchise Agreement)

Liability upon Default - Loss of franchise, the amount of all Monthly Fees and Monthly Utility Charges and/or CAM due for the term of the Franchise Agreement, attorney's fees, costs and other damages as described in Section 38 of the Franchise Agreement.

Waivers of Defenses – There are no waivers of defenses. You remain obligated to pay the Monthly Fees, which includes the monthly base rent and rental tax if we are a party tenant to the lease for the premises, in the event a breach of the Franchise Agreement.

Default - If you do not pay your Monthly Fee, which includes the monthly base rent if we are party tenant to the lease for the premises, timely or any other payment due us, or do not cure a breach of the Franchise Agreement, or are adjudicated bankrupt or insolvent, or abandon your salon, we have the right to terminate your Franchise Agreement, and then commence an action for damages, eviction, or both. We may accelerate the remaining installments due, and ask that the court award costs and attorney's fees. When you sign the Franchise Agreement, you promise to us that you will comply with all of the terms and conditions of the lease to the premises, as though you had signed the lease yourself. For this reason, we have the rights that the landlord would have under the lease, as to you, including, for any Wal-Mart location, the remedies described in Article XVII of the 2009 MLA.

Assignment - We do not assign, discount or sell our subleases, but reserve the right to do so, subject to any rights held by Wal-Mart or other landlord of a lease where we are a party tenant.

Placement Payments – We do not receive payments or fees from third parties for subleasing the space.

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

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

A. Our pre-opening assistance is limited as follows. We will:

1. With regard to leases and locations:

a. For leases where we are a party tenant: attempt to locate, lease and sublease through the Franchise Agreement a site in a shopping center at a mutually selected site for you. If we are unable to locate a site, we will provide a refund, as noted in Items 5 and 6 of this disclosure document, (Sections 6 H. and 18 A. of the Franchise Agreement).

b. For leases where we are not a party tenant: review your proposed lease or

other similar agreement to determine if it will meet our minimum standards for a salon location. All sites are recommended to be at least 800 sq. ft.; we reserve the right to not approve any site smaller than 800 sq. ft. In order for us to approve your lease, your landlord must agree to the terms and conditions of our lease rider. We are not responsible for the terms and conditions of your lease or the negotiations of such.

2. Arrange for the build-out of the confirmed site by an approved contractor and keep you apprised of progress. We will arrange for the premises to be conformed to local ordinances and building codes and for any required permits for the premises to be obtained. We will work with the contractor to try and facilitate a timely opening, but have no liability for delays, (Section 18 A. of the Franchise Agreement).

3. Finish the salon according to our specifications by furnishing it and equipping it with all that is contained in the Snow White Package and any extras you have ordered to decorate; stock and test the salon. (Section 20 A. of the Franchise Agreement and Exhibit G).

4. Give you and your manager our 3-day initial orientation/training program for the business operation of the salon (Sections 18 A., 18 B. and 19 of the Franchise Agreement). We do not provide training for you or your manager to obtain any professional license or meet any other legal requirements for the operation of a salon in your state.

5. If requested by you, provide whatever guidance and assistance we think is appropriate, in our discretion, for your Grand Opening. (Section 18 B. of the Franchise Agreement).

6. Identify an insurance carrier and obtain CGL and PL and limited Property coverage, as required. (Section 18 B. of the Franchise Agreement).

7. Lend you a copy of our Confidential Operations Manual ("COM") as long as the Franchise Agreement is effective (and a copy of the Wal-Mart Tenant's Handbook if you are in a Wal-Mart location) (Section 18 A. of the Franchise Agreement). Our COM currently contains a total of 120 pages and a copy of the table of contents of the COM is attached as Exhibit F.

B. Our obligations to you during the operation of the franchised salon are limited to the following. We have no obligations other than those stated below:

1. Perform periodic on-site quality assurance visits to assist you with any operational problems you may have conforming to our System, including checks of your décor, displays, trademark usage, signs advertising and business format, and give you a written copy of the quality assurance manager's (inspection) report and advice regarding correction of deficiencies and compliance with standards, as we consider appropriate (Section 18 C. of the Franchise Agreement). Quality assurance visits may be suspended during events of force majeure or when conditions outside of our control negatively impact our or our designee's ability to provide such visits, including, for example, if states impose travel restrictions or travel may affect the health or safety of those traveling.

2. Replace defective items in the Snow White Package supplied by us when returned to us within one year after the item's delivery to you and, if applicable, installation in the salon, along with a written explanation of the deficiency. We guarantee your satisfaction and the performance of all of the Snow White Package products we provide to you for a period of one year. (Sections 18 C. and 25 of the Franchise Agreement). We generally will not accept the returns of non-defective items but reserve the right to do so and apply a 30% restocking fee against such items.



3. Assist you with your advertising and promotional efforts, as we consider appropriate (Section 18 C. of the Franchise Agreement).

4. Make the assistance available to you that we offer to other franchisees. We will make additional assistance available, if you request it and it is within our capability and we determine to provide it. (Sections 18 C. of the Franchise Agreement).

5. Provide you with forms for monthly reporting of gross sales any other required information, such as customer count as required under the Franchise Agreement or the lease, if we are a party tenant to the lease and if applicable. Further we offer assistance in completing accident/insurance reports and forms (Sections 18 C. of the Franchise Agreement). For leases where we are a party tenant, we will deliver the monthly gross sales information received for your salon to the appropriate prime landlord, such as Wal-Mart—as required under the 2009 MLA/ Sublease Schedule (Section 25 C. of the Franchise Agreement).

6. Introduce new products and techniques to offer your customers, as we consider appropriate (Section 18 C. of the Franchise Agreement).

7. Provide additional training as we believe is required (Section 18 C. of the Franchise Agreement).

8. Provide operational guidance and assistance with maintenance and repair matters, as we consider appropriate, or at your request, and at your cost (Section 18 C. of the Franchise Agreement).

9. Provide guidance and assistance regarding the possible sale of your salon on request and as we believe appropriate (Section 18 C. of the Franchise Agreement).

10. Furnish you with any changes to the COM during the term of the Franchise Agreement (Section 11 of the Franchise Agreement).

11. Maintain a tollfree customer complaint number and attempt a resolution at your expense, as required (Section 29 of the Franchise Agreement).

12. Defend your use of our Trademarks to the extent provided under the Franchise Agreement and reimburse you for certain costs of your compliance if we change or discontinue the mark (Sections 9 and 10 of the Franchise Agreement).

13. Before your Franchise Agreement expires, if you wish another term and we offer one, we will inspect your salon and provide you with a list of things which must be done to rejuvenate your salon, bring it to standard and achieve that, “as new” condition, along with any other conditions of renewal (Section 16 B. of the Franchise Agreement).

We are not obligated to perform the services set forth above to your level of satisfaction, but as a function of our experience, judgment and knowledge.

We are not obligated to assist you in establishing prices, such as setting minimum and/or maximum prices at which you must sell products and services.

### **Advertising**

You may not use any advertising material containing our trademarks, Regal®, Regal Nails Salon & Spa® or Regal Nails®, or any modified version or derivative of it, unless we have expressly approved it in writing before its publication. If you operate a website which uses our Mark, in any way, you must submit your website to us for advance approval; this includes publishing web-pages on social networking websites, blogging, posting on any forum, video sharing, and/or posting user reviews. Advertising and press releases containing Wal-Mart’s

name or mark must be approved by Wal-Mart. All advertising must be true, in good taste, and conform to our standards. We have no national advertising program or advertising fund and do not offer an advertising program as part of the franchise. As noted above in this Item, our assistance is limited to on-line assistance with advertising created by you and the guidance about your advertising and promotional efforts that we consider appropriate.

Currently, there are no franchisee advertising councils, although we reserve the right to establish one. If such a council is allowed, we can establish the requirements of who can sit on the council and the voting parameters, if any. If such council is allowed, the council's recommendations are not mandates; and we reserve the right not to be bound by them.

Currently, there are no regional or local advertising cooperatives, but the Franchise Agreement gives us the power to require advertising cooperatives to be formed, changed, dissolved or merged. If we form a regional advertising cooperative for your area, we will notify you in writing of the starting date and your initial contribution of \$10. We will determine the area of each advertising cooperative based on an area that we consider likely to be able to advertise effectively on a cooperative regional basis. Your advertising cooperative will establish all other contributions but they will be at least \$10 per month. The regional advertising cooperative will operate from written By-Laws but these are not available for your review at this time. The advertising cooperative will be administered by a Board of Directors and officers elected by its members. Expenditures by the regional advertising cooperative need not be in proportion to the contributions you make (or any other franchisee makes). Company-owned salons will not contribute or belong to regional advertising cooperatives.

A regional advertising cooperative may spend funds for: developing advertising ideas and concepts; developing market research and merchandising programs; preparing advertising campaigns; developing promotional ideas and strategies; preparing collateral creative materials; preparing advertisements (including writing, filming, editing, etc.); planning, negotiating, contracting and trafficking media programs; technical and professional advice for programs; public relations; and, administration of the cooperative, including legal and accounting services.

The regional advertising cooperative will order an audit following the end of each fiscal year. The auditors will present their audit report to the Board of Directors of the cooperative as soon as practicable, and the Board of Directors will then present the report to you and the other members of the cooperative at the next regular meeting or at a special meeting.

There is currently no advertising fund. If we form a system advertising fund (the "Fund"), we will notify you in writing of the starting date and amount of your Fund contributions. Once formed, we anticipate that fund contribution amounts will be \$25 to \$500 per month and will be made on a periodic basis of our choosing, which may be monthly, quarterly, semi-annually or annually.

If a Fund is formed, we will direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We need not make expenditures which are equivalent or proportionate to your contributions. We need not ensure that any particular franchisee benefits directly or proportionately from Fund advertising. The Fund will not be a trust and we will not be a fiduciary.

The Fund may be used to meet all costs of administering, directing, preparing, placing and paying for national, regional or local advertising, promotions and public relations. This includes: television, radio, magazine, newspaper and worldwide web/internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase

materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Regal Nails website (a portion of which, it is expressly understood, may be devoted to describing the Regal Nails Salon & Spa and Regal Nails & Spa franchise offerings and the solicitation of potential Regal Nails Salon & Spa and Regal Nails & Spa franchisees); search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (both for the Regal Nails Salon & Spa and Regal Nails & Spa systems and for competitive networks or units); celebrity endorsements; other activities that we believe are appropriate to enhance, promote and/or protect the Regal Nails Salon & Spa and Regal Nails & Spa systems; and, engaging advertising agencies to assist in any or all of the above activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other public relations and advertising agency fees.

We need not maintain the money paid by franchisees to the Fund and income earned by the Fund in a separate account, but we may not use this money for any purposes other than those provided for in the Franchise Agreement. We can spend money from the Fund for our reasonable administrative costs and overhead for activities reasonably related to the administration of the Fund and advertising programs for franchisees, including, for example, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the Fund and the annual statement of Fund contributions and expenditures described below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Fund. Our right to expend monies from the Fund to reimburse us for these activities does not include any advertising agency fees which the Fund must pay to secure the services of an advertising agency or to have print, broadcast or internet advertising placed by an agency.

Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing Fund income and expenses for the fiscal year just ended. We will send you a copy of this statement upon request.

Once the Fund is formed, we will spend most contributions to the Fund for advertising purposes during the fiscal year in which the contributions are made. If we spend more than the amount in the Fund in any fiscal year (in addition to any money we have to spend because we did not spend all the money in the Fund during the year before), then we can reimburse ourselves from the Fund during the next fiscal year for all excess expenditures during the preceding fiscal year, with interest. If we spend less than the total in the Fund during any fiscal year, we can either spend the unused money during the next fiscal year or we can rebate all or a portion of the unused money to franchisees on a proportionate basis for them to spend on local advertising and promotion.

We can use whatever media, create whatever programs and allocate advertising funds to whatever regions or localities we consider appropriate. The allocation may include rebates to individual franchisees of some or all of their Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total advertising contributions collected from all Regal Nails Salon & Spa and Regal Nails & Spa franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees on a proportionate basis. You must spend any rebate on the types of local advertising and media that we determine (or, if we direct, in accordance with the local advertising and promotion

requirements of the Franchise Agreement) according to a plan and budget we review and approve in advance. You must document all rebate advertising expenditures to us in a monthly rebate advertising expenditure report form.

Although we intend the Fund to be perpetual once formed, we can terminate the Fund. We will not terminate the Fund until it has spent all money in the Fund for advertising and promotional purposes.

### **Promotional Activities**

There is currently no requirement that you offer gift cards or certificates nor is there currently a prohibition against offering gift cards or certificates. If you do offer gift cards or certificates, you must restrict redemption to your specific location. At this time, you are not required to participate in a franchise-wide gift card/certificate program. We may require you, in our sole discretion, to participate in a franchise-wide gift card/certificate program in the future. In the event that a franchise-wide gift card/certificate program is implemented, you will be required to issue only those franchise-wide program gift cards/certificates that we designate and no other, and you will be required to redeem unexpired, bona fide franchise-wide program gift cards/certificates presented to you. Furthermore, you may only redeem your own unit's gift card/certificate if they were issued prior to implementation of the franchise-wide gift card/certificate program. If a franchise-wide gift card/certificate program is implemented, you will need to obtain the necessary equipment to issue and redeem gift cards/certificates as well as have the necessary software downloaded into such equipment.

### **Computer Hardware and Software, Cash Register and Accounting Systems, Your Salon Records.**

Other than the hardware required for the operation and use of your Point of Sale system, there is no requirement that you buy a computer, but, if you develop your own website, you must have regular access to a computer with a connection to the Internet so that you can review and maintain your website and receive communications from us. You can use any computer hardware and software you desire to access the Internet.

Our designated merchant services solution and Point of Sale system is not included in your Snow White Package. We have the right to designate and require your use of a specific merchant services solution and Point of Sale system, including both the hardware and the software. When made available, you must also subscribe to our designated cloud-based data storage service. You are required to grant us or our representatives access to the data stored on the designated Point of Sale system and merchant services solution.

Currently, we require that you purchase the merchant services solution hardware that we designate and from the vendor we designate and you must use such vendor in connection with the merchant services. The same hardware you purchase in connection with the designated merchant services solution can also be used by you, at your election, as the hardware for your Point of Sale system. We do not currently require that you utilize a Point of Sale system, however, if you elect to implement one, it must be our designated point of sale system and you must subscribe to the designated point of sale system software.

New franchisees must purchase the designated merchant services solution and, if they so choose, the Point of Sale system, directly from our designated vendor. Existing franchisees must purchase the designated merchant services solution and Point of Sale System hardware on the earlier of the renewal of their Franchise, as a condition of renewal, or receipt of notification from us. The merchant services solution and Point of Sale system ranges from \$750 to \$1,800 per terminal.. There is no contractual limit on our ability to upgrade, modify,

or replace the merchant services solution or the point of sale system, or bring your system online with our headquarters computer. We do not require that you sign a computer maintenance agreement with the manufacturer of the merchant services solution and Point of Sale System or any third party supplier, but reserve the right to do so in the future. However, it is ultimately your responsibility to ensure that the merchant services solution and Point of Sale system remains in good repair and condition to the extent that all transactions will be conducted on it, that access to the data is not blocked or otherwise obstructed, and that connection to the cloud databases remains intact. The monthly fee for the software needed to use your Point of Sale system, should you choose to do so, is currently \$14 per month, which may be increased by the vendor.

You must provide certain sales data to us in a specified format. We must be able to extract this information from your merchant services solution and from your Point of Sale system, if implemented, and must have unlimited, independent access to all of the information and data. You (and existing franchisees that do not yet use the Point of Sale system) may provide us this information by mail, email, or fax or mail in the form previously provided to you, however, all franchisees must use our merchant services solution and must grant us unlimited access to the information stored by the merchant services solution. Until the data is accessible by us from your merchant services solution and/or Point of Sale system, you must provide a monthly gross sales report in a prescribed format, as explained in the COM, which will include a certification by you of the accuracy of the report. You must comply with these reporting requirements and are responsible for the cost of compliance, as well as any charges assessed for any underreporting. You are solely responsible for your own books and records. You must maintain monthly records of gross sales, tax returns, personnel records and I-9's, and other specified information on your salon premises for at least 36 months after each fiscal year, all of which are subject to audit/inspection by us and/or our landlord, if you are subleasing a location from us. You may be penalized by us and/or our landlord, if you are subleasing a location from us, for inaccurate reporting.

For locations where we are not a party to the lease, your Landlord or the Exchange, as applicable, may have format requirements for presentation of monthly gross sales reports. You should consult your lease or the ECC, as applicable, as to these requirements.

You are responsible to ensure that your salon is compliant with all PCI data and payment security standards as well as any other related data security laws and regulations, including those protecting personally identifiable information. Further, you will indemnify and hold us harmless for any claims, actions, injuries, and/or damages arising out of, related to, or in connection with any actions or inactions by you and those under your authority for any failure to comply with such standards, laws, and regulations.

### **Site Selection**

For locations where we are not a party tenant:

The salon must be located at an approved and authorized location. You must obtain our consent before you lease or otherwise acquire the location. We recommend that you not select a site that is less than 800 sq. ft.; and we reserve the right not to approve any site smaller than 800 sq. ft. Further, you may not select a shopping center that has an existing or pending Regal Nails Salon & Spa or Regal Nails salon. You must select, get our approval for a site, and secure that site within sixty days of the effective date of the franchise agreement.

For locations where we are party tenant:

Since most Regal Nails Salon & Spa<sup>®</sup> salons are located in Wal-Marts or other big box

retailers, we make no independent studies to select sites and are not involved in determining where to locate the retail store or whether any particular retail store will include space for a nail salon. If a site is offered to us by Wal-Mart or other big box retailer, we may lease it from them and then sublet it to a franchisee. We do not control, and cannot predict, if or when we may be offered a site, if at all. Nor do we have input in or control over the timing of any site development. We have no responsibility or liability to you for selection or offer of the site. We are informed of possible sites by the retailer themselves. We may inform you of a particular planned site in an area of interest to you (which is called the "General Vicinity" in your Site Deposit Addendum). If we have received your Application Fee and approved you as a franchisee and you have provided us with the \$25,000 Initial Franchise Fee (see Item 5 of this disclosure document), a signed Franchise Agreement, a Site Deposit Addendum, and related documents, including the Confidentiality Agreement (Refer to Exhibit A of this disclosure document), we'll attempt to lease that site from Wal-Mart or other similar big box retailer. We'll tell you whether that site is in a High Cost Area, is an Existing Location or has been designated as being in an affluent area. If we are able to lease space for your salon at that selected site, then we'll offer it to you. After you have accepted an offered site, subject to confirmation by the landlord/prime lessor, we will pay you a refund only if we are unable to obtain a Lease for that site or to lease another site acceptable to you (Refer to the Site Deposit Addendum, which is Part 2 to the Franchise Agreement, and Item 5 of this disclosure document for full details about conditions for a refund); your Application Fee is non-refundable under all circumstances. Upon your acceptance of the site, you must pay us a \$45,000 Confirmation Fee for a location in the 50 U.S. states or in Puerto Rico. If you fail to pay the required Confirmation Fee, you will not receive any refunds and we can terminate the Franchise Agreement upon notice to you and without having any liability to you. If you paid both the initial franchise fee and the confirmation fee but subsequently decide to not open the salon, then you will not receive any refund and we can terminate the Franchise Agreement upon notice to you without having any liability to you. The time period between the signing of our Franchise Agreement and grand opening averages about 1 to 2 years. The contractors who must build the big box retail store and perform the work are not under our control. We have no responsibility for any delays. Delays may be caused by weather, labor, material, permits, and zoning problems, among others. The big box retailer determines both the date when the salon must be open and the date for the Grand Opening of the Salon.

After our receipt of the Confirmation Fee from you and site confirmation from the landlord, we arrange for the build out of your salon and delivery of all the items included in the Snow White Package, as described under pre-opening assistance in this Item, above, and Items 5, 6, 7 and 8 of this disclosure document. By taking possession of the salon after your inspection of the site, you are accepting the salon "as is" and are acknowledging that it has no defects or deficiencies.

From time to time, a landlord remodels, rebuilds, removes or expands its retail stores or its shopping centers. It may convert them into larger or smaller stores or shopping centers or may move them to new locations. We do not know when or if your landlord will do any of these things. If we are a party tenant to the lease and such renovations occur, you will be given notice and the opportunity either to end your Franchise Agreement or, if the landlord has space allocated for your salon, to move to the new, remodeled, rebuilt, moved or expanded location, at your sole cost, which may be from \$25,000 to \$50,000 for Wal-Mart locations and more for other big box retailers. For locations where we are a party tenant to the lease, depending upon the size of your new salon and the local market value of the premises, the Monthly Rent may increase or decrease. If we are not a party tenant to the lease and your

landlord decides to remodel, rebuild, remove, or expand your salon location, you will need to inform us immediately, but no later than 10 days after your receipt of such notice. If, under such circumstances, your landlord terminate the lease and does not offer you a space for a salon, you will be given the opportunity to end your Franchise Agreement without any fault or liability to you or us. If, however, your landlord has allocated space for your salon, you may be given the opportunity to amend the term of the Franchise Agreement or to sign a new Franchise Agreement, at our discretion.

In the instance that a Franchise Agreement have been executed by both you and us after a site has been confirmed but the term, commencement date, expiration date, salon square footage, and/or monthly amounts due has yet to be determined, a Franchise Commencement Agreement will need to be executed by you and us to memorialize such terms and conditions.

For Wal-Mart locations: Wal-Mart is currently contemplating implementation of a monthly rent structure based on a percentage of a location's monthly gross sales with a minimum base rent. If Wal-Mart implements this new percentage-based rent structure, we may elect to change the payment structure of the Monthly Fee and separate the monthly franchise fee, monthly base rent (which will have changed to a percentage-based rent), and rental tax as their own separate fees due. Subleasing a site from us for a Wal-Mart location may have additional costs imposed by Wal-Mart other than rent. Wal-Mart has reserved the right to charge utility reimbursement, key money, lease premises improvement charge, additional security deposit, and insurance reimbursement fee. Of the four, Wal-Mart has indicated its intentions to begin charging the insurance reimbursement fee for coverage of the leased premises' structure in the event of fire damage. Wal-Mart has estimated that the coverage on average may be \$0.10 per sq. ft., but may be more or less depending on the locale of the premises. See the 2009 MLA, Exhibit C-1, for more details. Subleasing a site from us for a Wal-Mart location will require you to adhere and comply with Wal-Mart's rules and regulations as if you were the tenant. This includes Wal-Mart's Customer Satisfaction program, its strict loss prevention program, its performance covenant requirement—which if not met, Wal-Mart has reserved the right to terminate the Lease, and the requirement for a background check on all persons working on its premises. Additionally, Wal-Mart has reserved the right to terminate a lease to a particular location as a result of relocation or remodeling of the Wal-Mart store or a change in business strategy, and at its sole discretion. See the 2009 MLA, Exhibit C-1, for more details.

### **Training Program**

We will train you or your principal owner (one who owns 1/3 or more of the franchise and assumes all the privileges and duties of the franchisee), if you are a business entity, and your manager on the operation of a Regal Nails Salon & Spa® business. You or your principal owner and your manager must attend the training program. Unless we make an exception, only you or your principal owner and your manager may attend the training program. The instructional materials consist of the COM; safety, sanitation and sterilization brochures; instructions for certain types of equipment; specifications for redecorating; and brochures concerning new products. All attendees must be approved by us and be properly licensed by their state. We do not provide, and you must obtain on your own, the training that you typically are required to have in your state and/or local jurisdiction to be licensed or certified as a professional manicurist or salon operator. Our 3-day training program is held at our headquarters in Baton Rouge, LA. You are responsible for all related travel, lodging and other expenses associated with your and any staff's attendance (Refer to Item 7 of this disclosure document). The program must be completed before your salon's Grand Opening. We conduct training on a bi-monthly basis except during November and December, but the

schedule is subject to change. This program may be suspended altogether during events of force majeure or when conditions outside of our control negatively impact our or ability to safely provide the program. Once we resume offering the program, we may require that you attend the next available session. We may require you, at a later time, to re-attend a training program if we determine that the additional training is necessary for you to correct performance deficiencies or otherwise. If you have two insurance claims filed against you or your salon within a three-year period, you must re-attend training within 90 days of our knowledge of the second claim. We provide additional training and retraining as we believe necessary. We generally mail new information concerning products and services, but we may convey new information in other ways if we decide to do so.

You must complete our training program to our satisfaction. Your completion of the initial training program is mandatory and a pre-condition to our loan to you of a Confidential Operations Manual. Proposed transferees of an existing franchise must complete the training program before our approval of any transfer (Refer to Item 17 of this disclosure document). Franchisees seeking a successor term must meet then current qualifications and training requirements.

Below is an outline of the training program course of instruction as of the Date of Issuance of this disclosure document. We may change the training periodically program.

The Table of Contents of the COM, which is the basis of our course of instruction, is attached as Exhibit F to this disclosure document.

### **TRAINING PROGRAM**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
<b>DAY 1</b>			
1 Hour Registration and Continental Breakfast	0 Hours	0 Hours	Baton Rouge, LA training facility
.5 Hour Introduction, Staff & Guests	0 Hours	0 Hours	Baton Rouge, LA training facility
Leadership Program	2 Hours	0 Hours	Baton Rouge, LA training facility
1 Hour Lunch with Staff	0 Hours	0 Hours	Baton Rouge, LA training facility
Marketing	1 Hour	0 Hours	Baton Rouge, LA training facility
Renewals and Remodel	3 Hours	0 Hours	Baton Rouge, LA training facility
<b>DAY 2</b>			
Welcome and Review	1 hour	0 Hours	Baton Rouge, LA training



SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
			facility
Merchant Services Vendor	1.5 Hours	0 Hours	Baton Rouge, LA training facility
General Discussion about Services and Products	4 Hours	0 Hours	Baton Rouge, LA training facility
1 Hour Lunch with Staff	0 Hours	0 Hours	Baton Rouge, LA training facility
<b>DAY 3</b>			
Welcome and Review	1 hour	0 Hours	Baton Rouge, LA training facility
Insurance Program	1.5 Hours	0 Hours	Baton Rouge, LA training facility
General Discussion	2 Hours	0 Hours	Baton Rouge, LA training facility
1 Hour Lunch with Staff	0 Hours	0 Hours	Baton Rouge, LA training facility
Training Certificate Distribution	1 Hour	0 Hours	Baton Rouge, LA training facility

The instructional material is based on the COM, and also includes the Wal-Mart Tenant Handbook, the 2009 MLA, the Franchise Agreement, demonstrations and various handouts.

The following is a list of instructors and their biographical information:

Quy T. Ton has been with Regal Nails since its founding in 1995 and, currently, presides as its Chief Executive Officer.

Guest speakers may be invited to give lectures.

New franchisees, transferees, and those renewing must attend the training course at least 8 weeks before their grand opening or renewal, as applicable.

## **ITEM 12 TERRITORY**

We award you a franchise to operate a single Regal Nails Salon & Spa® salon performing manicures and pedicures under our trademark from a single site, located at a designated address (your non-exclusive "Territory"). Your Territory thus consists of the four walls of the premises to your salon. For locations in which we are party tenant to the lease, we will not

enter into a Franchise Agreement licensing a Regal Nails Salon & Spa® salon or open a company-owned Regal Nails Salon & Spa® salon in the designated retailer store address so long as you remain in compliance under the Franchise Agreement and related agreements with us; provided however, that we may enter into a Franchise Agreement licensing a Regal Nails Salon & Spa® salon or open a company-owned Regal Nails Salon & Spa® salon in the same shopping center as your Territory without notice, additional compensation, or liability to you, regardless of whether such shopping center as the same address as the retail store or not. For locations where we are not a party tenant to the lease, we will not enter into a Franchise Agreement licensing a Regal Nails Salon & Spa® salon or open a company-owned Regal Nails Salon & Spa® salon in the same shopping center address as your Territory; provided however, that we may enter into a Franchise Agreement licensing a Regal Nails Salon & Spa® salon or open a company-owned Regal Nails Salon & Spa® salon in or as a part of a big box retailer in the same shopping center as your Territory without notice, additional compensation, or liability to you, regardless of whether such big box retailer shares the same address as the shopping center. (Renewing Regal Nails® franchisees whose Franchise Agreements we acquired from Regal Nails, LLC have the right to continue to operate under the Regal Nails Marks and signs, and if they do so the provisions described above will apply to Regal Nails salons.).

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Your rights in the Territory are exactly as described in the Franchise Agreement. Except for the operation of a Regal Nails Salon & Spa® salon within the Territory, you have no right to exclude, control or impose conditions on the location of present or future Regal Nails Salon & Spa® (or any other brand) businesses or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Territory. We reserve all other rights. You, we, our Affiliates and any Regal Nails Salon & Spa®, Regal Nails® and Regal Nails & Spa® business may solicit customers located anywhere through any channel of distribution.

You are free to solicit customers from anywhere, subject to the restrictions of the landlord of the salon premises. You may sell only services and goods that we specify in our COM or otherwise from time to time and those allowed by the lease or other agreement to your premises. Therefore you are free to use other channels available to solicit customers for your services. However, you must receive our advance approval of your ads, whatever channel of advertising, marketing or solicitation you use.

We remain free to solicit customers for our franchises, by any means available, through any channel of distribution.

Alfalfa, which sells products and accessories, remains free to solicit customers for its products anywhere, including within your Territory, by any means available, through any channel of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales. You will receive no compensation for any sales made by Alfalfa within your Territory.

Your Territory will not be moved or altered unless the landlord moves or remodels the big box retail store or shopping center in which your salon is located in. You may relocate with the applicable big box store or super center if it moves and has available space for the salon and a lease to the new premises is secured for the salon. If the big box retail store or shopping center where your salon is located is closed and the Lease for your salon is terminated, then your Franchise Agreement is also terminated and neither of us have any

liability for the termination or closure. Continuation of your Territory is not dependent upon your achievement of a certain sales volume, market penetration or other criteria; however, certain landlords may review your sales volume to determine if you are a benefit to their customers. If the landlord moves or remodels its store or shopping center, you may have the option to move with it or to remodel, as required, at your sole cost. These costs could run from \$25,000 to \$50,000 in a Wal-Mart location, and may cost almost double in other big box retailers and shopping centers. If the big box retail store or shopping center has an available space for the salon after the expansion, remodel, or move, and you choose not to move or remodel, if necessary, with it, then your Franchise Agreement shall end with no liability on our part. Ultimately the landlord to the premises has the final decision on whether it provides a premises for you after it relocates, remodels, or otherwise renovates its store; if the landlord determines that a space is not available to you after it relocates, remodels or otherwise renovates its store, then the Franchise Agreement shall also terminate upon notice to you without liability to either of us for the termination or closure.

If you qualify and are in compliance with the Franchise Agreement, including the mandatory provisions of the COM, we can choose to award you an additional franchise on the same basis as we then sell franchises to other applicants. You have no options, rights of first refusal or other right to any additional franchise.

We have not established, and have no current plans to establish, other franchises or company owned salons in your Territory or to create another channel of distribution selling or leasing similar products or services under a different trademark in your Territory. However, you must understand that our affiliate, Regal Nails, LLC has licensed similar businesses under the "Regal Nails" brand, most of which also operate in Wal-Mart centers. On April 1, 2006, we assumed Regal Nails, LLC's rights and obligations under certain of its salon subleases and license agreements for Regal Nails® Salons. Refer to Items 1 and 20 and Exhibits I and J of this disclosure document. Our affiliate, Alfalfa, also sells nail polishes, furniture, salon equipment, and other related salon items/products, which bear the "Regal" brand and other brands, to customers located anywhere, which may include competitors of yours.

### ITEM 13 TRADEMARKS

We grant to you the right to operate under the trade name "Regal Nails Salon & Spa" to designate your Regal Nails Salon & Spa® franchise. A reproduction of the Regal Nails Salon & Spa® commercial mark appears on the cover sheet of this disclosure document. We may develop additional or alter our existing commercial symbols and trademarks for use in connection with the franchise business. Renewing Regal Nails franchisees, whose Franchise Agreements we acquired from Regal Nails, will sign a renewal Franchise Agreement in the form attached to this disclosure document, but the Franchise Agreement gives them the right to continue to operate under the Regal Nails marks and signs if they wish to do so.

Our "Regal Nails Salon & Spa" service mark, printed and stylized, was registered on the Principal Register of the United States Patent and Trademark Office ("USPTO") on July 24, 2007, registration number 3,270,108 (a standard character and design mark

The logo for Regal Nails Salon & Spa features the words "Regal Nails" in a large, elegant, red cursive script. Below "Regal Nails", the words "Salon & Spa" are written in a smaller, black, sans-serif font. A thin horizontal line is positioned just above the "Salon & Spa" text.

), and on November 6, 2007, registration number 3,329,407 (a standard character mark). On April 1, 2008, the "Regal Nails" service mark was assigned to us by our affiliate Regal Nails, LLC; its registration numbers on the Principal Register is 3,311,350 (registration date October 16, 2007) and on the Supplemental Register is 2,443,591 (registration date April 10, 2001). The "Regal" mark, registration number 3,715,059, was

registered on the Principal Register of the USPTO on November 24, 2009.

There is no pending litigation concerning the Regal Nails Salon & Spa marks, Regal Nails, Regal marks. We have entertained no settlements or agreements concerning their use. No one has superior rights to ours concerning the use of the marks. We have no definitive obligation to protect your rights to use the marks against claim of infringement or unfair competition.

Currently, there are no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending: infringement; opposition or cancellation proceedings; or material litigation involving the trademark. There are no infringing uses actually known to us that could materially affect your use of this trademark in this state. We have filed all required affidavits and the marks listed above have all been renewed, as applicable.

Regal Nails, LLC had licensed third parties to operate salons under the Regal Nails mark. As of March 1, 2008, these "third parties" continue to operate salons under the Regal Nails mark but are now our franchisees. As of April 1, 2008, all the Regal Nails marks were assigned to us. All necessary affidavits have been filed.

You must notify us immediately of any apparent or actual infringement of, or challenge to your use of the trademarks, or any claim by any person of any rights in the trademarks. We have an exclusive right to control any settlement, litigation or proceeding arising out of or related to the trademarks. We are not obligated to protect your right to the mark, or protect you against claims of infringement or unfair competition. The Franchise Agreement requires you to assist us if necessary in an administrative or judicial proceeding involving a trademark licensed to you by us.

You must comply at your expense with any directions from us to discontinue, modify, substitute or add trademarks. We cannot and do not make any guaranty that a modification, discontinuance or otherwise may not be required for any reason. We will reimburse you for the actual, reasonable and necessary out of pocket costs that you have for replacement of signage or other items bearing any marks replaced by us, if we give advance approval to the claimed expenses.

If you are a business entity, your name cannot include all or part of the Regal Nails Salon & Spa trademark. You must apply for an assumed business name registration (also known as d/b/a, fictitious name, or business alias) individually with your local state or county government before your Grand Opening. The registration is a procedure allowing a person or entity to do business in the name of another or a hypothetical name. The act of registration is for public disclosure. Consult your attorney or your county Clerk of Court's office for assistance.

You must follow our rules when you use our name and Marks. You cannot use our name or Marks with any modifying words, symbols or designs, or in any other styles or formats except those which 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 by us. You may not register our Marks as a service mark or trademark in your state. Upon termination or expiration of your franchise, you must

assign the assumed business name or d/b/a to us and cease all use of our Marks. When using our Marks, you must always identify yourself as a franchisee.

There are no agreements that limit our right to use or license our Marks. We will grant you a non-exclusive right to use our Marks and we keep the right to (1) grant other franchisees the right to use the Marks, in addition to those already granted, both within and outside your territory, if any, (2) to develop and license other names and trademarks on the terms and conditions that we consider appropriate; and (3) to sell or franchise products and services under our Marks or otherwise through the same or different channels of distribution or through other marketing systems.

You may not take any action concerning an alleged infringement or misuse of our Marks beyond the reporting requirement above, nor take any action as to a third party's unfair competition or unfair trade practices without our knowledge and express written consent. We reserve the right, to decide what action we will take, if any, if there are allegations of infringement or misuse of the Marks. We reserve the right to retain counsel of our own choice for these matters and to control the conduct of any dispute, litigation or proceeding. You must cooperate with us in the dispute and provide us with any information and reasonable assistance we or our lawyers' request.

You must notify us, upon discovering or learning of a trademark that is identical to or confusingly similar in appearance to ours or that which you are using. We need not take any action in response to your notification, but reserve the exclusive right to do so. We also have the exclusive right to control any administrative proceeding or litigation involving a trademark we have licensed to you but we have no obligation to do so

If we decide to add, modify or discontinue a good or service covered by the Marks or any other trademark or service mark, you must also do so. We will reimburse you for the tangible cost of complying with this obligation, if these costs are necessary and reasonable in our opinion. You must modify or discontinue the use of the Marks, if we modify or discontinue the use of the Marks. If this happens, we will reimburse you for your tangible costs of compliance (for example, changing signs), if these costs are necessary and reasonable in our opinion. You may not directly or indirectly contest or challenge our exclusive ownership of or our right to use and license any of our trademarks.

You must hold us harmless from any and all liability, loss, cost or damage, including attorney's fees we may suffer as a result of claims, demands or judgments arising from (1) your abuse, appropriation, or misuse of our Marks, (2) your performance or non-performance of the Franchise Agreement, and (3) your failure to cease the use of any Marks when required or otherwise requested to do so.

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

We own no patents.

We and our subsidiary Regal Nails Canada, ULC share a distinctive system for the establishment of nail salons featuring manicures and pedicures, which is the result of significant expenditures of time and resources (the "System"). System procedures are provided to you in a written format also containing trade secrets and other proprietary information, which is referred to as the Confidential Operations Manual ("COM"). "Manual" means and includes all manuals, policy statements, directives, bulletins and memoranda that contain recommended specifications or standards, procedures, policies, advice and training relating to the operation or promotion of our salons. We will lend to you a copy of the COM

during the term of our Franchise Agreement after you complete training. You must sign the Receipt for Confidential Operations Manual (Refer to Exhibit B of this disclosure document). We claim common law copyrights in our COM, training materials and other proprietary information. There are no agreements in effect that significantly limit our right to use or license these copyrighted materials. There are no infringing uses actually known to us that could materially affect your use of these copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or you in connection with any copyrights. Due to regional differences, the COM used by us and the COM used by Regal Nails Canada, ULC differ.

You may use the information in our COM solely for the purpose of operating your salon. You may not otherwise use or disclose the COM or the information in the COM. We can alter the policies, standards, and specifications contained in the COM at any time. You must comply with the COM, as we may change it from time to time. The COM includes safety, sanitation and recommended guidelines, standards, and other information; it sets goals for you to achieve. Failure to meet with the goals of the COM is a breach of the Franchise Agreement, and affords us a variety of remedies, including fines and penalties and possible termination of the Franchise Agreement.

You must notify us, immediately, when you learn about an unauthorized use of our copyrighted materials or proprietary information. We are not obligated to take any action, but will respond to this information as we consider appropriate. You may not take any action (including providing written or oral notice, commencing legal action, or commencing any other action) with regard to an alleged infringement of our copyrighted material beyond the reporting requirement above, nor take any action as to a third party's alleged misuse of our proprietary information without our knowledge and express written consent. You must cooperate with us to protect against copyright infringement and misuse of our trade secrets and proprietary information.

We reserve the right to decide what action we will take, if any, in the event of allegations of infringement or misuse of its copyrighted material or proprietary information. We reserve the right to retain counsel of our choice for such matters and to control the dispute. You must provide us with any information and reasonable assistance. We are not obligated to protect your right to use our copyrighted material or proprietary information, nor are we obligated to protect you against claims of infringement or unfair competition concerning your use of our copyrighted material or proprietary information. If we modify the COM, you must make the related changes in your salon. If any costs result from the modification, each party will bear its own costs.

You must hold us harmless from any and all liability, loss, cost or damage, including attorney's fees we may suffer as a result of claims, demands or judgments arising from: (1) your abuse, appropriation, or misuse of our copyrights or proprietary information; (2) from your performance or non-performance of this agreement; or (3) your failure to cease the use of our copyrights or proprietary information when required or otherwise requested to do so.

You must not directly or indirectly contest our right to any of our copyrights, trade secrets or proprietary business techniques that are part of our business. You may not file for or otherwise seek copyright protection of any of our copyrighted materials, including the COM and all advertisements, brochures, marketing materials and all other works of original expression created by us or on our behalf. Upon termination or expiration of your franchise, you must cease all use of our copyrighted and proprietary materials and return all these materials in any format or media to us.

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

We do not require that you personally operate the franchised business. However, you are solely responsible for its operation and the actions and inactions of your employees and others who work at your location. If you do not personally operate the salon, at a minimum, you must inspect your salon weekly and hire and maintain an 'on premises' manager who must be appropriately licensed by your state board and have successfully completed our training program. The on-premises manager may not have an interest or business relationship with any competitors within a 5-mile radius of the salon and must sign our then current written Non-Competition and Confidentiality Agreement (Refer to Ex. C of the Franchise Agreement). The manager need not have an ownership interest in your corporation, LLC, or partnership franchisee.

Each individual who owns an interest in the franchised entity must sign our Franchise Agreement, and our Non-Competition and Confidentiality Agreement, Ex. C to the Franchise Agreement. They assume and agree to discharge all of the obligations of the "Franchisee" under the Franchise Agreement and duties of the franchise sub-lessee, under the Sublease Schedule to the Franchise Agreement.

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

You must purchase from us or from Alfalfa the Snow White Package and additional, replacement customized, or trade dress furniture, salon equipment, fixtures, and Regal Nails branded or other proprietary products. Except for those items listed above, we recommend, but do not currently require, you to use approved or designated suppliers or specific products in the operation of your salon. For Regal Nails branded products, or other proprietary products, we may require that you purchase such products in pre-set quantities from the designated supplier. We do not restrict the lines of nail products which you may sell, nor do we restrict your customers. Other products related to personal grooming and beauty may be sold but may be restricted by the lease or agreement to the premises of your location. You are free to set your own prices. You may solicit customers from wherever you wish.

You may sell products and perform services related to personal grooming and beauty, except as restricted by this and the following paragraphs:

At a minimum you must sell products and perform services which relate to manicures and pedicures; in accordance with your state regulations, you must be able to provide and apply full sets of nails, provide refills, perform manicures and pedicures, remove polishes, repair broken nails, perform French and American manicures, apply various designs and appliquéés to nails, provide pink and white nails, and perform other services we prescribe in the COM. You may not perform any piercing or tattoo services or tanning by tanning bed. Any other goods or services shall be subject to the restrictions set by the landlord of the premises. You are required to comply with any restrictions or requirements as to services and products imposed by your lease or ECC, as applicable, pertaining to your salon premises may contain. "Credo" or other razor-type tools should not be present in your salon; as most states have banned the use of such tools.

For Wal-Mart locations, you are only permitted to perform manicure, pedicure, and waxing services and sell related goods. You must have the requisite licenses from your state to perform these services. We reserve the right to franchise or own and operate test locations

that may perform additional services, such as hair care.

You also have the opportunity to obtain the privilege to perform eyelash extension services. Only a very small number of franchisees will obtain the privilege of offering eyelash extension services due to Wal-Mart's policies. Certain conditions must be met before you offer eyelash extension services and during the term in order for you to remain eligible for this privilege, including but not limited to proper licensing from the state, satisfactory completion of a training course, and full compliance with the Franchise Agreement and COM. These conditions are found in the COM. These conditions are subject to change and modification; such change will be communicated to franchisees in writing. If these conditions are not met and maintained, we may choose not to grant or may revoke these privileges. We may refuse to reinstate these privileges after they have been revoked. These privileges are non-transferable and, if you choose to at a later date to transfer your salon, your buyer may not perform these services until all conditions are satisfied and we grant our approval. You should also be aware that even though you may obtain the privilege of performing these services from us, the core business of your Regal Nails Salon & Spa salon will be a full service nail salon, and these additional services will be only a small part of your business. There are additional costs related to these privileges. If allowed to perform these privileged services, you must purchase the necessary supplies and equipment from our designated suppliers and/or in accordance with our specifications. You may purchase the necessary approved supplies and equipment needed to perform eyelash extension services from any supplier. Certain furniture may be required to be purchased to provide these services. This furniture must be purchased from our affiliate, Alfalfa. At this time, we do not anticipate granting this privilege to franchisee who are not already a testing site for this service.

We can modify the or change the system, trademarks, training program, COM, goods and services offered, at any time, restricted only by the terms of the lease to the premises if we are a party tenant.

You must operate your franchised business to meet with our system standards, which we may modify occasionally. You may not use your franchised business for any other purposes other than the operation of a Regal Nails Salon & Spa salon business. You must not use the trademarks for any purpose other than as we approve in writing. If we are a party tenant to the lease, you must also comply with the rules and regulations established by the landlord for its tenants, which are subject to change, including a 100% guaranty of customer satisfaction. If we are not a party tenant to the lease, it is your responsibility to comply with your landlord's rules and regulations and to maintain a good working relationship with such landlord. All franchisees must comply with any operative goals we establish and publish in the COM or which are contained in the Franchise Agreement. Your failure to comply with any of these requirements is a breach of the Franchise Agreement and may result in termination of your franchise.

You are solely responsible for hiring and supervising your staff members. You must adhere to your state board rules and regulations, including the use of only licensed manicurists and ensuring that licenses are properly displayed and maintained in the salon. You also must ensure that all your workplace meets safety requirements, including those prescribed by law, by us, in the COM or which are otherwise mandated for your location and by the landlord of your premises. You must provide accident reports and otherwise meet all reporting and safety requirements. (Refer to Section 27 of the Franchise Agreement). For Wal-Mart locations, you must also comply with any Wal-Mart-imposed requirements in terms of your employees; currently, Wal-Mart requires that a background check be performed on all persons working on



their premises, and as an independent contractor, you are responsible for performing these background checks on your employees.

There is currently no requirement that you offer gift cards or certificates nor is there currently a prohibition against offering gift cards or certificates. If you do offer gift cards or certificates, you must restrict redemption to your specific location.

At this time, you are not required to participate in a franchise-wide gift card/certificate program. We may require you, in our sole discretion, to participate in a franchise-wide gift card/certificate program in the future. In the event that a franchise-wide gift card/certificate program is implemented, you will be required to issue only those franchise-wide program gift cards/certificates designated by us and no other, and you will be required to redeem unexpired, bona fide franchise-wide program gift cards/certificates presented to you. Furthermore, you may only redeem your own unit's gift card/certificate if they were issued prior to implementation of the franchise-wide gift card/certificate program. In the event that a franchise-wide gift card/certificate program is implemented, redemption of a franchise-wide program gift card/certificate will not be location specific.

We can modify or change the system, trademarks, training programs and COM, goods and services offered, at any time, restricted only by the terms of the leases to the premises if we are a party tenant. We will make modifications and changes as we consider appropriate to protect our Mark, our good will, and for other business purposes. There is no contractual limitation on our right to make changes.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP**

**These tables list certain important provisions of the Franchise Agreement, Site Deposit Addendum and, for Wal-Mart locations, the 2009 MLA and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.**

PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
a. Length of the franchise term	5A. and 5F.	For locations where we are party tenant to the least for the premises, the length of the franchise term expires with the term of the lease for the premises. For Wal-Mart locations, generally the initial term is 5 years.  Generally for locations where we are not a party tenant to the lease of the premises, 5 years for the initial term and a mutual option to renew for an additional 5-year term. Subject to and coinciding with the term of the lease or ECC of the salon

PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
		premises. We reserve the right to grant an initial term for less than 5 years. No initial term longer than 5 years will be permitted.
b. Renewal or extension of the term	5A., 5B., and 16	<p>There is no automatic right to a renewal or an extension, but it is possible to obtain a renewal term of 2 to 5 years, subject to compliance with certain requirements and renewal of the lease for your location. If the term for the premises is longer than 10 years, we may grant you additional terms for the remainder of the lease term, subject to your compliance with Section 16 of the franchise agreement and our approval.</p> <p>For Wal-Mart locations in the US, a mutual option for 2 additional 3-year terms is available. Based on your past performance, Wal-Mart and we have to mutually agree to enter into a new lease term, in our respective discretion.</p>
c. Requirements for franchisee to renew or extend	16	Renewal of your salon lease; compliance with Franchise and other agreements; 180 days advance, written notice of intent to renew; compliance with current system, qualification and training standards/requirements; satisfaction of monetary obligations due under any agreements or arrangements with us, including related to any other salon location; sign new Franchise Agreement, general release; modify your Salon to our then-current standards; and payment of Successor Franchise Fee.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
		When you sign a new Franchise Agreement, you may be asked to sign contracts with materially different terms and conditions than your original Franchise Agreement and contracts.
d. Termination by franchisee	Not Applicable	Franchise Agreement provisions regarding termination by the franchisee are subject to state law.
e. Termination by franchisor without cause	5C.	Franchise Agreement automatically terminates if the lease to the premises is terminated without fault or liability to Regal.
f. Termination by franchisor with cause	31  7 of Site Deposit Addendum	<p>We can terminate the Franchise Agreement if you commit any one of several listed violations. See g below.</p> <p>If we are a party tenant to the lease: your failure to accept a site within the General Vicinity you selected or to post the Confirmation Fee required to accept the site.</p> <p>If we are not a party tenant to the lease: your failure to select a site, obtain our approval for the site, secure the site within 60 days of signing the Franchise Agreement, or timely payment of the Confirmation Fee.</p>
g. "Cause" defined - curable defaults	31B.	14 calendar days, subject to local law, to cure default. Misuse of mark or system; attempted assignment or assignment of mark or system to another; operation of your salon that may harm the system or our relationship with the lessor; default on payment of amounts due; failure to meet the standards described in the COM; failure to operate the salon continuously during the term of

PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
		<p>the franchise; failure to operate the salon on the days and during the hours required; failure to obtain non-disclosure and non-competition agreements from your manager; the discharge of objectionable or unpleasant odors from your salon; lapsed insurance policy(ies); failure to comply with federal, state and local laws; failure to submit monthly gross sales reports as required; failure to submit incident reports as required; poor customer service; use of unauthorized equipment; use of unauthorized furnishings; failure to adhere to the our Maintenance Program; failure to prominently display professional license or franchisee identification plaque; failure to attend periodic or special in-store meetings; if we are a party tenant to the lease, failure to adhere to rules and procedures contained in the landlord's handbook or lease; if we are a party tenant to the lease, failure to cooperate with the landlord, its contractors or us in any effort to inspect, repair, redecorate or improve your salon; unauthorized changes to your salon décor; failure or refusal to comply with or honor warranties; failure to file any report or filing a false report; not having or not using a FDA approved autoclave to sterilize your instruments; not using an EPA / Hospital approved solution to clean your pedi-spas or by using "Credo" or other razor-type tools in your salon; failure to maintain a clean salon; offering or providing products or services without our written approval.</p>

<p>h. "Cause" defined - non-curable defaults</p>	<p>31C</p>	<p>Failure to attend initial training or re-attend a training program; failure to notify us of intent to renew Franchise Agreement; unauthorized transfer of your franchise; assignment or donation of our mark or system to a third party; operate your salon in other than the designated territory; you are adjudged bankrupt; had your manicurist's license or other professional license suspended, withdrawn, revoked, cancelled or terminated; institution of unauthorized procedures including waxing, massages or tanning; failure to obtain Worker's Compensation Insurance; institution of procedures not authorized under insurance policy; participation in a competing salon within a 5 mile radius of the franchised salon during the term of the franchise; engage in lewd or lascivious conduct with your customers, employees, patrons of the landlord or others in the shopping center; removal of merchandise from the shopping center, sold by others, without permission or proof of purchase; abandonment of the franchise; false representations or declarations to us; conviction or a misdemeanor punishable by more than one year in prison and related to the performance of this agreement; conviction of a felony; failure to cooperate with our Quality Assurance Managers; failure to keep your salon open during prescribed business hours more than 2 times within a period of 12 consecutive months; more than 2 unsatisfactory customer reports within a period of 12 consecutive months; 3 material events of default under the</p>
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		<p>Franchise Agreement within any consecutive 12 month period, whether or not the defaults were of the same or different nature and whether or not the defaults had been cured after notice; failure to comply with the terms and conditions of the lease to the premises if we are party tenant (including for Wal-Mart locations, the failure to meet Wal-Mart's performance covenant for your location), our Sublease Schedule if we are party tenant or the lease rider if we are not party tenant or any related agreement following notice of default; failure to give us 30 days' notice of intent to sell or transfer your salon and provide us with proposed transfer documents; use of prohibited chemicals, agents or tools; failure to comply with any laws concerning the operation of your salon, after receiving a 10 day notice to correct; conflicts, clashes or fights with employees of the landlord if are a party tenant, other tenants or the public; become a threat or danger to public health or safety resulting from the operation of your salon; failure to comply with non-competition covenants; failure to leave instructions mandating transfer of your salon to a qualified individual within 6 months of your death or disability; or employed as a manicurist, one not properly licensed, not licensed or one fraudulently using another's license; failure to pay amounts due within 14 days of written demand; failure to re-attend training at our facility within 90 days of our knowledge of a second insurance claim within 3-years; breach of any material obligation or covenant the lease</p>
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PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
	<p>32</p> <p>7 of Site Deposit Addendum</p>	<p>to the premises if we are a party tenant.</p> <p>Cross default with lease to premises if we are a party tenant to the lease of the premises.</p> <p>Failure to accept a site in your General Vicinity if we are a party tenant, failure to secure an approved site within 60 days of your execution of the Franchise Agreement if we are not a party tenant, or failure to timely pay to us the Confirmation Fee.</p> <p>For locations where we are party tenant to the lease: agreement mutually terminated if you request refund and if a site in the General Vicinity is unavailable, or an acceptable site outside the General Vicinity is not found for you.</p>
<p>i. Franchisee’s obligations on termination/non-renewal</p>	<p>33 and 38</p>	<p>Return COM; return all materials containing our mark; vacate the salon leaving it “broom clean” and in “white box” condition as required by the lease to the premises if we are a party tenant (failing to return the premises to us in white box condition will result in a \$25,000 white box fee) and any personal property and/or salon content left on the premises will be deemed abandoned by you and disposed of at our discretion without any compensation to you; assign us your or your salon’s telephone listing, fax number, websites, social media accounts, online listings and sites, assumed business name or d/b/a, yellow pages advertising; fictitious name or d/b/a registration and any other contract which</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
	16	<p>requires use of our mark; pay all monies due; surrender and assign us all your rights to our mark and its goodwill; and comply with non-competition covenants.</p> <p>If you leave any property, regardless of the kind or character of the property, in the salon upon expiration, termination, or abandonment of the franchise, then such leaving will be deemed an abandonment of such property, and without further compensation or notice to you, we, and/or our representatives, agents, or attorneys may take ownership of and dispose of such property as we see fit.</p> <p>For leases where we are party tenant: You will be charged an amount equal to 150% of the sum of the then current Monthly Rent, further provided that the sum is increased by 4% upon the anniversaries of the commencement of the franchise, for every month you continue to remain in possession of the premises or continue to operate the franchise without a Franchise Agreement.</p>
j. Assignment of contract by franchisor	30H.	Fully assignable by us.
k. "Transfer" by franchisee - defined	30A.	Conveyance of more than a one-third interest in the franchise to a third party.
l. Franchisor approval of transfer by franchisee	30	Transfer subject to our consent.
m. Conditions for franchisor approval of transfer	30B. and 30C.	<ol style="list-style-type: none"> <li>1. You are current on all your obligations due us under any and all agreements and/or arrangements with us;</li> <li>2. Your transferee must submit an application, pay the \$250</li> </ol>



PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
		<p>Application Fee, and meet our qualifications;</p> <p>3. You or the transferee agrees to bring the salon up to current standards within an agreed upon time period;</p> <p>4. The transferee submits copies of his professional license(s) and an application to us, and meets our qualifications (including but not limited to requiring at least one partner or principal having at least 1 year of continuous nail salon experience within the 2 years prior to proposed transfer);</p> <p>5. Upon qualification of transferee, we require a notarized and signed Bill of Sale and a signed Assignment Assumption Agreement in a form acceptable to us, both must be approved and signed by both you and transferee;</p> <p>6. You and transferee execute our required documentation and transferee pays a \$1,000 transfer fee;</p> <p>7. Copies of all the transfer documentation are sent to us for our approval;</p> <p>8. You transfer to us or to transferee all Websites and all Internet pages, listings, accounts, and domain names you own or control related to the franchise, as well as all social media accounts;</p> <p>9. Transferee attends the next regularly scheduled Regal Nails, Salon &amp; Spa training session, pays any pro rata prepaid expenses due; and</p> <p>10. If permitted by local law, you must execute a general release and we authorize the transfer.</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM	SUMMARY
		Additional requirements for transfer to a franchisee-owned business entity: produce a certificate of good standing, existence or similar document; fee reduced to \$500, and, at our option, you remain liable for your original obligations.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	30E.	Transfer of franchise within 6 months of death or disability; transferee must meet our qualifications. No transfer fee.
q. Non-competition covenants during the term of the franchise	33A. and 33D.	No involvement in any similar business in your territory or located within a 5 mile radius of your territory.
r. Non-competition covenants after the franchise is terminated or expires	33A. and 33E.	No involvement in any similar business in your territory or located within a 5 mile radius of your territory for 1 year after expiration, termination, or transfer of the agreement. Time period limits will be tolled for any period of noncompliance.
s. Modification of the agreement	39	Agreement may be modified in writing by all parties.
t. Integration/merger clause	46	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any other representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Our integration/merger clause does not disclaim the express representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	37	Except for certain claims identified in section 35, all

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM</b>	<b>SUMMARY</b>
		disputes are resolved through litigation; waiver of jury trial and punitive or exemplary damages; limitation of types and amount of damages and periods to bring claims.
v. Choice of forum	37	Litigation in Baton Rouge, Louisiana, if applicable. (Subject to applicable state law.)
w. Choice of law	42	Laws of the State of Louisiana apply. Please see the state-specific addenda to the disclosure document and Franchise Agreement in Exhibit E. (Subject to applicable state law.)

**The following table is only applicable to Wal-Mart locations:**

<b>PROVISION</b>	<b>SECTION IN WAL-MART MASTER LEASE AGREEMENT</b>	<b>SUMMARY</b>
a. Length of term of the 2009 MLA and of leases for specific sites	3.4 (Copy found in Exhibit C-1); Attachment A of 2009 MLA.	5 years for initial term. If renewed, two 3-year terms for successor terms.  If your Salon is located in a Wal-Mart refer to 17 a. above concerning Section 5 A. of the Franchise Agreement with regard to the potential of a longer term.
b. Renewal or extension of the term	3.5; Attachment A	There is no automatic right to a renewal or extension, but it is possible to obtain up to two consecutive 3-year terms, subject to compliance with certain requirements and renewal of our lease with Wal-Mart for your location.
c. Requirements for franchisee renew or extend	3.5; Attachment A	Mutual written agreement between us and Wal-Mart. On renewal, franchisees may be asked to sign a Franchise Agreement with materially different terms and conditions than their original Franchise Agreement.
d. Termination by franchisee	7.3, Article XII, 17.9, and Amendment 1	We may terminate the Franchise Agreement if forced to relocate premises due to store renovation. We

PROVISION	SECTION IN WAL-MART MASTER LEASE AGREEMENT	SUMMARY
		<p>may also terminate the Franchise Agreement if the Salon permanently ceases to be opened for business to the public. Written notice of termination required.</p> <p>The 2009 MLA gives no express right by tenant to terminate the lease as a result of a condemnation or eminent domain. If the leased premises or the store of the leased premises is wholly or substantially taken by the Government, the lease for that premises will terminate automatically. In the event of partial taking, Wal-Mart reserves the right to either terminate or reduce the base rent. Any temporary taking is subject to a reduction in rent if Tenant is based on a commercially reasonable standard unable to operate.</p> <p>We as tenant to the 2009 MLA have rights to terminate in the event of a default by Wal-Mart.</p> <p>You have no right to terminate. Franchise Agreement provisions regarding termination by the franchisee are subject to state law.</p>
e. Termination by franchisor without cause	Not Applicable	Wal-Mart can terminate the lease without cause on 90-days' notice.
f. Termination by franchisor with cause	6.12, Article XVII	Wal-Mart can terminate the 2009 MLA for your salon due to your default, including not meeting the performance covenant requirements. Wal-Mart can terminate the 2009 MLA as it applies to all salons locations in the event of our default.
g. "Cause" defined - curable defaults	17.1	Failure to pay amounts due; breach of non-material obligation or covenant; failure to open, causing a lien or encumbrance to attach to or upon leased premises, store, or common area, insolvency is filed against

PROVISION	SECTION IN WAL-MART MASTER LEASE AGREEMENT	SUMMARY
		Tenant.
h. "Cause" defined – non-curable defaults	17.1	Breach of any material obligation or covenant, such as failure to comply with laws and federal or state regulations, unauthorized transfer, failure to meet the performance covenant, and/or failure to pay for Wal-Mart merchandise; filing for insolvency and/or bankruptcy or adjudicated insolvent; failure to pay any installment of rent twice in a twelve month period or failure to pay continues for ten days after due date; more than two breaches within a twelve month period of any non-material obligation or covenant, or if such breach is not cured within thirty days of verbal or written notice of breach from Landlord; fail to operate during hours of operation more than two times during a twelve month period.
i. Franchisee's obligations on termination/non-renewal	17.3-17.8	Surrender premises; pay amounts due; All obligations, including payment of rent continue and costs of repossession are due, if tenant defaults.
j. Assignment of contract by franchisor	10.6	Fully assignable by Wal-Mart.
k. "Transfer" by franchisee - defined	Not Applicable	Not Applicable
l. Franchisor's approval of transfer by franchisee	10.1-10.5	Wal-Mart must approve any assignment, transfer or sublease.
m. Conditions for franchisor's approval of transfer	10.4, 10.5	Tenant remains obligated for performance of Franchise Agreement; will hold Wal-Mart harmless from all liability related to the performance of the Franchise Agreement, and pays all monies due.
n. Franchisor's right of first refusal to acquire franchisees' business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of	Not Applicable	Not Applicable

PROVISION	SECTION IN WAL-MART MASTER LEASE AGREEMENT	SUMMARY
franchisee		
q. Non-competition covenants during the term of the franchise	6.8F	No promotion of competing business allowed.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	19.3	2009 MLA can be modified in writing by us and Wal-Mart.
t. Integration/merger clause	19.3	As to the lease between Wal-Mart and us, only the terms of the 2009 MLA and exhibits or attached writings are binding. (subject to applicable state law).
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	19.12	The venue for any action, suit or proceeding concerning the Sublease Schedule to the Franchise Agreement is Benton County, Arkansas. (Subject to applicable state law.)
w. Choice of law	19.11	The laws of the State of Arkansas. (Subject to applicable state law.)

The following table is only applicable to locations where we are a party tenant to the lease for the Salon premises:

PROVISION	SECTION IN FRANCHISE AGREEMENT'S SUBLEASE SCHEDULE BETWEEN REGAL NAILS, SALON & SPA, LLC AND FRANCHISEE	SUMMARY
a. Length of the Sublease Granted under the Franchise Agreement	Section 50 of Franchise Agreement	Expires with the Franchise Agreement term as well as the term of the underlying lease to the premises. Usually 5 years for initial term.
b. Renewal or extension of the term	Not Applicable	There is no automatic right to a renewal or extension, but it is possible to obtain a renewal, subject to compliance with certain requirements and renewal of our lease with the landlord of the premises for your location. Terms of the Franchise Agreement and the lease to the premises control. We and the landlord usually have to mutually agree to enter into a new lease term, in our respective discretion.
c. Requirements for franchisee to renew or extend	9	Must notify us in writing of your intent to renew or extend sublease at least 180 days and no earlier than 210 days ahead of term end; conditioned on your compliance with all of the terms of Franchise Agreement and the lease to the premises. On renewal, franchisees may be asked to sign a Franchise Agreement with materially different terms and conditions than their original Franchise Agreement.
d. Termination by franchisee	Not Applicable	Franchise Agreement provisions regarding termination by the franchisee are subject to state law.
e. Termination by franchisor without cause	Not Applicable	If the lease to premises is terminated or expires.
f. Termination by franchisor with cause	5	We can terminate the Franchise Agreement if you commit any one of several listed violations. Underlying lease to the premises can terminate due to tenant default or otherwise as provided in the lease to the premises.

PROVISION	SECTION IN FRANCHISE AGREEMENT'S SUBLEASE SCHEDULE BETWEEN REGAL NAILS, SALON & SPA, LLC AND FRANCHISEE	SUMMARY
g. "Cause" defined – curable defaults	5	Failure to pay amounts due under Franchise Agreement, including the Sublease Schedule; failure to comply with any term or provision of Franchise Agreement, including the Sublease Schedule; or any other agreement; permits proceedings in bankruptcy or for liquidation, reorganization or rearrangement of your affairs to be instituted by or against the you; permits a receiver or trustee to be appointed for all or substantially all of your business or assets on the grounds of your insolvency; permits a trustee to be appointed for you after a petition has been filed for your reorganization under the U.S. Bankruptcy Code; makes an assignment for the benefit of its creditors; or vacates or abandons salon.



PROVISION	SECTION IN FRANCHISE AGREEMENT'S SUBLEASE SCHEDULE BETWEEN REGAL NAILS, SALON & SPA, LLC AND FRANCHISEE	SUMMARY
h. "Cause" defined – non-curable defaults	Not Applicable	You must comply with terms of lease to the premises and Franchise Agreement. (See above charts)
i. Franchisee's obligations on termination/non-renewal	4, 6, 7, and 15	All obligations, including payment of rent continue and you must pay all expenses related to repossession, if you default. Comply with terms of security interest. If you leave any property, regardless of the kind or character of the property, in the salon upon expiration, termination, or abandonment of the franchise, then such leaving will be deemed an abandonment of such property, and without further compensation or notice to you, we, and/or our representatives, agents, or attorneys may take ownership of and dispose of such property as we see fit.
j. Assignment of contract by franchisor	Not Applicable	See terms of lease to the premises and Franchise Agreement. (See above charts)
k. "Transfer" by franchisee - defined	Not Applicable	Not Applicable
l. Franchisor's approval of transfer by franchisee	Not Applicable	You must comply with terms of the lease to the premises and Franchise Agreement. (See above charts)
m. Conditions for franchisor approval of transfer	Not Applicable	You must comply with terms of the lease to the premises and Franchise Agreement. (See above charts)
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	You must comply with terms of the lease to the premises and Franchise Agreement. (See above charts)

PROVISION	SECTION IN FRANCHISE AGREEMENT'S SUBLEASE SCHEDULE BETWEEN REGAL NAILS, SALON & SPA, LLC AND FRANCHISEE	SUMMARY
q. Non-competition covenants during the term of the franchise	Not Applicable	You must comply with terms of the lease to the premises and Franchise Agreement. (See above charts)
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	You must comply with terms of the leased to the premises and Franchise Agreement. (See above charts)
s. Modification of the agreement	Not Applicable	You must comply with terms of the lease to the premises and Franchise Agreement. (See above charts)
t. Integration/merger clause	Not Applicable	Provisions of Franchise Agreement apply. (See above chart). Nothing in the Franchisor Sublease is intended to disclaim the representations we made in the Franchise Disclosure Document. Our merger clause does not disclaim the express representations made in this disclosure document. (subject to applicable state law).
u. Dispute resolution by arbitration or mediation	Not Applicable	Provisions of Franchise Agreement apply except for lease related matters in which the landlord is a party; then the lease terms apply. (See above charts)
v. Choice of forum	Not Applicable	Provisions of Franchise Agreement apply except for lease related matters in which the landlord is a party; then the lease terms apply. (See above charts) (Subject to applicable state law.)
w. Choice of law	Not Applicable	Provisions of Franchise Agreement apply except for lease related matters in which the landlord is a party; then the lease terms apply. (See above charts) (Subject to applicable state law.)

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Dave Anderson, CFO, 225-906-0584, Regal Nails Salon & Spa, LLC, 5150 Florida Boulevard, Baton Rouge, LA 70806, 1-888-414-6245 the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**Table No. 1  
System Wide Outlet Summary  
For Years 2021 to 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	633	596	-37
	2022	596	584	-12
	2023	584	564	-20
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2021	634	597	-37
	2022	597	585	-12
	2023	585	565	-20

**Table No. 2  
Transfers of Franchised Outlets to New Owners (Other than the Franchisor)  
For Years 2021 to 2023**

State	Year	Number of Transfers
Alabama	2021	1
	2022	0
	2023	1
Alaska	2021	0
	2022	0
	2023	0
Arizona	2021	0
	2022	2
	2023	0
Arkansas	2021	1
	2022	0
	2023	0
California	2021	1
	2022	1
	2023	1
Colorado	2021	2
	2022	1
	2023	4
Connecticut	2021	1
	2022	1
	2023	0
Delaware	2021	0
	2022	0
	2023	0
Florida	2021	7
	2022	15
	2023	8
Georgia	2021	6
	2022	4
	2023	5
Hawaii	2021	0
	2022	0
	2023	0
Idaho	2021	0
	2022	0
	2023	0
Illinois	2021	0
	2022	2

State	Year	Number of Transfers
	2023	0
Indiana	2021	0
	2022	0
	2023	1
Iowa	2021	0
	2022	0
	2023	1
Kansas	2021	0
	2022	0
	2023	1
Kentucky	2021	0
	2022	0
	2023	0
Louisiana	2021	2
	2022	1
	2023	1
Maine	2021	1
	2022	0
	2023	1
Maryland	2021	0
	2022	0
	2023	0
Massachusetts	2021	0
	2022	1
	2023	0
Michigan	2021	0
	2022	1
	2023	0
Minnesota	2021	0
	2022	1
	2023	0
Mississippi	2021	0
	2022	1
	2023	0
Missouri	2021	0
	2022	0
	2023	2
Montana	2021	0

State	Year	Number of Transfers
	2022	0
	2023	0
Nebraska	2021	0
	2022	0
	2023	0
Nevada	2021	0
	2022	1
	2023	2
New Hampshire	2021	1
	2022	1
	2023	0
New Jersey	2021	0
	2022	0
	2023	3
New Mexico	2021	1
	2022	0
	2023	0
New York	2021	2
	2022	0
	2023	3
North Carolina	2021	1
	2022	1
	2023	4
North Dakota	2021	0
	2022	0
	2023	0
Ohio	2021	2
	2022	1
	2023	1
Oklahoma	2021	3
	2022	0
	2023	0
Oregon	2021	0
	2022	0
	2023	1
Pennsylvania	2021	0
	2022	0
	2023	1

State	Year	Number of Transfers
Rhode Island	2021	0
	2022	0
	2023	1
South Carolina	2021	1
	2022	0
	2023	0
South Dakota	2021	0
	2022	0
	2023	0
Tennessee	2021	1
	2022	0
	2023	0
Texas	2021	9
	2022	0
	2023	7
Utah	2021	0
	2022	0
	2023	0
Vermont	2021	0
	2022	0
	2023	0
Virginia	2021	1
	2022	0
	2023	3
Washington	2021	0
	2022	1
	2023	0
West Virginia	2021	0
	2022	0
	2023	0
Wisconsin	2021	0
	2022	1
	2023	1
Wyoming	2021	0
	2022	0
	2023	0
District of Columbia	2021	0
	2022	0
	2023	0

State	Year	Number of Transfers
US States Total	2021	44
	2022	37
	2023	53
Puerto Rico	2021	1
	2022	0
	2023	0
Total	2021	45
	2022	37
	2023	53

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Others	Outlets at End of Year
Alabama	2021	10	0	0	1	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	2	0	0	7
Alaska	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Arizona	2021	21	0	1	1	0	0	19
	2022	19	0	0	0	0	0	19
	2023	19	0	1	1	0	0	17
Arkansas	2021	10	0	0	1	0	1	8
	2022	8	0	0	2	0	0	6
	2023	6	0	0	0	0	0	6
California	2021	15	0	0	1	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	0	0	1	0	0	13
Colorado	2021	17	0	1	0	0	0	16
	2022	16	0	0	0	0	0	16
	2023	16	0	0	2	0	0	14
Connecticut	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Others	Outlets at End of Year
	2023	5	0	0	0	0	0	5
Delaware	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Florida	2021	95	0	0	1	0	1	93
	2022	93	0	0	0	0	0	93
	2023	93	0	0	0	0	0	93
Georgia	2021	42	0	0	2	0	1	39
	2022	39	1	0	2	0	0	38
	2023	38	0	0	0	0	0	38
Hawaii	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Idaho	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Illinois	2021	14	0	0	1	0	0	13
	2022	13	0	0	0	0	0	13
	2023	13	0	0	3	0	0	10
Indiana	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Iowa	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Kansas	2021	11	0	0	0	0	1	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	0	10
Kentucky	2021	9	0	0	2	0	0	7
	2022	7	0	1	0	0	1	5
	2023	5	0	0	0	0	0	5
Louisiana	2021	26	0	0	3	0	0	23
	2022	23	0	0	0	0	0	23
	2023	23	0	0	1	0	0	22
Maine	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Others	Outlets at End of Year
	2023	2	0	0	0	0	0	2
Maryland	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Massachusetts	2021	7	0	0	1	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Michigan	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Minnesota	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Mississippi	2021	12	0	0	1	0	0	11
	2022	11	0	0	0	0	0	11
	2023	11	0	0	0	0	0	11
Missouri	2021	11	0	0	1	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	0	10
Montana	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Nebraska	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Nevada	2021	14	1	0	0	0	0	15
	2022	15	0	0	0	0	0	15
	2023	15	0	0	0	0	0	15
New Hampshire	2021	4	0	0	1	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
New Jersey	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
New Mexico	2021	6	0	0	1	0	0	5
	2022	5	0	0	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Others	Outlets at End of Year
	2023	5	0	0	0	0	0	5
New York	2021	13	1	1	1	0	1	11
	2022	11	0	0	0	0	0	11
	2023	11	0	0	0	0	0	11
North Carolina	2021	25	0	0	1	0	0	24
	2022	24	1	0	0	0	0	25
	2023	25	0	0	1	0	0	24
North Dakota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Ohio	2021	18	0	0	0	0	0	18
	2022	18	0	0	2	0	0	16
	2023	16	0	0	0	0	0	16
Oklahoma	2021	23	0	0	1	0	0	22
	2022	22	0	0	1	0	1	20
	2023	20	0	0	0	0	0	20
Oregon	201	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Pennsylvania	2021	15	0	0	1	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	0	0	1	0	1	12
Rhode Island	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	15	1	0	1	0	0	15
	2022	15	0	0	1	0	1	13
	2023	13	0	0	0	0	0	13
South Dakota	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Tennessee	201	12	0	0	2	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	2	0	1	7
Texas	2021	84	0	0	3	0	1	80
	2022	80	0	0	1	0	0	79

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Others	Outlets at End of Year
	2023	79	0	0	1	0	0	78
Utah	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Vermont	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Virginia	2021	18	0	0	0	0	0	18
	2022	18	0	0	0	0	1	17
	2023	17	1	1	1	0	0	16
Washington	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
West Virginia	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	1	3
Wisconsin	2021	7	0	0	1	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Wyoming	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
District of Columbia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
US States Total	2021	626	3	3	30	0	7	589
	2022	589	2	1	9	0	4	577
	2023	577	1	2	16	0	3	557
Puerto Rico	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Total	2021	633	3	3	30	0	7	596
	2022	596	2	1	9	0	4	584
	2023	584	1	2	16	0	3	564

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Louisiana	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

**Table No. 5**  
**Projected Openings as of December 31, 2023**  
**(Regal Nails Salon & Spa)**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Arizona	3	0	0
Florida	2	0	0
Georgia	2	0	0
New Jersey	1	0	0
North Carolina	2	0	0
Ohio	1	0	0
Total	11	0	0

A list of current franchisees and salons franchised by us is in Exhibit I. A list of all franchisees of ours whose franchises have been transferred, cancelled or terminated, not renewed, reacquired by us or who have otherwise left the system during 2023 or who have not communicated with us within ten weeks of the issuance date of this disclosure document is in Exhibit J.

During the last three years, one franchisee (less than 1% of current and former franchisees) signed a confidentiality clause that would restrict his ability to speak openly about his experience with Regal Nails Salon & Spa, LLC.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Regal Nails Salon & Spa. You may wish to speak with current and former franchisees, but be aware that

not all such franchisees will be able to communicate with you. There are no trademark-specific franchisee organizations. We are not selling any outlets previously owned by franchisees that are now under our control.

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit H of this disclosure document contains our audited financial statements for our fiscal years ending December 31, 2023, 2022, and 2021.

Our fiscal year ends December 31<sup>st</sup>.

## **ITEM 22 CONTRACTS**

The following agreements are attached as exhibits to this disclosure document:

- |             |   |
|-------------|---|
| Exhibit A   | Franchise Agreement (with Parts 1. Definitions, 2. Site Deposit Addendum, 3. Confidentiality Agreement and Agreement Not to Compete, 4. Current Form of General Release, and 5. Authorization Agreement for Preauthorized Payments) |
| Exhibit B   | Receipt for Confidential Operations Manual  |
| Exhibit C-1 | Wal-Mart Master Lease Agreement (2009 MLA), Appendixes, and Amendments  |
| Exhibit C-2 | Sample HEB Lease  |
| Exhibit C-3 | Rider to Lease  |
| Exhibit C-4 | The Exchange Addendum to Franchise Agreement  |
| Exhibit C-5 | Franchise Commencement Agreement  |

## **ITEM 23 RECEIPTS**

Exhibit L contains two copies of a receipt for this disclosure document. Please sign and date one copy and return it to us. Retain the other copy for your records.

**EXHIBIT A  
TO THE REGAL NAILS SALON & SPA DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

FRANCHISE AGREEMENT  
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## **FRANCHISE AGREEMENT**

### **1. INTRODUCTION AND DEFINITIONS**

Definitions as used herein and acronyms are included in the Definitions. They are contained in Exhibit A, Part 1 attached to this Agreement.

Regal Nails, Salon & Spa, LLC, a Nevada limited liability company, with its principal place of business is located at 5150 Florida Blvd., Baton Rouge, LA 70806, (hereinafter variously referred to as “Regal Nails, Salon & Spa”, or in the first person such as “we” or “us”) and you, (here after, variously referred to in the second person as “you” or “Franchisee”) in mutual consideration of the covenants herein promise and agree as follows:

### **2. FRANCHISEE’S DESIRE TO BE PART OF THE REGAL NAILS SALON & SPA SYSTEM**

Franchisee desires to be a part of the Regal Nails Salon & Spa System and to own and operate a Regal Nails Salon & Spa nail salon, subject to the terms and conditions of this agreement and in adherence and conformity with the Regal Nails Salon & Spa System standards.

### **3. SUBLEASE, APPLICABLE ONLY IF WE PARTY TENANT TO LEASE**

If we are a party tenant to the lease of the premises for your salon, then you shall also sublease these premises from us. The monthly franchise fee, base rent and rental tax will be included in your Monthly Fee. You agree to abide by and be further bound by the Sublease Schedule, which is incorporated into and hereby made a part of this Agreement.

### **4. TERRITORY / QUOTAS**

In consideration of your expressed desires, the mutual promises herein contained and your execution of this Agreement and other contracts contained herein, we will grant you a non-exclusive, non-protected territory in which to operate your franchise. The territory is yours, as long as it is available to us and you meet all of your obligations to us under the terms of this Agreement, and if we are a party tenant to the lease for the premises, the Sublease Schedule, or, if we are not a party tenant to the lease for the premises, the Lease Rider or the Exchange Addendum, as applicable. We reserve the right to operate or to franchise our salons anywhere outside your territory. See Section 50 for territory address. If we are a party tenant to the lease to the premises, you will sublease the premises from us, the monthly base rent and rental tax will be included in the Monthly Fee, and you agree to abide by the franchise fee, Sublease Schedule, which is a part of this Franchise Agreement.

If we are a party tenant to the lease for the premises: and the lease is terminated, then this Agreement is also simultaneously terminated with no required action on our part and with no liability to us. If we not party tenants to the lease for the premises and the lease is terminated, then this Agreement may also terminate, at our sole discretion with notice to you, and with no liability to us.

With respect to required purchases, you must purchase the Snow White Package as well as Regal Nails branded products from designated or approved suppliers (where designated suppliers are those that must be used, and approved suppliers are those that may be used). With respect to Private Brand Products (as defined in Section 20.D), for each category of Private Brand Products we make available to you for purchase, whether directly or through designated suppliers, one half (50%) of your inventory for such category of items (for example, nail polish, nail powder, or otherwise) must consist of Private Brand Product items. We

reserve the right to designate the categories applicable to this Private Brand Product purchase requirement and will communicate them to you in writing.

For Wal-Mart locations, the 2009 MLA imposes a performance covenant specific to each location and stated in leased premises' Attachment A; Wal-Mart reserves the right to terminate a lease to a specific location if the performance covenant is not met.

## **5. TERM**

A. If we are a party tenant to the lease of the premises, the term of the Franchise Agreement will begin on the Effective Date and, unless terminated earlier pursuant to the terms of this Agreement, expires with the term of the lease to the premises. See Section 50 for current term; the term as listed in Section 50 is controlling. In certain circumstances, the landlord may have reserved the right to terminate a lease with or without notice. In the event that the landlord for any reason terminates the lease to the premises of the salon, then our franchise and sublease with you also terminates without liability to us. For Walmart locations, on extension or renewal of the lease the landlord has a right to terminate a the lease without cause on 90-days' notice.

If by the time that this Franchise Agreement is executed and the term, commencement date, and/or expiration date have yet to be determined, a Franchise Commencement Agreement shall be executed by us and you upon the determination of the term, commencement date, and/or expiration date. The Franchise Commencement Agreement will memorialize certain terms and conditions that have yet to be determined such as the Franchise Agreement term, the commencement date, the expiration date, the estimated square footage of the salon, and/or the monthly amounts due, all of which terms are incorporated by reference and made a part hereof. In the event that the parties fail to execute a Franchise Commencement Agreement and the expiration of the Franchise is not listed in the Franchise Agreement, then the term will begin on the Effective Date and will expire on the expiration of the initial term of the underlying lease for the Salon premises.

If we are not a party tenant to the lease to the premises, the term of the Franchise Agreement begins on the Effective Date and expires with the term of the lease to the premises; we require that the term of your lease be 5 years but do reserve the right to approve a lease to a premises or the location itself if the term of your lease is less than 5 years. See Section 50 for current term; the term as listed in Section 50 is controlling.

For Wal-Mart locations in the US: the initial term of your Franchise Agreement begins on the Effective Date and continues through the last day of the month in which the fifth anniversary of the Payment Commencement Date occurs; provided that, if the last day of the month in which the fifth anniversary occurs falls between July 2<sup>nd</sup> and December 31<sup>st</sup>, the initial term expires on the 31<sup>st</sup> day of January of the next calendar year. In some instances where Wal-Mart has granted an extension to the lease for longer than 5 years, the expiration date provide by Wal-Mart is the final expiration date and will not be extended to January 31 of the next calendar year. Generally, each of the two successor three-year mutual options expires three years after the prior term ends, unless sooner terminated pursuant to the terms of this agreement. See Section 50 for current term; the term as listed in Section 50 is controlling. Additionally, Wal-Mart has reserved the right to terminate a lease to a particular location as a result of a relocation or remodeling of the Wal-Mart store or a change in Wal-Mart's business strategy, and at its sole discretion; upon such lease termination by Wal-Mart for the foregoing reasons only, this Franchise Agreement and related sublease under the Sublease Schedule, will also simultaneously terminate, without any fault or liability to you or us.

B. If your two successor options have not been exhausted, you may be able to sign a

successor Franchise Agreement and, perhaps another consecutive successor Franchise Agreement, but there is no automatic right to any. We require satisfaction of all the conditions listed in Section 16, prior to the grant of a successor franchise.

C. You may not assume that you have been granted an option for a successor Franchise Agreement until you receive written confirmation from us. A survey from us to you inquiring as to your intentions about renewal is not a written confirmation for a successor Franchise Agreement from us. See Section 16, *infra*. If we a party tenant to the lease of the premises and if, for any reason, we should lose our rights to occupy the leased premises, this Agreement shall terminate on the date on which our rights terminate, with no liability on our part.

## **6. REQUIRED INITIAL PAYMENTS AND PAYMENT SCHEDULE**

The following is applicable to new franchised locations:

A. You will be required to purchase from us the Snow White Package, the price of which will depend on the square footage of your salon. The Snow White Package in the 50 U.S. states will cost \$150,000 for Wal-Mart locations and \$250,000 for non-Wal-Mart locations, against which the \$25,000 Initial Franchise Fee and the \$45,000 Confirmation Fee will be credited, provided that you paid the full Initial Franchise Fee and Confirmation Fee. The Snow White Package includes the build out of the salon, its furniture, fixtures, equipment including autoclave, décor, initial inventory, stock set up, delivery charges, testing and all the leasehold improvements.

B. In High Cost Areas in the 50 U.S. states, the Snow White Package will cost from \$200,000 for Wal-Mart locations and \$300,000 for non-Wal-Mart locations. High Cost Areas are: AK, AZ, CA, CT, FL, HI, MA, (within a 65 mile radius of Boston's City Hall), NH, NJ, NV, NY, (within an 85 mile radius of New York's City Hall), OR, RI, TX, (within a 45 mile radius of the city halls of Dallas or Houston), VT, WZ , and Puerto Rico.

C. If your salon is to be located at an Existing Location, which generally require extensive renovations before they can be converted into nail salons, you will pay to us up to \$30,000 more than the prices outlined above for your Snow White Package.

D. Additional Governmental, Municipal, or Impact Fees are imposed by certain governmental authorities for either the construction of the salon or the right to do business in that jurisdiction. These additional fees are outside of our control and vary from jurisdiction to jurisdiction. You are responsible for paying these and any subsequent increases to these fees. The fees may cause the Snow White Package to be as much as \$40,000 more than the prices above.

E. Additional Construction Costs are unanticipated increases in costs as a result of construction. Increases may be due to, but not limited to, an increase in governmental requirements, labor demands, scope of work, and/or supply shortage. You may also see increases as a result of your request for additional items, such as rooms or plumbing, not normally found in a typical Regal Nails salon. These additional costs are outside of our control and vary from project to project. You are responsible for paying these, and any subsequent increases to these, fees. The additional costs may cause the Snow White Package to be as much as \$150,000 more than the prices above.

F. If you elect to carry our designated exclusive brand polishes and enter into an agreement with the designated manufacturer for their products, this exclusive brand add-on will increase your initial cost by up to \$20,000.

G. Additional Review Costs may be imposed by the landlord for premises that we are a party tenant of in the event the landlord requires a designated architect review the architecture plans

for approval prior to submission to the governmental authorities. Such costs vary from jurisdiction to jurisdiction. You are responsible for paying these and any subsequent increases to these costs. Such costs may increase the price of the Snow White Package by as much as \$5,000.

H. Salons delivered in years subsequent to 2024, are subject to an annual increase in the price of the Snow White Package of 8% over the price shown for the previous year. If, through no fault of yours, the Grand Opening is delayed not more than six months, pushing the Grand Opening Date of your salon into the next year, the price of your salon will not be increased.

I. Payment for the salon is to be made in accordance with the following schedule:

1. \$25,000 Initial Franchise Fee upon signing of this Agreement.
2. If we are a party tenant to the lease, \$45,000 Confirmation Fee within 10 days of our notification of the landlord's confirmation of your accepted site.
3. If we are not a party tenant to the lease, \$45,000 Confirmation Fee upon your receipt of confirmation that you have secured an approved site from a landlord or within 60 days of signing the Franchise Agreement, whichever occurs first.
4. The balance of the price for the Snow White Package, plus your additional deposits on your prepaid Primary Commercial General Liability (CGL) and Professional Liability (PL) policy, purchased through us; first and last month's pro-rata Monthly Rent and any rental taxes if we are party tenant to the lease; Security Deposit; first and last month's Monthly Fee; and any extras, and any applicable taxes are to be paid upon the delivery, installation, set up, stocking and testing of your salon.
5. Any other obligations incurred by you are your sole responsibility and you must pay these obligations directly to your suppliers, vendors, and lenders.

J. Refunds

1. If we are a party tenant to the lease for your premises:
  - a. If we are unable to obtain confirmation of the site you requested because the landlord declined to accept an offer for your premises or we receive communications from the landlord conveying that the premises is unavailable, you may request a refund of the entire Initial Franchise Fee.
  - b. If you renege or otherwise withdraw after making a request for a site but before the landlord confirms your requested site, you may request a refund of your Initial Franchise Fee less \$15,000.
  - c. If you request a site and the site has been confirmed by the landlord, you will be required to pay \$45,000 Confirmation Fee within 10 days of notice. If you fail to pay the full Confirmation Fee within the 10 day period, you forfeit the entire Initial Franchise Fee. There will be no refund.
  - d. If you have paid both the Initial Franchise Fee and the Confirmation Fee, but subsequently renege or threaten to renege or in any other way communicate to us your intent to renege on your remaining obligations under the Franchise Agreement, then this Franchise Agreement may be terminated by us without liability to us upon notice to you. On such termination, there will be no refund of any amounts paid to us.
2. If we are not a party tenant to the lease for your premises:
  - a. If you renege within 30 days after signing the Franchise Agreement and have

not yet obtained our approval for a site, then you may request a refund of your Initial Franchise Fee less \$15,000.

- b. You forfeit the entire Initial Franchise Fee if you renege after obtaining our approval of a site. There will be no refund.
- c. You forfeit the entire Initial Franchise Fee if you fail to select a site, get our approval for the site, and secure such site from the landlord within 60 days of signing the Franchise Agreement. There will be no refund.
- d. You forfeit the entire Initial Franchise Fee if you fail to remit to us the \$45,000 Confirmation Fee within 60 days of signing the Franchise Agreement. There will be no refund.

K. There are no refunds under any other circumstances.

## **7. PREPAID EXPENSES, PAID TO REGAL NAILS, SALON & SPA**

In addition to the costs of your salon and of any extras, you also agree to pre-pay these expenses upon the delivery, installation and set-up of your salon, as set forth below. If by the time that this Franchise Agreement is executed and the salon square footage and/or the monthly amounts due have yet to be determined, a Franchise Commencement Agreement shall be executed by us and you upon the determination of the salon square footage and/or the monthly amounts due.

A. First and Last Month's Monthly Fee - This is a prepaid expense which represents the first and last month's Monthly Fee. If we are a party tenant to the lease of the premises, your monthly franchise fee, base rent and rental tax for the sublease of the premises will be included in your Monthly Fee. See Section 50 for Monthly Fee amount.

B. Rental Tax – For locations where we are a party tenant to the lease, the rental tax amount is included along with the monthly franchise fee and base rent in the Monthly Fee. Currently, rental tax is imposed in the states of Arizona and Florida, however, if the state in which your franchise is located imposes such taxes, we will implement the same procedure to collect and remit those taxes as well. We reserve the right to raise your Monthly Fee by any rental tax amount imposed if such tax is imposed during the term.

C. Monthly Utility Charge and/or Common Area Maintenance (CAM) – For the purposes of this Franchise Agreement, CAM includes CAM charges, property insurance, and the property tax charged by the landlord if we are party tenant to the lease of the premises. For locations where we are a party tenant to the lease, if the landlord charges a Monthly Utility Charge and/or CAM, you must prepay any pro-rata and first full month's Monthly Utility Charge and/or CAM to us. The amount of the Monthly Utility Charge and/or CAM is set forth in the Section 50 along with any increases to it.

D. Security Deposit – An amount equal to the final two months' Monthly Fee, plus any applicable Monthly Utility Charge and/or CAM is charged for your Security Deposit. It earns no interest for you. We have no obligation to maintain the Security Deposit in a separate account under the terms of this Agreement and may commingle it with our other monies. We may, but are not obligated to, at our sole discretion, apply your Security Deposit against any overdue balance due to us under this Agreement or under any other agreement or arrangement you have with Regal, including but not limited to other franchise agreements for other locations franchised with you or your principals, if you are a corporate entity, or toward damages for your failure to perform the terms and conditions of this Agreement or the duties prescribed to you in the COM. You must replenish your Security Deposit to the original amount for the current term of this Agreement within 14 days' notice. The Security Deposit is set to be

returned to Franchisee after this Agreement expires and Franchisee meets all its obligations under this Agreement, if not applied toward a balance owed to us or damages suffered by us, including amounts paid by us for customer service complaints and gift certificate issues, but in no event will the Security Deposit be returned any earlier than 3 months after the franchise has expired. Under no circumstances if we a party tenant to the lease to the premises, shall it be returned until after Franchisee has vacated the premises and left the premises broom clean and white box condition and delivered possession of it and the COM to us. Upon early termination of the Franchise Agreement for any reason, you forfeit your security deposit. If a Successor Franchise Agreement is signed between us and Franchisee, the Security Deposit will be retained and applied against that term's Security Deposit; in the event that additional Security Deposit is required, Franchisee must remit such amount to us with the signing of a Successor Franchise Agreement.

E. Pro-Rata Monthly Fee – You must pay to us the proportionate share of the Monthly Fee due for the time period between Payment Commencement Date and the first day of the following month. For locations where we are a party tenant, your Monthly Fee includes the monthly franchise fee, base rent and rental tax for the premises.

F. Pro-Rata Commercial General Liability (CGL) and Professional Liability (PL) and limited Property Insurance Premium – We require that you purchase your CGL and PL and limited Property insurance through us. You must prepay the pro-rata cost of your annual insurance premium (which is computed by dividing the annual premium by 12 and multiplying the result by the number of months from the execution of the contract to the next renewal date of the insurance program for the system, which at this time May1, but subject to change). The policy is described in Sect. 23, *infra*. Annually, when we receive the statement for your insurance premium, we will debit your account, for the amount of that premium. The premiums range from \$1,000 to \$8,000 per year, depending upon the location of the salon and claims history. The premium shall be paid in one lump sum; however, at Regal's option, we may permit you to pay the premium in installments as set forth by Regal for a \$15 to \$25 fee per installment. It is the underwriter's sole discretion about which salon is determined to be one with a poor claims history, to be one in an area with a poor rating, to be one along the gulf coast, and subject to the higher premium. Should the premium increase, we will debit your account for the amount of that increase. In addition to paying the premium directly to us, you must also pay a \$50 administrative fee to us for assistance in obtaining the policies and with claims.

G. Optional Extras - You must pay for any optional extras you order from our affiliate Alfalfa at the Alfalfa catalogue price, less an applicable discount offered by Alfalfa to you. This amount will be remitted to Alfalfa if the balance of the extras has not already been paid directly by you to Alfalfa.

H. Balance Owed - A statement will be given to you itemizing the credits to which you are entitled and setting forth that which is due. Payment is due, prior to your attendance at our training session.

I. Refunds – Refunds of any amounts paid are set forth in Section 6.I. Other than those set forth in Section 6.I, there are no refunds under any other circumstances.

J. Additional Wal-Mart Fees – For locations in Wal-Marts only, Wal-Mart has reserved the right to charge additional fees prior to opening: utility reimbursement, key money, lease premises improvement charge, additional security deposit, and an insurance reimbursement fee. Of the four, Wal-Mart has indicated that it intends to charge the insurance reimbursement fee. The insurance reimbursement fee is reimbursement for insurance coverage that Wal-Mart plans to obtain for fire coverage of the leased premises' structure. Wal-Mart has estimated that the cost on average will be about \$0.10 per sq. ft. annually, but it may be more

or less depending on the locale of the premises. Furthermore, Wal-Mart has indicated that it may charge key money for allowing additional services. If Wal-Mart charges any additional fees, you will be responsible for their payment; we will collect the amount from you and forward it to Wal-Mart.

K. Sales and Use Taxes – You are responsible for any and all applicable sales and use taxes required by governmental entities to be collected by us on account of goods and/or services furnished to you.

## **8. PERIODIC PAYMENTS DUE REGAL NAILS, SALON & SPA**

A. During the first week of each month for that month, we will debit your account for the amount of your Monthly Fee and your System Advertising Contribution, if any, and applicable rental tax, and Monthly Utility Charge and/or CAM. The amount we debit from your account will increase as the Monthly Fee and your System Advertising Contribution, if any, per the terms of this Agreement. If we are a party tenant to the lease, the amount we debit from your account will increase per the terms of the lease of the premises with respect to your applicable rental taxes and Monthly Utility Charge and/or CAM. If by the time that this Franchise Agreement is executed and the salon square footage and/or the monthly amounts due have yet to be determined, a Franchise Commencement Agreement shall be executed by us and you upon the determination of the salon square footage and/or the monthly amounts due.

1. Monthly Fee – See Section 50 for the Monthly Fee. If we are party tenant to the lease for the premises, then the Monthly Fee includes the monthly franchise fee, base rent and rental tax and will begin on the Payment Commencement Date.

2. Monthly Utility Charge and/or CAM – Increase as set forth by the landlord. If we are party tenant to the lease, the amount we debit from you for the Applicable Rental Taxes and Monthly Utility Charge and/or CAM will be listed in Section 50 and will begin to be charged as of the Payment Commencement Date. If we are not a party tenant to the lease, you will pay all amounts imposed under your lease directly to your landlord.

3. System Advertising Fund – If and when we notify you that we are instituting a System Advertising Fund, you agree to pay us a System Advertising Fund Contribution, which will range from \$25-\$500 per month at our option. The System Advertising Fund Contribution must be remitted on a periodic basis of our choosing, such as monthly, quarterly, semi-annually, or annually. These System Advertising Fund Contributions will be expended as provided for in Section 26 B below. Annually, during the last week in January, we will debit your account for the amount of any applicable CGL and PL and limited Property insurance premium and administrative fees, which is due in February.

B. Insurance Premium – To the extent we require that you purchase certain minimum required insurance through us, or we act as the agent for collection for the designated insurance provider, you will pay to us the amount of the related premium for a full year's CGL and PL and limited property coverage is due in the month prior to that year's insurance renewal, currently set at May 1 (subject to change), ("Insurance Program"). The premium is determined by the underwriter of the policy; however, it is collected by us and remitted to the insurer by us. Payment must be made in one lump sum; however, we at our sole option may permit you to pay in installments as set forth by us for a \$15 to \$25 fee per installment. We reserve the right at our sole discretion to change this payment model so that payments are made directly to the insurer. A service fee of \$50 shall apply but may be waived if the insurance premium for that year is promptly paid or drafted prior to the insurance program's renewal. Regal reserves the right to suspend or eliminate this waiver. Regal further reserves the right to modify or discontinue the Insurance Program in its sole discretion on written notice to you.



C. All periodic payments due us must be paid by ACH. An ACH form must be completed and return with the execution of this Agreement by you. See Section 5 of this Agreement. Periodically, a new ACH form may be sent to you to update your information and for continued authorization to debit your account. All ACH debits continue through the term of the Franchise Agreement. It is your responsibility to inform us of any changes to your account.

D. NSF, Stop Payment and Return Item charges are assessed at \$100 each.

E. All sums due Regal Nails, Salon & Spa are payable within 10 days of the date of the invoice. There is a late fee of \$100 plus interest of 12% per year on the overdue amounts, or such lower rate if required by law, compounded monthly, for statement not paid within 10 days.

F. In addition to all other payments under this Agreement, you agree to pay us (or our affiliates) immediately upon demand: the amount of all sales taxes, use taxes, trademark license taxes and any other tax or levy whatsoever – however denominated – imposed on, required to be collected, or paid by us or our affiliates (but not including any corporate income taxes imposed on us or our affiliates) on account of goods or services we or our affiliates have furnished to you through sale, lease or otherwise, or on account of collection by us of the Initial Franchise Fee, Monthly Fees or other fees called for by this Agreement.

H. For Wal-Mart locations, if and when Wal-Mart implements any of its additional fees: utility reimbursement, key money, lease premises improvement charge, additional security deposit, and insurance reimbursement fee, such fees and amounts will be due upon demand initially and subsequently as charged by Wal-Mart. We will debit your account by ACH for the amount annually. Wal-Mart estimates the cost on average to be \$0.10 per sq. ft. annually, but it may be more or less depending on the locale of the premises. Furthermore, if Wal-Mart implements key money for additional services or for a new location, you will be responsible for the applicable amount and we will debit your account by ACH upon occurrence. If Wal-Mart implements a utility reimbursement, then you will be responsible for the applicable amount and we will debit your account by ACH as such reimbursements come due.

I. If we are a party tenant to the lease, annually or as otherwise provided in the lease to the premises, we will debit your account for the amount of any applicable percentage rent. For Wal-Mart locations, this debit is during the last week in January, we will debit your account for the amount of any applicable percentage rent; percentage rent is 6.5% of any Gross Sales amount above the natural break point, which is your base rent divided by the percentage rent rate.

## **9. TRADEMARKS, TRADE NAMES, WARRANTIES**

A. We warrant and represent and you agree that we:

1. Are the sole owner of the stand character mark “Regal” (registration number 3,715,059, and registered on the Principal Register of the U.S. Patent and Trademark Office on November 24, 2009).
2. Are the sole owner of the stylized mark “Regal Nails Salon & Spa” (registered under number 3,270,108 on the Principal Register of the U.S. Patent and Trademark Office on July 24, 2007 and are the sole owner of the standard character mark “Regal Nails Salon & Spa” (applied for on July 12, 2006 and registered under number 3,329,407 on the Principal Register with the U.S. Patent and Trademark Office on November 6, 2007).
3. Have been assigned by Regal Nails, LLC and, as of April 1, 2008, is the sole owner of the “Regal Nails” standard character mark (on the Principal Register under number 3,311,350), and the “Regal Nails” typed drawing mark (on the Supplemental Register

under the number 2,443,591).

4. Registered the mark, Regal Nails, Salon & Spa, with the Louisiana Secretary of State on December 22, 2005.
  5. Will permit you and our other franchisees to use the above marks, as long as they are used in accordance with our instructions, comply with the system and do not detract from the goodwill or excellent reputation associated with our mark.
  6. Will defend your use of the marks and other challenges to it, as set forth in Section 10.
  7. Shall reimburse you your tangible, reasonable and necessary costs of compliance should we modify or discontinue use of the mark.
  8. Are the sole and exclusive owner of the names, logos and designs "Regal", "Regal Nails Salon & Spa", "Regal Nails", its derivatives, any commercial symbols and copyrights related thereto and all goodwill associated with our business, all of which are collectively referred to as the "marks" and all goodwill now or hereafter associated with them.
  9. Are the owner of the domain name "www.regalnails.com."
- B. You acknowledge, agree, warrant and represent that:
1. Regal Nails, Salon & Spa, LLC is the owner of the marks, logos and designs, "Regal Nails, Salon & Spa", "Regal Nails", "Regal", its derivatives, commercial symbols and copyrights related thereto and all goodwill associated with them; and by executing this Franchise Agreement, you are not acquiring and will not acquire any ownership rights to any of the foregoing.
  2. You have and shall have no grounds to attack our registration of the marks on either the primary or supplemental register or our ownership of it.
  3. You shall use the marks only for the duration of this Franchise Agreement and not thereafter, that while using it, you shall not use the mark in any manner, which injures or causes harm to Regal Nails, Salon & Spa, LLC, its goodwill, or that of its other franchisees.
  4. You shall hold us harmless from any and all liability, loss, cost or damage, including attorney's fees, we may suffer as a result of claims, demands or judgments arising from (a) your abuse, appropriation, or misuse of any mark of ours, (b) your performance or non-performance of this agreement, and (c) your failure to cease use of any Regal Nails, Salon & Spa mark when required or otherwise requested to do so.
  5. You shall submit any website or other publication containing our marks to us for approval, prior to instituting it.
  6. You shall promptly notify us in the event that any action is instituted or threatened against you and cooperate fully in the defense of such action.
  7. Our other franchisees may use the mark(s) subject to the terms of their respective agreements.
  8. You shall not assign or convey or attempt to assign or to convey any interest in our mark to a third person or party.
  9. Regal Nails, Salon & Spa, LLC is the owner of the domain name "www.regalnails.com".
  10. Any and all goodwill arising from the use of the mark accrues solely to us and is exclusively for our benefit and that none shall ever accrue to you as a result of your use

of the marks. No monetary value shall be assessed or assigned to you as attributable to any goodwill associated with the marks.

11. Upon termination or expiration of this agreement, in addition to those duties specified in Section 38, you shall immediately assign to us your:
  - a. d/b/a, fictitious name or business alias;
  - b. Telephone listing;
  - c. Yellow page advertising;
  - d. Website or any other form of communication containing our mark; and
  - e. All goodwill associated with the mark; all at no cost to us and refrain from further use of the mark.
12. You will operate the salon only under the mark Regal Nails, Salon & Spa or Regal Nails, as solely designated by us, and not any modified or derivative versions thereof and will use the mark solely in the manner prescribed by us.
13. Regal Nails, Salon & Spa, LLC may modify or replace the existing marks, in which case, you will modify or replace the mark(s) you are using, the necessary and reasonable costs and expenses of which shall be borne by us.

#### **10. INTELLECTUAL PROPERTY**

A. In further consideration of the grant of this franchise, you warrant and agree that you:

1. Shall neither directly nor indirectly contest our ownership of the marks "Regal", "Regal Nails Salon & Spa Nails" and "Regal Nails".
2. Are aware that there has been no determination, *vis-à-vis* third parties in the U.S. Patent Office or in any court or other proceeding nor has there been any litigation involving the mark which would negatively affect or impact your use of the mark.
3. Shall not use any modified or derivative version of "Regal", "Regal Nails Salon & Spa" or "Regal Nails" and shall use only the marks "Regal Nails, Salon & Spa" or "Regal Nails" and such other marks as are approved in writing by us and use them only in the manner authorized and permitted by us. The preceding sentence shall apply to, without limitation, the printing and use of business cards (see the Confidential Operating Manual for details and authorized formats).
4. Shall use the mark(s) only for the operation of the Regal Nails Salon & Spa salon or Regal Nails salon, as we designate, franchised hereunder and only in the territory authorized herein or in advertising for the business conducted in that territory; will not use the mark in conjunction with the performance of any unauthorized service or sale of prohibited merchandise.
5. No agreements limit our right to use or to license the marks.
6. Shall not use the mark(s) to incur any obligation or indebtedness nor in any manner that may obligate us.
7. Shall cooperate with us in our efforts to protect us and the other franchisees against trademark infringement. You shall immediately notify us when you learn of an infringement or challenge to our marks or your use of the mark.
8. Will not take any action whatsoever with regard to the alleged infringement or misuse of the Regal Nails Salon & Spa or Regal Nails mark beyond the reporting requirement

contained herein.

9. Will not take any action whatsoever as to a third party's unfair competition or unfair trade practices without our prior knowledge and written consent.
10. Agree to furnish such information as we may require, cooperate with us and render such assistance as may be requested, should we, in our sole discretion, take whatever action we choose to take, if any, in the event of allegations of infringement or misuse of the mark, acknowledging that we reserve the right to select counsel of our own choosing for such matters and shall retain control of any such dispute, litigation or proceeding.
11. Acknowledge that Regal Nails, Salon & Spa, LLC is not obligated to protect your right to the mark, nor is it obligated to protect you against claims of infringement or unfair competition with respect to your use of the mark.
12. Shall not use the mark(s) as part of your corporate name or any other name, but shall file in the appropriate state or county recordation office(s) records of the fictitious business name registration, *i.e.*, d/b/a, franchisee doing business as Regal Nails, Salon & Spa.
13. Shall maintain the fictitious name registration throughout the term of this agreement and shall execute any documents deemed necessary by us or our counsel to protect the mark(s) or to maintain it or their continued validity and enforceability.
14. Shall neither copyright nor trademark the name "Regal", "Regal Nails Salon & Spa", "Regal Nails", our logos, symbols or any other item or thing associated with them.
15. Shall submit to us, any advertisement or marketing materials, containing our mark, prior to publishing it. This includes publishing web-pages on social networking websites, blogging, posting on any forum, video sharing, and/or posting user reviews.
16. Shall pay all expenses incurred in connection with the discontinuance of the use of the existing names and marks and the replacement of them with new names and marks, should we, from time to time, for various reasons and upon reasonable notice to you, elect to discontinue the use of certain names and marks, and begin to use new names and marks. We shall reimburse you for the actual, reasonable, and necessary out of pocket costs incurred in replacing and signage or other items bearing the marks or names which were replaced as a result of our decision, provided that such costs are approved by us in advance.
17. Shall affix a notice of trademark license, in a conspicuous location, in the salon, containing the following notice:  
  
**"This salon is independently owned and operated by, [franchisee's name] who is an authorized licensed user of the service marks Regal, Regal Nails Salon & Spa or Regal Nails, all of which are owned by Regal Nails, Salon & Spa, LLC."**

B. With respect to images, videos or other content ("Materials") that you have supplied to us or any of our vendors, you grant us and to such vendors a royalty-free license and right to use and sublicense such Materials for any marketing, educational or other purpose we deem appropriate in any media now in existence or hereafter created in perpetuity. To the extent that the Materials feature any of your likeness, image, performance, voice or name (the "Likeness"), or the Likeness of you appears in images, video or other content created by us during the Term, the license granted herein shall include the right to use and sublicense such Likeness. To the extent that you do not own the copyright in the Materials, you represent and

warrant that you have permission to use such Materials and to authorize the uses contemplated by this paragraph. You hereby release and covenant not to sue us or any such vendor you provided Materials in connection with any use of the Materials or Likeness permitted by this Agreement, and further agree to indemnify and hold us and any such vendor harmless against any claims by any third party that use of the Materials or Likeness infringes upon such third party's rights, including but not limited to copyrights and rights of publicity. The license and other provisions of this paragraph shall survive termination or expiration of this Agreement.

C. You may not introduce any improvement or modification of or to the System, the intellectual property, or the salon without our prior written consent. If you or any of your owners develops any new concept, product, service, sales technique, or improvement in the operation or promotion of the salon (including any product sold at the Store), you must promptly notify us, and provide to us all necessary related information. Any and all such improvements to the System, the intellectual property, and the salon that you develop (whether or not consented to) will automatically become our property without any compensation to you. If such improvements may be protected by trademark, copyright, patent, trade secret, or other laws, then you must execute the documents that we may require to prove ownership of such improvements, to transfer ownership thereof to us, and to file related registrations or recordings. By signing this Agreement, you and each Principal assign your respective rights in and to the concept, product, sales technique or improvement to us and permit us to use or disclose the information to other Regal Nails Salon & Spa System franchisees as we determine appropriate, without providing you any compensation.

## **11. COM, PROPRIETARY INFORMATION AND THE SYSTEM**

During the term of this Agreement, we will lend you a copy of our Confidential Operating Manual ("COM"), a copyrighted document, which contains our confidential and proprietary information, i.e., the "system," and you must sign our then current form of receipt for the COM. Concerning the COM, you acknowledge and agree that:

A. We have the exclusive right, title and interest in the copyrighted material and proprietary information contained in the COM and that you shall not at any time do or cause to be done any act or thing contesting or in any way impairing or tending to impair any part of our rights to that material and information.

B. The COM that we let you use is intended to protect our standards and systems, and our names and marks, and not to control the day-to-day operation of your business. You further acknowledge and agree that your business at all times be under your control, and that you will be responsible for the day-to-day operation of the business.

C. You obtain no rights to our copyrighted or proprietary information, except for your right to use them as specified herein and only during the term of this agreement.

D. Our copyrighted and proprietary information, reduced to printed form in the COM, is material to the operation of the franchise for the reasons that our affiliate, Regal Nails, LLC, spent a great amount of time (eight years) and money developing it. The COM is based on its experience in dealing with our franchisees, 100,000s of customers and Wal-Mart. It supports the operation of our franchisees in the 50 U.S. States and Puerto Rico.

E. You will use the COM only in the operation of your franchise and for no other purpose. You will not otherwise use or disclose of the information contained in the COM, or reproduce it.

F. You will comply with the mandatory guidelines and standards contained in the COM, agree

that they are reasonable, and agree to exert your best efforts to achieve the goals and standards set forth in the COM.

G. To enhance the reputation and our goodwill with the public, we, from time to time may add, amend, delete, or modify the COM and / or create additional manuals to supplement or to improve the System, our reputation, efficiency, quality and competitiveness. When changes are made to the COM, you will conform to those mandatory changes, acknowledging that such changes may or may not be made with advance notice. Should these changes be issued in loose-leaf form, you agree to accept and insert those changes into your COM and to adhere to their guidance. You shall keep your COM current and up to date. In the event of any dispute as to the contents thereof, the terms and conditions of the master copy maintained by Regal Nails, Salon & Spa at our registered office shall be controlling.

H. You agree to operate your business in conformance with the mandatory provisions of the COM and its changes. You acknowledge and agree that these publications are designed to protect Regal Nails, Salon & Spa's standards, systems, names, marks and not to control the day to day operation of your salon.

I. Fines and penalties, from \$25 to \$500 per violation, even leading to the loss of your franchise, may ensue for failure to follow the COM or consistent failure to achieve its goals and standards. When fines are assessed against you, you agree to pay those fines not later than 30 days following presentation of a statement.

J. You will notify us immediately when you learn of an unauthorized use of our COM. We have no obligation to take any action, but will respond to your report as we deem appropriate. You will take no action concerning the unauthorized use, other than to notify us and to provide your assistance and cooperation.

K. We, in our sole discretion, may decide what action to take, if any, in the event of infringement of its copyright or proprietary information and we reserve the right to retain counsel of our choice for such matters and to control the conduct of any such dispute, litigation or proceeding. You agree to cooperate in our efforts and to provide us with any information and assistance required.

L. We are not obligated to protect your right to use our copyrighted materials or proprietary information or to protect you against claims of infringement or unfair competition with respect to your use of our copyrighted or proprietary information.

M. You will hold us harmless from any and all liability, loss, costs or damages, including attorney's fees, which we may suffer as a result of claims, demands or judgments arising from (a) your abuse, appropriation, or misuse of our copyrights or proprietary information, (b) from your performance or non-performance of this agreement, or (c) your failure to cease your use of our copyrights or proprietary information which required or otherwise requested to do so.

N. You shall not directly or indirectly contest our right to any of our copyrights, trade secrets or proprietary information or business techniques that are part of our business.

O. You will not file or otherwise seek copyright protection of any of our copyrighted materials, which include, without limitation, the COM, all advertisements, brochures, marketing materials and all other works of original expression created by or on our behalf.

P. Upon termination or expiration of your franchise, you will immediately cease all use of our copyrighted and proprietary material, the COM, and to return all such material to us.

Q. The System must not remain static, but must change to meet presently unforeseen changes in technology, competition, demographics, populations, consumer trends, societal trends, and other marketplace variables. As a result, it is in your best interest that of our other

franchisees, and Regal Nails, Salon & Spa, when we institute changes for those reasons. Accordingly, you acknowledge and agree that from time to time, we may change the components of the System, including, but not limited to, altering or modifying the products, programs, services, methods, standards, forms, policies and procedures of the System or abandoning the present System in favor of another System, such changes usually being the result of a merger, acquisition, other business combination or for other reasons of ours. The changes may include, by way of illustration, adding to, deleting from, or modifying those products, programs and services, which you are authorized to offer. Other examples include modifying trade dress, the layout of the premises, equipment, furniture, fixtures, decor, colors, color schemes, uniforms, signage, and all other aspects of the salon's construction, design, appearance and operational attributes which you are now required to observe. We may also change, improve, modify or substitute its marks. You expressly agree to comply with any such modification, changes, additions, deletions, substitutions and alterations, with the assurance that such changes shall not materially and unreasonably increase your obligations under the terms of this Franchise Agreement.

R. We shall have no obligation to you or be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications described above.

S. You agree not to commence or to join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. You waive any claims, demands or damages arising from or related to the foregoing activities, including, without limitation, any claim for breach of contract, breach of fiduciary duty, fraud, and/or breach of the covenant of good faith and fair dealing.

## **12. FRANCHISEE'S REPRESENTATIONS**

You, affirming your representations and warranties, and recognizing the advantages of the System and the Mark(s) and the value of the goodwill associated with them, warrant and represent that:

A. You wish to own and operate a Regal Nails Salon & Spa franchise or (if you are renewing a Regal Nails, LLC franchise agreement and have chosen to continue to do business under the Regal Nails mark alone) a Regal Nails franchise;

B. You are of good moral character and reputation and have a good credit rating, financial capability and competent business qualifications;

C. You will operate the salon in a manner consistent with the high quality standards associated with the system and the mark(s) that will further promote Regal Nails Salon & Spa's goodwill and reputation;

D. In exchange, Regal Nails, Salon & Spa, LLC will grant a franchise under the terms of this agreement and provide training and services related to the System;

E. The terms of this agreement are acceptable to the parties and acknowledged by you to be fair and reasonable;

F. After your personal inspection of the territory of the franchise and your investigation of our reputation, you have found a Regal Nails Salon & Spa Nails or Regal Nails franchise to be suitable for your intended purposes;

G. We have made no representations or warranties concerning the big box retail store or the shopping center, the territory, site, space or profits, if any, that may be earned from a Regal Nails Salon & Spa or Regal Nails salon there;

H. You have relied on no representations or warranties concerning the territory, business

climate or potential profits to be earned in or from the territory, but that you are relying upon your own investigation and research in approving the territory;

I. The big box retail store or the shopping center is complete and that you have conducted an inspection of the salon and found it to be satisfactory and without deficiencies or defects;

J. No promises have been made to you, other than those contained herein.

K. You warrant and represent that you are familiar with the laws and licensing requirements which govern the operation of your salon and that you agree to comply with their requirements during the term of this agreement and other regulations specific to the operation of the salon in your state or locality. You also warrant your familiarity with all federal and state and local laws of a more general nature, for example the Age Discrimination in Employment Act, Americans With Disabilities Act, Fair Labor Standards Act, Federal & State Tax Withholding, Gender Based Discrimination Laws, Illegal Immigration Reform & Control Act, Immigrant Responsibility Act, OSHA, Title VII of the Civil Rights Act i.e., sexual harassment, Wage & Hour laws, Worker's Compensation Insurance and those laws listed in the lease to the premises, and others such as those promulgated by state fire marshals and the various agencies, which oversee the handling, storage and disposal of hazardous chemicals which may apply to you as an independent nail salon owner operator in a big box retail store or shopping center and those pertaining to your business, with which you will comply.

### **13. GRANT OF FRANCHISE**

A. In consideration of the payment of the sums set forth in Sections 6 and 7, your representations and warranties, your promises of continuing faithful performance, best efforts, and compliance with this Agreement, and the system, we grant you the right to operate a Regal Nails Salon & Spa or Regal Nails salon in the territory specified in Section 4, for the term as set forth in Section 5, using our system and mark(s) to perform manicures, pedicures and related services, only. In further consideration, you also agree to pay by means of an automatic debit plan or ACH:

1. Monthly Amounts Due:

a. The Monthly Fee set forth in Section 50 of this Agreement. If we are party tenant to your lease, the Monthly Fee includes the monthly franchise fee, base rent and rental tax for the premises and will begin on the Payment Commencement Date. The Monthly Fee is due during the first week of each month for that month.

b. If we are a party tenant to your lease: all applicable Monthly Utility Charge and/or CAM in the amount set forth in Section 50 of this Agreement, where such amounts will be due and payable monthly, in advance, and during the first week of each month for that month.

c. If and when Wal-Mart implements its utility reimbursement fee, during such time as determined by Wal-Mart.

d. If by the time that this Franchise Agreement is executed and the salon square footage and/or the monthly amounts due have yet to be determined, a Franchise Commencement Agreement shall be executed by us and you upon learning of the salon square footage and/or the monthly amounts due.

2. Annually, your CGL and PL and limited Property insurance premium and administrative fees, upon invoice, if obtained through us. Alternatively, if we permit so at our option, you may pay the premium in quarterly installments, subject to a \$15 to \$25 fee per installment.



3. Annually, if and when Wal-Mart implements the Insurance Reimbursement Fee, during such time as shall be determined by Wal-Mart.
  4. Annually, any and all increases and averaged amounts, as determined by this Agreement to the Monthly Fee, and Monthly Utility Charges and/or CAM.
  5. If we are a party tenant to the lease, annually (or as otherwise required under the terms of the applicable lease), any percentage rent required by the lease to the premises as set forth by the lease.
- B. Within 30 days or a less, any statement, invoice or billing of ours.

#### **14. RELATIONSHIP/INDEPENDENT CONTRACTOR**

The parties agree that:

- A. No relationship is created by this Agreement other than that of contractor - independent contractor.
- B. If we are party tenant to the lease, then you will also sublease the premises from us, creating nothing other than a landlord-tenant relationship. You are in control of the premises.
- C. This is not a fiduciary relationship or any other special or similar or special relationship (including partner, joint venture, joint-employer, agent, or, or employer-employee relationship), but is solely an arm's length business relationship.
- D. We do not exercise day-to-day control over you and that you operate your own salon according to our system.
- E. You retain control over all personnel matters. You hire, discipline, supervise, train, promote and fire your own employees, institute your own personnel policies, set your own prices, establish wages, set hours, benefits, employment policies and other terms and conditions of employment for your employees without consultation or approval of Regal Nails, Salon & Spa, LLC. For Wal-Mart locations, you should note that Wal-Mart requires that a background check be performed on everyone working on their premises. It is your responsibility to comply with this requirement and to perform such background checks on your employees and independent contractors.
- F. We impose no quotas. However, for Wal-Mart locations, you should be aware that Wal-Mart has reserved the right to impose performance covenants on tenants operating within its premises; if the performance covenants are not met for a location, Wal-Mart has reserved the right to terminate the contract without further liability to itself and to us.
- G. There are no minimum purchases required. Your purchases from us do not require sales at a minimum or maximum price.
- H. You are solely responsible for your pricing policies.
- I. Nothing contained herein authorizes or empowers you to obligate us in any way.
- J. You are solely responsible for your actions and your inactions and that they are beyond our control.
- K. You agree that we set standards for you to achieve, but how you do so is your sole responsibility.
- L. In all public records and in your relationship with third parties, including but not limited to, stationery, signage, business forms, checks, and tax returns, you shall indicate independent ownership of the franchised salon and that it is operated under a franchise granted by Regal Nails, Salon & Spa, LLC.

M. As an independent contractor, you will guarantee customer satisfaction in accordance with the policies and procedures Regal Nails, Salon & Spa, LLC, and if applicable, that of the landlord if we are a party tenant to the lease.

N. You maintain your own bank accounts and financial records.

O. Except for furniture, fixtures, equipment, décor, and REGAL or REGAL NAILS branded and/or our proprietary products, you may make your own purchases from whomever you wish, on your own terms, control your expenditures and pay for your purchases from your account. In addition, you are responsible for your salon's use of such purchases as intended and directed by the manufacturer, expressly including but not limited to acetone, alcohol, callus removers, and other chemicals.

P. You file and pay your own taxes.

Q. You obtain your own licenses.

R. You will always identify yourself as a Regal Nails Salon & Spa franchisee.

S. Our standards are employed to ensure quality, standardization, uniformity and compliance with the Lanham Act. You control their day-to-day application.

T. You are solely responsible for your employees' training, safety and security. This includes training on services and product knowledge.

U. You are solely responsible for compliance with all state local and federal laws.

V. You are the sole owner of your franchise.

W. Your salon is in a location that you selected.

X. When repairs must be performed, you select your own contractors and set your own terms and conditions.

Y. You are solely responsible for payments to your contractors, employees, suppliers and tenants.

Z. Our operations are not interrelated.

AA. We do not share common management.

AB. There is no centralized control of labor.

AC. There is no common ownership or financial control.

AD. We do not require copies of your financial statements.

AE. You select the type and colors of your employee uniforms.

AF. If the landlord to the premises has decided to relocate, remodel, expand or otherwise alter the retail store or shopping center in which you are located to the point that the existing premises won't be available to you as it was originally and has offered you a space in the relocated, remodeled, expanded or otherwise altered retail store or shopping center for the Regal Nails Salon & Spa salon, it is your sole decision whether to accept or decline the offer; any and all costs and expenses of relocating and building out the new premises for the Regal Nails Salon & Spa salon is yours and such relocation and build out must adhere to our specifications, plans and timeline. If you choose to decline the offer to relocate for whatever reason and the landlord of the premises determines that as a result of your decision the premises must be vacated by a certain date for whatever reason, then we have the right to terminate this Agreement without liability or any compensation to you; upon such termination, you must vacate the premises, leaving it in broom clean and white box condition, and adhere

to the other requirements set forth in Section 38 below. Whether you have been or not been offered a new space or whether you accept or decline any such offer, we are not liable to you for unavailability of the original premises or any resulting damages.

AG. You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of franchises operating under the Marks and System. Accordingly, you agree that you will cause the Franchise to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor, the standards set by applicable privacy laws and regulations, and other regulations and industry standards applicable to the protection of customer privacy and credit card information. You are solely responsible for educating yourself as to these regulations and standards, and for achieving and maintaining applicable compliance certifications. You agree to defend, indemnify, and hold us and our affiliates and indemnitees harmless from and against all claims arising out of or related to your violation of the provisions of this Section.

AH. If the landlord offers to provide utilities, including internet, such utilities may be provided by third party providers to the landlord. You acknowledge and agree that such utilities may expose you to potential risks, such as data breaches. If you choose to use such utilities provided by third party providers, whether or not such utilities are through the landlord, then you are accepting such risk and agree to defend, indemnify, and hold us and our affiliates and indemnitees harmless from and against all claims arising out of or related to your use of third party-provided utilities.

## **15. OWNER'S PARTICIPATION**

If you do not personally participate in the management of the business, you will:

- A. Personally inspect your salon, at least weekly,
- B. Hire an 'on premises,' manager, who has successfully completed our training program,
- C. Ensure that your manager has read and signed our Confidentiality Agreement & Agreement Not to Compete, and
- D. Remain solely responsible for the success of your salon.

## **16. OPTION TO EXERCISE A SUCCESSOR FRANCHISE AGREEMENT**

- A. General. At the expiration of the current term, if you haven't exhausted all of the successor franchise terms, you may be eligible for a successor term of 3 to 5 years. Wal-Mart locations may be eligible for as many as two, consecutive 3-year terms. The exact number of years for a successor franchise term depends on the lease to the premises, and whether, additional terms and length of terms are available under such lease. For certain Wal-Mart locations that do not remodel as requested by Wal-Mart, Wal-Mart reserves the right to terminate the lease or, in Wal-Mart's discretion, grant a successor term of only 1 or 2 years, subject to a 90-day notice of termination without cause. You must notify us in writing not less than 180 days nor more than 210 days prior to the end of each term, conform to the requirements of this Section 16, and not be, or have been in the past, in default under any section of the Franchise Agreement for your salon. Furthermore, the premises must be available to you for an additional term. If we are a party tenant to the lease for the premise, the Landlord under the master lease for the salon must agree with us, in its sole discretion, to enter into a renewal term. Approvals of successor franchise terms are not granted automatically, but are subject to a performance review. We make that determination.
- B. Subject to the foregoing, you may execute a successor Franchise Agreement

subject to the following terms and conditions:

1. The site/premises must be available. If we are a party tenant to the lease to the premises, we will not discuss renewal or the terms of a possible renewal with the landlord of the premises until after we receive a signed Franchise Agreement from you;
2. You must have given us not less than 180 days nor more than 210 days' notice prior to the end of your initial three- year term of your intention to extend;
3. You must be current in all your obligations to us, including for amounts owed Regal by you or any of the principals, if you are a corporate entity, with respect to the salon operating under this Agreement and with respect to all other locations franchised by Regal to you or, if you are a corporate entity, to your principals or affiliates;
4. You must be in compliance with this Franchise Agreement and the COM and have cured any defaults under any provision of this agreement, and, if we are a party tenant to the lease for the premises, the lease to the premises;
5. Working from a checklist, our representative will designate items in need of repair, replacement, redecorating, cleaning or other services, and may require a remodel of the entire salon premises. You will be required to obtain estimates for their costs, select a contractor or contractors and then make terms with which you are comfortable. You will contract with others or us to repair, replace, clean, redecorate or to refurbish your salon. Often, we can help you find qualified contractors to perform that work. You must bring the salon to current standards. Bringing your salon to an "as new," condition may require you to replace at your sole cost and expense, including without limitation, equipment, signage, décor items, furniture, fixtures, exhaust fans, loose wires and other items and products which may reasonable be required by us. Those items are required to enhance the appearance, efficiency and utility of the salon. They may be set forth in the COM or otherwise given you, in writing, by us. Our representative will inspect the salon for you upon the completion of the work, which must be accomplished prior to attending the training session, as provided in Section 16 B. 8.
6. We shall be the sole judge of what must be done to your salon to bring it to an "as new," condition. Once decided, you may perform the work or engage others to perform it, request us to do it or some combination of the three. Satisfactory completion of the work is a precondition to obtaining a successor agreement. The cost and expenses of any work to be performed will be your responsibility.
7. You and/or your manager must attend our training class within the 8-week period prior to executing your successor Franchise Agreement,
8. It is your sole responsibility to obtain the estimates, locate contractors, have the work performed in a timely and neat and workmanlike manner, pay your contractors, notify us of the completion of the work, have it inspected by us and complete all this, in time to attend your training session.
9. You must sign our then current form of Franchise Agreement and, where permitted, you must execute a general release, in a form prescribed by us, of any and all claims against us, our affiliates, and our officers, agents and employees. Our current form of general release is attached to this Agreement as Exhibit A, Part 4, but we can change it in the future. You acknowledge having reviewed Exhibit A, Part 4 and find its terms acceptable. If we are party tenant to the lease for the premises, this is only a

conditional renewal. By signing the Franchise Agreement, you are committing to a successor franchise with us conditioned on the renewal of the premises by the landlord. Upon receipt of a signed Franchise Agreement from you, we will begin discussions with the landlords regarding renewing the lease for the premises. If renewal is confirmed by the landlord, we will finalize the renewal and execute the successor Franchise Agreement.

C. Because your eligibility to enter into a successor Franchise Agreement depends on your fulfillment of the terms and conditions stated in this Section 16, you should not plan for or expect to enter into a successor Franchise Agreement.

D. You will enter into our then-current form of Franchise Agreement, which will be the one generally used by us at the time of execution and which is offered to all others, similarly situated. It may differ from this agreement in its terms, fees and conditions in material ways. Other changes may be required to comply with state and federal laws.

E. You will have to remit the then current Successor Franchise (Renewal) Fee, as it is then described in our franchise disclosure document, and the updated Security Deposit amount with your signing of the successor Franchise Agreement. If the premises is not renewed, then the Renewal Fee and the Security Deposit update will be returned without interest to you. If for any reason the premises is renewed and you attempt to renege on your renewal commitment, your Renewal Fee and the Security Deposit update will be forfeited by you, and you will be responsible to us for all damages.

F. You, and all of your equity owners, if you are a business entity, will sign a general release in a form we prescribe, of any and all claims against us and our affiliates and their respective officers, directors, shareholders, manages, members, agents and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

G. Up to a year prior to the end of the term of this Agreement, we may send you a notice, asking whether you wish to obtain a successor Franchise Agreement. If you do, then you must submit whatever documentation we require to us, so that it reaches us by the date specified in the request. If a renewal requires remodeling of the location, we may require that you deposit with us 50% of the estimated remodeling costs of the fixture, furniture, equipment and décor (expressly including flooring) prior to us seeking a lease term renewal with the landlord if we are a party tenant to the lease; if the lease term is not renewed, the deposit will be returned without interest to you. If we do not execute a successor Franchise Agreement, you agree to immediately comply with the provisions of Section 38, which entails a complete de-identification and the vacating of your salon. This provision should not be construed to relieve you of your obligation to inform us whether or not you desire to renew the franchise and sublease.

H. Holdover. If you continue to accept the benefits of this Franchise Agreement--including but not limited to the continued use of our marks--after the expiration of the Franchise Agreement and do not complete the requirements set in Sections 16 A through F above, at our option, we may treat this Agreement as: (1) expired as of the date of expiration and you will be operating without a franchise or license to do so and in violation of our rights to the marks and system, or (2) continued on a month-to-month basis ("Holdover Period") and all of your obligations will remain in full force and effect during the Holdover Period except, however, you will be charged a monthly amount equal to 150% of the sum of your Monthly Fee, plus 150% of any applicable Monthly Utility Charge and/or CAM if we a party tenant to the lease, as due under this Agreement ("Holdover Amount"). Furthermore, this

Holdover Amount will increase 4% annually, until proper renewal documents are executed; or this Agreement is deemed terminated. Each Holdover Period expires at the end of each calendar month unless this Agreement is continued as provided in this Section 16. The Holdover Period does not create any new franchise rights and upon expiration of the final Holdover Period, you will be bound by all post-termination obligations as provided in this Agreement.

If we deem this Agreement as expired and you continue to operate the business and retain possession of the premises, you agree to our assessment and withdrawal from your account, for each month you fail to cease operation of the business and vacate the premises, 300% of the sum of your Monthly Fee, plus 300% of Monthly Utility Charge and/or CAM if we a party tenant to the lease, as due under this Agreement, if applicable. This sum will increase 4% annually. The parties agree that this is a reasonable estimate of our damages as a result of your continued operation and possession of the premises, and that such amount is in addition to, and your agreement to reimburse us for any and all costs and expenses we incur, including attorneys' fees and court costs, from your continued operations and possession of the premises after the expiration of this agreement.

I. For locations in Wal-Mart: During the Term, Wal-Mart may change its base rent structure to percentage based rent. Once implemented by Wal-Mart, you may be subject to the percentage-based rent rate structure and we do reserve the right to amend your payments under the Franchise Agreement to reflect this change, including but not limited to separating the rent payments and rental tax from the Monthly Fee and requiring that each be paid to us separately.

## **17. INFLATION GUARD**

Upon the expiration of this Agreement, should a successor Franchise Agreement be executed, you will have to pay our then-current Monthly Fee which which may have increased significantly, , unless we are a party tenant to your salon's premises and our then-current Monthly Fee does not cover the increase in base rent or property tax, in which case we may increase the then-current Monthly Fee to cover such additional costs.

For locations where we are a party tenant to the lease, the Monthly Utility Charge and/or CAM, and all increases to each of them, shall be that which are set forth in the underlying lease for the premises. The increase in Monthly Utility Charge and/or CAM for a renewal term will be dictated by the terms of the lease to the premises. We have no control over the increases to the Monthly Utility Charge and/or CAM. You acknowledge having received and reviewed the lease to the premises applicable to this Franchise Agreement.

For Wal-Mart locations, the monthly base rent is included in the Monthly Fee. You may request that we negotiate a more favorable monthly base rent for the premises, but you agree and understand that does not mean we promise or guarantee results to your satisfaction. Additionally, you understand that if you request that we negotiate a more favorable monthly base rent for you that you are assuming the risk that Wal-Mart view such negotiations as a decline of its offer and may not renew the lease to the salon premises. Given the above, you further hereby release, indemnify, and agree to hold Regal Nails, Salon & Spa, LLC, its principals, employees, and agents harmless from any and all claims, actions, demands, and/or damages to persons, property, or reputation arising out of or, related to, or resulting from such lease negotiations.

## **18. DUTIES OF REGAL NAILS, SALON & SPA**

The duties of Regal Nails, Salon & Spa are as follows:

A. Prior to your Grand Opening we will:

Site Development, Acquisition, Build Out, Complete and Deliver the Fully Equipped and Tested Salon

1. For locations that we are a party tenant to:
  - a. Locate a site for your approval in a big box retailer.
  - b. Lease that premises
  - c. Sublease to you the premises, in accordance with the terms of this Agreement, including the Sublease Schedule.
2. For locations that we are not a party tenant to:
  - a. Review the site you have selected.
  - b. Review the proposed lease to see if meets our minimum requirements for a system salon.
  - c. If both site and lease meet our minimum requirements, approve both.

**The parties acknowledge and agree that our site approval is not an assurance that the salon will achieve a certain sales volume or level of profitability; it means only that the proposed site meets our minimum criteria for a system salon. The parties further acknowledge and agree that our approval of a lease does not mean that the economic terms of the lease are favorable, it means only that the lease contains the lease terms that we require.**

3. Have the salon built by a contractor approved by us.
4. See to the timely completion of construction prior to Grand Opening day. Grand Opening day will be agreed to by us, you and the landlord. In the event of that no agreement is made about Grand Opening day, then Grand Opening day will be decided and designated by us and binding on you upon 30-day notice. If we a party tenant to the lease, then the landlord's timetable will dictate the Grand Opening date. We are not responsible or liable to you or the Landlord for any delays caused by reasons outside of our control including delays by you, the Landlord, governmental entities, and Force Majeure.
5. Lend you a copy of the COM, for the duration of this agreement,
6. Teach you the Regal Nails, Salon & Spa System at our training session.
7. When the salon is complete, we will equip, furnish, decorate, stock and test the salon.

B. Grand Opening Assistance – We will:

1. Assist you in opening the salon on Grand Opening day, even though we have no control over your or others' contractors and their sub-contractors and are not liable to you for their actions, inactions, or delays.
2. Train you and your manager as set forth in Section 19, *infra*, and as described in Item 11 of the disclosure document.
3. Obtain a CGL and PL and limited Property insurance policy, naming you as the insured, and naming ourselves as additional insureds. If your Landlord requires to be listed as an additional insured, we will contact the agent for the policy about adding your Landlord as an additional insured, provided that you inform us of such requirement in writing. If the Lease requires limits exceeding the policy limits, we will contact the agent to meet

such limits, provided that you inform us in writing. For locations that we are a party tenant to the lease, we will have the landlord listed as additional insured.

4. If you so request, we will offer whatever assistance we deem reasonable, in our discretion, to help you meet your Grand Opening Date but we will have no responsibility or liability for delays or your failure to meet the Grand Opening Date.
5. Replace defective Snow White Package materials or equipment, upon notice and within the one year limited warranty period. At our option, we may accept the return of a non-defective item, however, such return will be subject to a 30% restocking fee.

C. Subsequent to your Grand Opening, we shall:

1. Provide onsite periodic quality assurance inspections and furnish you with a written copy of the quality assurance manager's report. Onsite quality assurance inspections may be suspended during events of Force Majeure or when conditions outside of Regal's control negatively impacted its ability to provide such inspections in a timely and lawful manner or without affecting the health or safety of those conducting the inspections.
2. Issue warnings and/or fines to you for deficiencies. You must pay the total amount of the fines within 30 days of receipt of your statement.
3. Enhance your ability to meet the standards of the COM by means of these quality assurance inspections. These standards and goals are for your benefit, since they will keep you from making inadvertent errors, which could injure you, your patrons, other tenants, the public and the environment. See Section 28.
4. Guarantee the satisfaction and performance of all our products for one year.
5. Share methods and procedures learned from other Regal Nails Salon & Spa franchisees, which have proven to be of merit.
6. Make available to you any assistance offered to our other franchisees.
7. Provide additional aid and assistance, upon request, if within our ability to do so, as commercially reasonable.
8. Introduce new products and techniques to keep you abreast of the latest styles and fashions.
9. Provide additional training to you or your manager when required.
10. Check your business decor, displays, signs, advertising and business format.
11. Assist you in your advertising and promotional efforts as we deem necessary.
12. Upon your request and at your cost, locate repairmen to assist with maintenance and repair problems.
13. Counsel you on compliance with our franchise system.
14. Should you ever have to dispose of your salon, we may, but are not obligated to or assist you in finding a buyer. We do not guaranty that we will succeed in finding a buyer.
15. Assist you with monthly report of gross sales forms.
16. Assist you with accident reports and insurance claim forms.
17. Refer you to others who may help, if we cannot.
18. Check your use of our marks.



19. Accept the return of defective Snow White Package merchandise from us upon notice to us and if within the one year limited warranty period. You must notify us in a timely manner of the problem and return the goods as instructed. At our option, we may accept the return of a non-defective Snow White Package merchandise, however, such return will be subject to a 30% restocking fee. **If you have purchased additional merchandise from Alfalfa Nails Supply, Inc., after the initial items of your Snow White Package have been spent or replaced or in addition to the Snow White Package, you must return any of those defective items to Alfalfa directly. A restocking charge may apply.**
20. Our services, no matter what you purchase or do not purchase, continue throughout the duration of this agreement, as does your obligation to adhere to its terms.

D. Services of Franchisor. We are not obligated to perform the services set forth on this agreement to your level of satisfaction, but as a function of our experience, judgment and knowledge. We do not promise that any services, other than those contained herein shall be provided to you. To the extent that any other services, or any specific level or quality of service is expected, you must obtain our written commitment to provide such services or level of service, in writing, signed by one of our officers. Without such a written commitment, there is no obligation on our part.

## **19. TRAINING**

You acknowledge and agree that:

A. Prior to your grand opening, it is mandatory that you and your manager attend a three-day training session at Regal Nails, Salon & Spa, LLC's home office. The training includes various aspects of your franchised business, including the opening and establishment of your operational nail salon, promotion, purchasing, suggestions on hiring, customer relations, customer satisfaction, personnel, and accounting-related subject matter, as well as other techniques involved in the franchise.

B. You will pay any and all expenses of those attending the program for your salon. Regal Nails, Salon & Spa, LLC must approve of those attending, one of whom must be the franchisee, principal owner or his designated representative, such as the manager.

C. Upon receipt of an excessive number of reports of your failure to properly execute the terms of this Agreement, failure to meet the standards set forth in the COM, complaints from the landlord or your customers, or an excessive number of failed inspections, you will be required to attend a retraining course. Regal Nails, Salon & Spa, LLC shall be the sole judge of what number will be deemed excessive. Failure to re-attend the training course is a cause for termination of your franchise.

D. You must re-attend the training course if two claims within three years have been filed against you and/or your salon. You must re-attend training within 90 days of our knowledge of the second claim. Failure to re-attend the training course is a cause for termination of your franchise.

E. You must re-attend the training course prior the renewal of your franchise.

F. This training does not include performing manicures, pedicures, and related services. In order to perform manicures, pedicures, and related services in your state, you must obtain the necessary licenses. These licenses require attendance at a state-approved facility that will teach and educate you about manicures, pedicures, related services and related topics, such as sanitation and prohibited techniques. It is your own responsibility to obtain the state-specific required hours of education and practice to obtain and maintain all necessary licenses.

## 20. DECOR, FURNITURE, FIXTURES, EQUIPMENT, INITIAL INVENTORY AND REPLACEMENT INVENTORY

You acknowledge and agree that:

A. We have furnished you an attractively decorated salon, finished in the distinctive Regal Nails Salon & Spa style, complete, as described in the Snow White Package. You will furnish, maintain and display current licenses as required by law.

B. You may not change the decor of your salon or re-style it. You will maintain it as prescribed in the COM, ensuring its cleanliness, attractive appearance and the proper functioning of all equipment. Further, if we, or the landlord if we are a party tenant to the lease to the premises, request and you have not done so within the last three years, you must remodel according to our specifications, plans and timeline. Furthermore, prior to renewal, if we request so, you must remodel according to our specifications, plans, and timeline. Also, we reserve the right to condition a transfer approval on your or, at our discretion, your buyer's remodel of the salon according to our specifications, plans and timeline. Upon request, you must provide us with photographs, as directed by us, of your fully remodeled salon as evidence of completion and compliance with our specifications.

C. Your salon came equipped with all the furniture, fixtures and equipment described in the Snow White Package, which is specially designed and well suited for a 400 square foot salon. You will order replacement and additional furnishings, only through us or our designee. All furniture, fixtures, equipment, and decorative items must be purchased from Alfalfa Nail Supply, Inc.

D. The Snow White Package contains a basic inventory of all that is required to begin the operation of your salon. If any additional inventory is required prior to the commencement of salon operations, you will purchase them before opening. Except for REGAL or REGAL NAILS branded, our proprietary products, and/or private brand products (collectively, "**Private Brand Products**"), you are not required to purchase additional and replacement inventory from a required source. With respect to Private Brand Products, for each category of Private Brand Products we make available to you for purchase, whether directly or through designated suppliers, one half (50%) of your inventory for such category of items (for example, nail polish, nail powder, or otherwise) must consist of Private Brand Product items. We reserve the right to designate the categories applicable to this Private Brand Product purchase requirement and will communicate them to you in writing. *Inventory* is herein defined as the consumable supplies you may use in providing the services or products that you may sell.

E. Upon occupancy of your salon, you will make or cause to be made a thorough inspection thereof and will report or have reported any defects or deficiencies to us and obtain what is necessary for your salon, if anything.

F. By executing this agreement, you agree that you did not purchase your salon based upon our recommendation.

G. The salon has been built by others and not by us. Should deficiencies or defects be found, you agree to look to them for redress. You agree that you will look solely to them for any damages you suffer as a result of your acquisition of the salon.

H. Should you report deficiencies or defects to us, we shall use our best efforts to assist you in your attempts to correct them but cannot guaranty the results. We shall have no liability as a result of this service.

I. If you submit new products to us for approval they will be accompanied by a written description of the attributes or qualities, which recommend them for inclusion in our product

line. We will test them and report our findings to you.

J. Should we discontinue a Regal brand or other proprietary product line, you must do so, too.

K. You must purchase any designated merchant services solution and point of sale system that we may designate from our designated vendor. The data from your merchant services solution and point of sale system must be remotely accessible by Regal, the landlord (if applicable), and our designees and you agree not to terminate or block, whether directly or indirectly, any such access. You must maintain your merchant services solution and point of sale system in good working order at all times. If you are a renewing franchisee, you must purchase the merchant services solution and point of sale system from our designated vendor. We reserve the right to require upgrades, modifications, and replacements to the merchant services solution and point of sale system and you agree to comply immediately on receipt of notice from us. There is no contractual limitation on our right to require such upgrades, modifications, or replacements, nor on our access or use of the data received from your merchant services solution and point of sale system. We further reserve the right to change our designated vendor for the merchant services solution and the point of sale system you are required to install and use in the operation of your salon.

L. You must purchase, install, use, and maintain any applications, software, and related services that we require for use in connection with the operation of your salon, including any hardware required to use and operate the same, and you agree to enter into related agreements and pay any fees which may be required and due to any providers we designate for the same. We may designate providers from which you must purchase such applications, software, and/or services, as well as the related hardware.

M. You are responsible for obtaining and maintaining data or internet service so that we may access the designated merchant services solution and, applicable if purchased, the point of sale system.

## **21. FRANCHISEE'S OBLIGATIONS**

You understand, acknowledge and agree that every detail of the franchised salon is important, not only to you, but also to us, our other franchisees, and the public. We require these things in order to maintain high operational standards and to increase the demand for our goods and services, as well as those of every franchisee in our system. We also require that you perform the duties set forth below to protect our reputation and goodwill. Even though you need not actively participate in the day-to-day conduct of the business, you agree and acknowledge that you will:

### **A. Pre-Grand Opening Duties for Your Salon:**

1. Train your employees in the Regal Nails Salon & Spa system and the procedures set forth in the Confidential Operations Manual after you and your manager have completed the Regal Nails Salon & Spa training course. For Wal-Mart locations, Wal-Mart imposes a requirement that a background check be performed on all persons working on its premises; it is your responsibility to perform these background checks.
2. Provide for and maintain a listed telephone number under the name Regal Nails Salon & Spa, used solely to transact the business of the salon and shall list the Regal Nails Salon & Spa salon and the appropriate telephone number in the telephone and other directories including the alphabetical white pages section and the yellow pages section, as we may direct. The telephone shall be answered 24 hours per day, either personally or electronically. Should any change occur, you shall immediately inform us in writing of any

change of its address, telephone number or e-mail address as well as the manager of the shopping center. For Wal-Mart locations, Wal-Mart must approve the make & model of any cordless telephone.

3. Receive such training as we may require and to that end, agree to attend and cause your manager to attend training as described in Section 19 and agree that failure to attend shall result in forfeitures of all sums paid, termination of or refusal to extend the franchise.
  4. At our discretion, you must rent a post office box for the delivery of your Regal Nails Salon & Spa mail.
  5. You must inform us of any applicable deadlines that we need to forward to the contractor for your location as soon as possible and no later than two months prior to such deadlines; we do not guarantee that the contractor will complete its job according to the deadlines.
  6. You must provide us with access to the site, during the construction process and at reasonable times. We, at our own expense, have the right to inspect the salon during its construction. We assume no duty to look for any deviation from the Construction Standards or to call them to your attention. If we find any deviation from the construction standards we need not call them to your attention or the attention of any other. If we observe a deviation and call it to your attention concerning it, no duty is created for us to find, observe or report any other deviations to you or to third persons. **We assume no duty to review, inspect or approve the construction with respect to Construction Standards, construction means, methods or techniques or compliance with legal requirements.** Our inspections, reviews or approvals are solely for the purpose of determining compliance with our design standards, operational standards, trade dress, presentation of the marks, the progress of construction and the grand opening date. Our approval is permissive only and is not an assurance or warranty that: (1) the salon has been constructed in accordance with Construction standards, (2) concerning the qualifications or capabilities, suitability adequacy of performance or of any person or entity involved in the construction, (3) that all or any part of the construction is safe, suitable, fit or proper for its intended use or purpose; or (4) that the construction has been performed in a neat or workman like manner or in compliance with Legal Requirements; as compliance with these matters is your sole responsibility. This applies, even though we may have commented on some or all of these matters in connection with you or any third party concerning the construction, your activities or third parties, including any liability caused by our affiliates' negligence, but excluding those caused by gross negligence or intentional torts.
  7. You agree and acknowledge that you are solely responsible for the entire cost of the actions contemplated by this Section 21, except for those incurred by us, in performing inspections. The first is gratis. Subsequent inspections for follow up and for the correction of deficiencies from a previous inspection may require your payment of the inspector's expenses and costs.
  8. If we are a party tenant to your lease, actively participate in any pre-Grand Opening marketing as required by the lease or the landlord.
- B. Following your Grand Opening and continuing:
1. Operate your salon in conformity with such standards, techniques and procedures as we may from time to time reasonably prescribe in the Confidential Operations Manual or otherwise in writing and refrain from deviating there from without our prior written consent.
  2. Train your employees in the Regal Nails Salon & Spa system and the standards set forth

in the Confidential Operations Manual.

3. Be able to perform at least the following services: provide and apply full sets of nails, provide refills, perform manicures and pedicures, remove polishes and lacquers, repair broken, chipped and cracked nails, perform French and American manicures, apply various designs and appliqués, do pink and white nails and other services dictated by fashion and/or as we may prescribe from time to time.
4. Refrain from performing piercing, tattooing, full body massage, and any other unauthorized services.
5. Refrain from permitting the presence of “Credo” or other razor-type tools in your salon.
6. Consider the recommended use of an FDA-approved autoclave to sterilize your instruments after use on each customer. And also follow your state board rules and regulations in relation to the cleaning and sterilization of your salon and equipment.
7. For Wal-Mart locations, perform no services other than manicures, pedicures, and limited waxing, unless authorized to do so by us; services provided by your salon should only be performed in a properly licensed salon by properly licensed technicians. You are responsible for ensuring that you and your technicians are licensed for the services that you and they are providing. You are not permitted to offer or perform underarm, bikini, Brazilian, or other private region waxing services; these type of waxing services are not authorized. For locations in Wal-Mart stores: limited waxing services are subject to the Wal-Mart requirement that it is not advertised excepted on your price list and menu and our approval. Wal-Mart at its discretion may prohibit waxing services at its locations. If a certain service is prohibited by Wal-Mart at your location, including all waxing services, you will immediately cease offering and performing such services. Eyelash extension services is a privilege that may be obtained if certain conditions are met; these services are not rights but privileges, which we reserve the right to grant subject to conditions, revoke, and/or reinstate.
8. To be eligible to perform eyelash extension services, you must meet the following conditions. (At this time, eyelash extension services are available only on a test case basis. Meeting these conditions does not guarantee our authorization of eyelash extension services at your salon.):
  - a. You must comply with all state rules and regulations, including but not limited to obtaining the proper licenses to perform eyelash extension services.
  - b. You must not permit your technicians to perform eyelash extension services unless they are properly licensed to perform such eyelash extension services and have attended and completed an eyelash extension training course. A certificate of completion of such course must be provided to us.
  - c. Wal-Mart must allow eyelash extension services for your salon, and we must permit you to perform these services.
  - d. You must sign an additional amendment/agreement with us to permit you to perform eyelash extension services.
  - e. Eyelash extensions must be used as instructed by the manufacturer. For example, disposable items are for one time use only. You are responsible for complying with manufacturer’s instructions.

- f. You must maintain a clean salon to our satisfaction.
- g. You must remain in compliance with our franchise system.
- h. You must pay all debts, including but not limited to past inspection fines, owed to us and our affiliates within 30 days of receipt of invoice.
- i. After one-time use, you must properly dispose of all non-reusable, disposable salon products, including but not limited to disposable buffers, files, autoclave pouches, liners, sanding bands, pumi-bars, and toe separators.
- j. If we designate a chair where all eyelash extensions must be performed, the chair must be used for such purpose by you and you must purchase such chair from Alfalfa Nail Supply, Inc.
- k. You are responsible for obtaining the necessary additional insurance coverage for this service with such limits as those in the current CGL and PL insurance policies obtained through us and naming us and our indemnitees as additional insureds.

If these conditions are not met and maintained, we, at our sole discretion, may choose not to grant or may revoke these privileges. We, at our sole discretion, may reinstate or may refuse to reinstate these privileges after they have been revoked. These privileges are non-transferable; if you choose to at a later date transfer your salons, your buyer may not perform these services until conditions are satisfied and we approve.

- 9. Continuously maintain, throughout the term of this contract, in full force and effect the insurance required as described in Section 23, *infra* and the 2009 MLA, and any other insurance required by local or state law, such as worker's compensation and or employer's liability insurance. For Wal-Mart locations, Wal-Mart requires worker's compensation and employer's liability insurance.
- 10. Immediately upon notification, assign any name, which per chance, through error, inadvertence, or mistake, inadvertently uses the marks, Regal, Regal Nails Salon & Spa or Regal Nails as part of the name of your legal entity. If, by some means, you somehow copyright and/or trademark the name or marks, Regal, Regal Nails Salon & Spa and Regal Nails, assign that copyright and/or trademark to us and take whatever other steps we may require to correct that mistake. You shall bear all costs and attorney's fees incurred by us as a result thereof.
- 11. Pay, within 30 days, any fines and penalties assessed by our quality assurance managers for violation of the procedures set forth in the Confidential Operations Manual or for a breach of this agreement. Correction of all mistakes and deficiencies shall be made on the spot, when possible, otherwise, in conformity with Section 28 *infra*.
- 12. Notify us, should you, after the commencement of business, form a legal entity such as a corporation, partnership or LLC of such action, within 14 days thereof, so that the parties may be properly insured and execute whatever documentation and furnish such information as may be required by us, your CGL and PL insurer, and the landlord of the premises if we are a party tenant to the lease to reflect this change.
- 13. Make arrangements with your family, employees, partners, etc., to notify us in the event of your death or disability.

14. Submit in a timely manner and as prescribed those monthly reports of gross sales, required by us in a form acceptable to us.
15. Maintain the salon in accordance with the instructions contained in the COM, its checklists, and the lease to the premises
16. Cooperate with our quality assurance managers and the inspection procedures set forth in Section 28 infra.
17. Maintain customer satisfaction and to that end:
  - a. Be able to perform, at least, the mandatory services listed in C. 3., above,
  - b. Converse in English only, while customers are present,
  - c. During normal business hours, have at least one member of your staff present and on duty, who speaks English fluently,
  - d. Keep the Customer Comment cards in plain sight for their convenience,
  - e. Continuously and prominently display our hotline telephone number and your price list,
  - f. Guarantee the satisfaction of your clientele,
  - g. Comply with landlord's, if we are a party tenant to the lease, guaranty of satisfaction for all your customers,
  - h. Display the placard identifying you as the franchisee.
18. Re-attend any training we schedule for you as a result of your failure to properly execute the terms of this Agreement or to comply with the provisions of the Confidential Operations Manual and our System.
19. Comply with the non-competition covenants, contained in Section 33.
20. If we a party tenant to the lease, maintain a harmonious relationship with the landlord of the premises, its managers and personnel. Cooperate with them and read, understand and follow their special instructions in their tenants' handbook and avoid any conflicts. You agree that failure to do so may lead to your eviction or a refusal to offer you a successor Franchise Agreement.
21. Require all the managers in your salon to sign our Non-Competition and Confidentiality Agreements and to maintain the confidentiality of our trade secrets and to refrain from competing with us, to the same extent as you are required to do so.
22. Hire only licensed manicurists or other professionals and ensure that their licenses are current and properly displayed. Comply with your landlords' request, if any, for a background check on all hirees.
23. Comply with state laws and our rules and regulations concerning prohibitions on multiple uses of buffers, files, grinding tips and other such implements on more than one customer.
24. Install and use in the operation of your salon our designated merchant services solution and point of sale system, and ensure that at all times we, the landlord (if required), and any of our designees have remote access to the extent we require to the information and data on your merchant services solution and point of sale system. You will also maintain the merchant services solution and the point of sale system in good working order.
25. For products and services for which we have identified a designated supplier, purchase such products and services from the designated supplier. In addition, we may require that

products and services purchased for your salon: (a) meet certain specifications; (b) be a specific brand, kind, or model; (c) be purchased only from suppliers or providers that we have expressly approved of; and/or (d) be purchased from sources that we choose (which may include us or our affiliates or related companies or a buying cooperative organized by us or our affiliates or related companies). Any such requirements will be communicated to you in writing. We may designate certain authorized products and services and select specific products and services as optional or mandatory. All mandatory items must be present in your salon and/or used, as applicable. You must comply with any terms, conditions, or other restrictions imposed by the suppliers or providers concerning your purchase. This includes, without limitation, terms of payment, unless a charge is being disputed in good faith. You must maintain enough inventory of products to meet your customer demand.

26. For Wal-Mart locations, meet or exceed the Performance Covenants as required by Wal-Mart and as set forth in the Attachment A of the 2009 MLA for the leased premises.

## **22. MAINTENANCE**

A. You acknowledge and agree that the maintenance of your salon is vital. To ensure that your furnishings, fixtures, equipment and décor have long, useful, productive lives and retain their crisp, clean appearance, you agree to strictly adhere to our Maintenance Program which is set forth in the COM; to perform weekly inspections of your salon, repair or replace that which is necessary, clean all surfaces and perform whatever services are required to keep or to bring the salon up to an “as new” condition; to pay particular attention to safety items, such as the exhaust fan, electrical wires, hot water heater, sinks, drains and hazards which could cause injuries to your customers or the public and to repair or replace those items not functioning properly.

B. You further acknowledge and agree that you are responsible for any liability resulting from your failure to properly maintain your salon or the contents thereof.

C. You agree to repair, replace, or upgrade any piece of furniture, fixture, item of equipment found to be in need of such by our inspector(s), or, if we are a party tenant to the lease, the landlord at your sole cost and in a timely manner.

D. You agree that if we or, if we are a party tenant to the lease, the landlord request and you have not done so within the last three years, you must, at your sole expense, remodel according to our specifications, plans and timeline. If you fail to remodel according to our specifications, plans and timeline, we may, at your sole expense, complete the remodel with a contractor of our choice. Further, if you fail to remodel according to our specifications, plans, and timeline, then you agree to close and suspend the operations of the salon at your sole cost and expense, until such time that the remodel is completed according to our specifications, plans, and timeline; during such suspension of operation, you shall remain responsible and liable for your obligations under this Agreement, expressly including but not limited to the timely payment of your Monthly Fees and insurance premiums.

E. Maintain your merchant services solution and, applicable if purchased, the point of sale system in good working order so that it functions normally and without error and without any obstruction to remote access by us, the landlord (if required), and our designees.

F. Should you need assistance or have questions, you agree to call us for assistance.

## **23. INSURANCE**

A. During the term of this Agreement, you agree to maintain in full force and effect such minimum required insurance coverages that we designate and communicate to you in writing or otherwise through the COM. Currently, such required minimum coverage includes a CGL and PL with the



liability limits prescribed in this section as well as Property insurance with property amounts appropriate and determined by you, but no less than \$25,000 of Business Personal Property (otherwise known as Contents); the CGL and PL and Property Insurance must be obtained through us by an approved agent and insurer and is the primary policy for your salon. You must execute all documents presented to you to evidence your agreement to, bind, ratify, or otherwise maintain such CGL and PL and Property Insurance. Further, you grant us a limited power of attorney to execute such documents as well as any other documents related to such CGL and PL and Property Insurance, including policy cancellation forms, on your behalf. The CGL policy shall provide liability limits at a minimum \$2,000,000 each occurrence, with at least \$4,000,000 of Aggregate General Liability coverage. Additional General Liability coverage shall include Damage to Premises Rented by you of \$100,000, and Medical Payments in the amount of \$5,000. The CGL shall further include Personal and Advertising Injury Liability of \$1,000,000 Per Occurrence and Products Liability as included in the foregoing. The PL shall be a minimum of \$1,000,000 per wrongful act with an aggregate of \$2,000,000, or included and shared with the Comprehensive Commercial General Liability, whichever is greater. The Property coverage is to provide insurance protection for your least Business Personal Property and Contents at an appropriate coverage level determined by you as the salon owner, and with a coverage amount of at least \$25,000 for said Business Personal Property. The Property coverage shall further extend to any and all Betterments and Improvements as well as a reasonable amount of Business Interruption coverage. This policy shall be on an 'All Risk' or "Special' peril coverage basis and afford 'Replacement Cost' valuation on all applicable coverage. The deductible is set forth by the insurer, but currently is no greater than \$2,000 Per Loss, except where the salon is situated in a coastal area, which has property coverage that may have a Wind/Hail deductible no worse than 10% of the coverage limit(s). A Wind/Hail exclusion is not acceptable. We provide no Property coverage whatsoever on behalf of the Salon location and make no warranties or representations of the adequacy of the amount of coverage you request. On all coverage, we are to be provided Loss Payee status with regards to the Property as well as an Additional Insured as Grantor of Franchise with regards to the Liability. Furthermore, if we are a party tenant to the lease, you shall further require the liability insurance to extend coverage to us, as a separate additional insured as Manager/Lessor of Premises, and name the landlord and/or our lessor as an additional insured. This shall be in addition to and not a part of any other requirements from the legal owner of the property location.

B. You acknowledge and agree that the **CGL and PL and limited Property insurance policy does not protect you against every type of loss**. You will consult with your insurance agent for additional coverage.

C. Should you operate a vehicle in conjunction with the franchise, that vehicle shall be insured to the limits set forth in Section 23 A, *supra*. That policy shall be written by a company rated by Best as A+ and a certificate of insurance furnished to us.

D. Before commencing business, you shall make provisions for statutory workers' compensation insurance or employer's liability insurance, social security taxes and unemployment taxes, withholding taxes. You must display a framed certificate of workers compensation insurance.

E. You must comply with the coverage limits for Worker's Compensation and Employer's Liability as set forth in the lease to the premises if we are a party tenant to such lease, which states that Worker's Compensation with statutory limits, or if none exist, then \$500,000 per occurrence; and Employer's Liability coverage with minimum limits of \$500,000 for each employee for bodily injury by accident and \$500,000 for each employee for bodily injury by disease.

F. You agree to submit incident reports for all accidents occurring in your salon immediately, following an accident and to assist and cooperate with your insurance adjuster.

G. We reserve the right to modify or to increase or to decrease the amount of or the types of coverages required during the term of this agreement. That right is unrestricted but is based on changes in the market place, experience, inflation, law or regulations. If you are required to purchase the required additional or modified coverages through us, any changes in the premium will be passed on to you, which you agree to pay.

H. It is your responsibility to review your CGL and PL and limited property insurance policy to ensure that the proper coverages are in place for your salon and the services you provide. The policies retained by us for you cover you for at least manicures, pedicures, and limited waxing. Any additional services may require additional coverage not found in the policy obtained by us for you. Further, the limited property insurance is limited in its coverage up to a certain dollar amount. If you wish to either increase or decrease the limits of the property insurance, you may do so by contacting the approved insurance agent vendor, but you assume all risks and costs by doing so.

I. You are solely responsible for ensuring that you have all coverages required by state and federal agencies to own and operate your business.

J. In the event we discontinue or do not offer certain insurance coverage through us or through our designated insurance providers, you must obtain for yourselves all minimum required insurance coverage. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which your salon is located and with a rating of "A" or better. The insurance policy or policies must protect you, us, and our affiliates, and our and our affiliates' respective, past, present, and future officers, directors, owners, members, managers, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage, or expense whatsoever arising out of or occurring upon or in connection with the condition, operation, management, use, or occupancy of your salon as well as any vehicles used in connection with the franchise.

We, our affiliates, and other parties we designate must be named as additional insureds on a primary non-contributory basis under each policy, except for policies required by statute in your jurisdiction, including, but not limited to, workers' compensation and employer's liability insurance policies. You and your insurers must also waive rights of subrogation against us. We may require additional types of coverage or increase the required minimum amount of coverage upon reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. Upon our request or as specified in the COM, you must provide us or our designees with certificates of insurance evidencing the required coverage. Your insurer(s) must commit not to cancel or amend the policy or policies without at least 30 days' prior written notice to us. If you fail to obtain and maintain insurance coverage as required by your Franchise Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee, currently 10% of the cost for the insurance, for our services in procuring the insurance. We also reserve the right to impose an Insurance Maintenance Administration Fee for the administration of your compliance with our minimum insurance requirements, and you agree to pay the same to us or our designee and provide all related insurance information we or our designees request with respect to such administration program.

## **24. INDEMNITY**

A. We will indemnify, defend and hold harmless you, your principals, affiliates, successors and assigns, from and against any reasonable and necessary expenses, arising out of any claim for copyright or trademark infringement or unfair competition, directly or indirectly related to your authorized use of our proprietary materials, the COM, or the Marks, or our actual operation in the conduct of the business, provided that you notify us immediately in writing upon learning of the claim and if we are given the opportunity, in our sole and absolute right, to control the settlement

or defense of the claim as we so choose. You must follow the procedures set forth in Sections 10 and 11 to be entitled to indemnification.

B. You agree not to settle any claim described in Section 24 A, *supra*, without our prior written consent.

C. You agree to indemnify, defend and hold us and our indemnities harmless and to reimburse us and them for all expenses for which we or they are held liable, and we or they incur in the defense of any claim brought against us or them, or any expenses arising out of any claim, directly or indirectly related to your operation of the salon, your performance or lack of performance under this agreement, and in any way related to your employees, even where we or our indemnitors are alleged to negligent or to engaged in wrongful conduct. The amount of our contribution will be calculated by applying principles of comparative negligence if negligence, yours and ours jointly caused the expense. You are responsible for any liability not covered by any insurance policy.

D. You must promptly notify us of any claim by or against you, directly or indirectly, related to your operation of the franchise. You must furnish us with copies of any filings in any proceeding involving the claim. We have the sole and exclusive right to defend any claim against us, including the right to be represented by counsel of our choosing. You agree to cooperate with us in the defense of any claim and not settle, compromise or otherwise dispose of any claim or proceeding to which we are a party or that may affect our interests without our written consent.

E. As used in this Section 24, the word “expenses” includes all fines, taxes, suits, actions, proceedings, claims, damages, charges, costs, expenses, liabilities, losses, judgments, actual, compensatory, consequential, exemplary or punitive damages, lost profits, cost of investigation and proof of facts, reasonable attorneys’ fees and fees of expert witnesses (whether or not a suit has been filed), other litigation expenses, travel and living expenses, settlement amounts, compensation for damages to reputation or goodwill, costs resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and costs of recall, refunds, compensation and public notices.

F. As used in this Section 24, the word “indemnities,” includes our parent, subsidiaries, affiliates, successors and assigns, and each of our and their principals, partners, shareholders, directors, officers, employees, agents, affiliates and assigns, as well as any other persons or entities that we are contractually obligated to indemnify as a result of the leased premises for your franchised salon, such as Wal-Mart.

G. The indemnification provisions will survive the expiration or termination of the franchise for as long as any potential for liability under any applicable law, rule, statute, ordinance, or judicial decision exists. To the extent permitted by law, you and Regal Nails, Salon & Spa, LLC each waive the effect of any statute of limitations that would, by lapse of time, limit our or your indemnification obligations.

## **25. ACCOUNTING, AUDITS, OFFICIAL DOCUMENTS AND RECORDS**

A. You are required to purchase, install, and use our designated point of sale software as well as any other accounting or operations software we designate. Franchisees must submit monthly gross sales reports to us to the extent required, however, we may elect, instead, to utilize our remote access to the data on your point of sale system to generate such reports and will notify you of our election, if exercised. If you are required to submit monthly gross sales reports to us, you must maintain and submit to us financial records in forms and for such periods as we may from time to time specify in writing. We recommend that you consult your accountant concerning the use and implementation of any accounting system as it is your responsibility to maintain financial records that are current, complete, accurate, and satisfy the requirements of federal, state, and local governments.

B. It is your responsibility to ensure that all required software and hardware systems are operating as normal and that our or our designees' access to customer and sales data is not restricted or otherwise obstructed.

C. Unless we remotely generate monthly sales reports for your salon, you must provide a written report of monthly gross sales by the 10<sup>th</sup> of each succeeding month; you must submit reports by email, fax, or mail in the prior Monthly Sales Report form. The reports are to be submitted by the 15<sup>th</sup> of the succeeding month through us to Wal-Mart (if this is a Wal-Mart location). Instructions for the report are contained in the COM. You must submit these reports in a timely manner (before the 10<sup>th</sup> of the succeeding month) and in a format acceptable to us. You must certify them to be true and correct. Your records must be maintained on the premises. **They are subject to audit. If you do not provide us with an accurate Monthly Sales Report or fail to grant us or our designees access to do so in accordance with this provision, then you are subject to an administrative fee of \$500 for each accurate report we do not receive and will be responsible for the cost and expenses of an audit.**

D. There are penalties imposed for under reporting gross income on your monthly reports of sales. An explanation of the penalties is found in the COM.

E. **You must maintain your sales and personnel records, including I-9's on premises.** They are subject to inspection and audit by us, your landlord to the premises if we are party tenant to the lease, and USCIS. We reserve the right to inspect but are not obligated to do so.

F. Any papers, served upon you by any local, state or federal agency, entity or office, bearing our name, Regal Nails, Salon & Spa, LLC or our marks, Regal, Regal Nails Salon & Spa or Regal Nails, shall be copied and sent to us, via priority mail, at our offices in Baton Rouge, Louisiana. You agree to accomplish this, within 24 hours, following receipt or service.

## 26. ADVERTISING

A. Although we offer no advertising program and currently have no advertising fund to which you are required to contribute, but reserve the right to do so. In the meantime, there are certain requirements and standards imposed for your advertisements. They are:

1. You may neither publish nor air any advertising that contain our marks or logos without identifying yourself as a franchisee, that disclaims that the marks and logos are trademarks owned by us, and that disclaims that any and all offers on the advertising is only valid at participating locations (if the only participating location is your own, then you must state that it is valid only at your specific location).
2. No advertising shall contain any modified or derivative versions of our marks and/or logos or any untruths or any material which, in our sole judgment, is deemed to be in bad taste or inconsistent with our public image.
3. Prior to publishing or posting on a website with our marks, you must submit it to us for our approval. This includes publishing web-pages on social networking websites, blogging, posting on any forum, video sharing, and/or posting user reviews. Unless specifically authorized by us in writing; at all times you agree not to use Regal Nails, or any derivative or confusingly similar term thereof, as a part of any username, account name, or unauthorized email address.
4. You must follow the general guidelines concerning the use of our logos, marks and names as set forth in Section 10, *supra*.
5. Advertising and press releases, containing Wal-Mart's name must be approved by Wal-Mart.

6. We may assist you with setting up a social media account, such as Facebook, but you must comply with the guidelines set forth in the COM. You remain responsible and liable for all content posted by you on the social media pages.

There is no guarantee nor should there be any expectation by you that you will derive, directly or indirectly, any benefit or proceeds from any advertising or marketing assistance provided by us in any medium or platform.

B. If and when we determine to form a System Advertising Fund, we will notify you. We or our designee will administer the System Advertising Fund as follows:

1. As provided in Section 8 G, you agree to pay us a System Advertising Fund Contribution which, combined with the contributions made by other Regal Nails Salon & Spa and Regal Nails & Spa franchisees, will constitute the System Advertising Fund (or the "Fund").
2. We will direct all advertising programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation of Fund advertising. You acknowledge that the Fund is intended to further general public recognition and acceptance of the Proprietary Marks for the benefit of the Regal Nails Salon & Spa and Regal Nails & Spa Systems. You further acknowledge that we and our designees undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contributions, to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or to ensure that any advertising impacts or penetrates your Territory. The Fund is not a trust and we are not a fiduciary with respect to the Fund.
3. The Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or local advertising, promotions and public relations, including (without limitation): television, radio, magazine, newspaper and worldwide web/internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Regal Nails website (a portion of which, it is expressly understood, may be devoted to describing the Regal Nails Salon & Spa and Regal Nails & Spa franchise offerings and the solicitation of potential Regal Nails Salon & Spa and Regal Nails & Spa franchisees); mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (for the Regal Nails Salon & Spa and Regal Nails & Spa Systems and for competitive networks or units); celebrity endorsements; search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for the System Advertising Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; other activities that we in our business judgment believe are appropriate to enhance, promote and/or protect the Regal Nails Salon & Spa and Regal Nails & Spa Systems or any component thereof; and, engaging advertising agencies to assist in any or all of the foregoing activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other advertising agency fees. There is no guarantee or expectation by you that you will derive, directly or indirectly, any benefit or proceeds from how the Fund has been used.
4. We need not maintain the sums paid by franchisees to the Fund, or income earned from the Fund, in a separate account from our other funds, but we may not use these amounts under any circumstance for any purposes other than those provided for in this Agreement. We may, however, expend monies from the Fund for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Fund and advertising programs for franchisees including, without limitation,

preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the Fund and the annual statement of Fund contributions and expenditures provided for below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Fund. Our right to expend monies from the Fund to reimburse us for such activities is exclusive of any advertising agency fees which the Fund must expend to secure the services of an advertising agency or to have print, broadcast or internet advertising placed by an agency.

5. Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing System Advertising Fund income and expenses for the fiscal year just ended, a copy of which statement will be sent to you upon request.
6. We expect to expend most contributions to the Fund for advertising during the fiscal year when the contributions are made. If we expend less than the total sum available in the Fund during any fiscal year, we may either expend the unused sum during the following fiscal year or rebate all or a portion of the unused sum to franchisees on a pro rata basis for them to spend on local advertising and promotion (as provided for in subsection 26 B.7). If we advance and expend an amount greater than the amount available in the Fund in any fiscal year (in addition to any sum required to be expended because we did not expend all the sums in the Fund during the preceding year), we will be entitled to reimburse ourselves from the Fund during the following fiscal year for all such advanced sums, with interest payable on such advanced sums at the greater rate of 1.5% per month or the maximum commercial contract interest rate permitted by law (with interest accruing the first calendar day following the day on which we advance and expend any such sum).
7. We reserve the right to use any media, create any programs and allocate advertising funds to any regions or localities in any manner we consider appropriate in our business judgment. The allocation may include rebates to individual franchisees of some or all of their System Advertising Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total Advertising Fund Contributions collected from Regal Nails Salon & Spa, Regal Select, and Regal franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees on a pro rata basis. Franchisees must expend any rebate on the types of local advertising and media that we determine. All rebate advertising expenditures must be documented to us in a monthly rebate advertising expenditure report form which we will furnish in our Manual or otherwise.
8. Although, once formed, the System Advertising Fund is intended to be a perpetual duration, we maintain the right to terminate the Fund, but will not do so until all of the monies in the Fund have been expended for advertising and promotional purposes.

C. We may, from time to time, establish, change, merge or dissolve regional advertising cooperatives for a geographic area which encompasses two or more franchised Regal Nail Salon & Spa salons (each a "Regional Advertising Cooperative"). We will furnish to you written notice of the establishment of any Regional Advertising Cooperative for your area. The notice will specify the date you are to begin contributions and your initial contribution of \$10. All other contributions will be established by the Cooperative but will not be less than \$10 per month.

1. The By-Laws of each Regional Advertising Cooperative will provide that the Regional Advertising Cooperative will order an audit following the end of each fiscal year; that the auditors will present their audit report to the Board of the Cooperative as soon as

practicable; and that the Board will then present the report to the members of the Cooperative at the next regular meeting or at a special meeting.

2. The Regional Advertising Cooperative may expend its funds for any or all of the following purposes: (a) development of advertising ideas and concepts; (b) development of market research and merchandising programs; (c) preparation of advertising campaigns; (d) development of promotional ideas and strategies; (e) preparation of collateral creative materials; (f) preparation of advertisements; (g) placing and paying for regional marketing and advertising; (h) planning, negotiating, contracting and trafficking all media programs; (i) employing advertising agencies to assist in these activities and securing other technical and professional advice in connection with the above; (j) other public relations; and, (k) administration of the Cooperative, including legal and accounting services. It will not be a requirement that expenditures made by a Regional Advertising Cooperative be proportionate to your contributions or those of any other franchisee. There is no guarantee or expectation by you that you will derive, directly or indirectly, any benefit or proceeds from participation in any Regional Advertising Cooperative.
3. Your failure to make any required payments to any Regional Advertising Cooperative will be a material breach of this Agreement which, unless cured as provided in Section 31 B, may result in this Agreement being terminated.

## **27. SAFETY/ACCIDENT REPORTING**

A. You agree that you are solely responsible for the safety of your employees and customers. You agree to follow all safety bulletins, ordinances, orders, programs, and regulations necessary for the reasonable safety of those in and around your salon. You agree to follow the safety instructions contained in the Tenant Handbook if we are a party tenant to the lease, recommendations of your insurer, the safety rules of your state board, and those contained in the COM. You should become familiar with first aid and CPR and keep a first aid kit at hand. You acknowledge that safety concerns more than cuts and nicks from manicures and pedicures, but also access to fire exits, handling and storage of flammables, means of access and egress, knowledge of the location of fire alarms, fire extinguishers, emergency lights and knowledge of the things one must do in an emergency.

B. It is important to both of us that accidents be prevented. You agree that:

1. Sanitary condition of your salon is of utmost priority. You shall maintain your salon in a clean and sanitary manner, including sterilizing not only your tools but also your pedicure spas. This will not only help prevent infections but also promote the Regal Nails Salon & Spa or Regal Nails reputation and goodwill in manner consistent with the high quality standards associated with the system and the marks.
2. Credo or other razor-type tools will not be present in your salon.
3. When accidents occur, the injured must be treated promptly and in accordance with first aid procedures.
4. All accidents must be reported immediately. Forms for reporting accidents are contained in the COM. Send the reports to us in a timely manner. We shall forward them to the insurer.
5. For medical emergencies, you must keep on hand at least a first aid kit, liquid bandages, a visible, charged fire extinguisher and have a telephone to call for medical assistance.
6. You agree to follow and comply with all safety bulletins, local ordinances, orders, programs and regulations necessary for the reasonable safety of those in and around your salon. Other safety instructions which you agree to follow are those in the Tenant Handbook if

we are a party tenant to the lease, recommendations of the insurer, and manufacturers' warnings on appliances, rules of your state board, your fire marshal and those contained in the COM.

7. State fire marshal's issue detailed regulations on the handling and storage of flammables and other dangerous chemicals, with which you will comply.
8. State boards of cosmetology have proscriptions against assorted chemicals and other products, which they have determined to be dangerous or harmful. You agree to become familiar with the rules of your state board and to strictly follow their guidance concerning those chemicals and products.
9. You will not reuse disposable, single use items, such as buffers, files, toe separators, slippers, gloves, etc. and other items of that nature. These items may be purchased from any supply house, but we recommend Alfalfa Nails Supply.

## **28. QUALITY ASSURANCE TECHNIQUES**

A. You agree to allow us to inspect your salon and the premises in and about it during normal business hours or at any other reasonable time. Our visits will not unduly disrupt your business. The inspections are made to assist you in meeting our standards and to ensure system wide standardization and uniformity. We will inspect the premises in and around your salon, equipment and operations to ensure conformity with the lease to the premises if we a party tenant, the COM and this Franchise Agreement, see that adequate maintenance has been performed; that prompt repair or replacement of unserviceable or malfunctioning items are made; that you are providing service in clean, attractive facilities and décor that does not detract from the Regal brand; that you are in compliance with the Landlord's standards and goals as well as ours; that the mark is protected. We will also discuss any problems you may be having with the operation of your salon and do all that we can to assist you in meeting our defined goals.

B. We will furnish you with a written copy of the quality assurance manager's report. If the report indicates a deficiency, you will start to take corrective action, upon receipt. You will, within fourteen calendar days, following receipt of the report, correct, repair or replace the deficiency or unsatisfactory condition. If the deficiency or unsatisfactory condition, cannot be corrected, repaired or replaced, "on the spot," you have the fourteen calendar days to make the correction, repair or replacement. If the deficiency or unsatisfactory condition is one which cannot be corrected, repaired or replaced within the fourteen-day period, you will not be in default if you begin within that fourteen days period to make the necessary corrections repairs or replacements. The quality assurance manager's reports become a part of your file and are factors considered when determining whether to grant you a successor franchise.

C. In the event that you do not make or begin the corrective work, within the fourteen-day period, following receipt of the quality assurance manager's written report, we may seek and you shall pay for expenses of the quality assurance inspection that was the subject of the written report. Further, we have the right, but not the obligation to make the necessary corrections, repairs or replacements without being guilty of trespass, any other tort or similar claim and you must reimburse us for the costs and expenses of them. Expenses may include board, lodging, wages, transportation as well as the actual costs of the corrections, repairs or replacements and the costs of re-inspection.

D. If you fail to comply with these obligations, to correct, repair or replace, you are in default of this Franchise Agreement. Fines and penalties, even the loss of you franchise may ensue for your failure to take corrective action. If the quality assurance manager wishes, he may waive certain fines, if you take corrective action within the time he prescribes.



E. If any inspection, quality assurance report, or any information we receive demonstrates that you are not in compliance with the lease to the premises if we are a party tenant, the COM, or this Franchise Agreement, we reserve the right to enter the salon premises, without trespass or any liability to you, and remove or modify any signage or décor items that are in violation of, or not in compliance with, the lease to the premises if we are a party tenant, the COM, or this Franchise Agreement. Any signage or décor item we may modify or remove will be done so at your expense, and any item removed will be returned to you, at your expense, if requested within 3 months of removal (otherwise such items will be deemed to have been abandoned by you), in such reasonable manner you request and pay for in advance.

F. Prior to the expiration of your franchise, with assistance from the quality assurance manager, we will assist you in the preparation of your list of repairs to be made and upgrades required to bring your salon to current standards in order to obtain a successor Franchise Agreement. Prior to granting you that successor Franchise Agreement, we will inspect your salon to see that all was performed satisfactorily.

G. If we are a party tenant to the lease for the premises, you agree to allow the landlord and its representatives to inspect your salon premises and the areas surrounding the premises during normal business hours or at any other reasonable times.

## **29. CUSTOMER SATISFACTION**

A. You acknowledge and agree that in addition to our goals and standards, you must also meet standards prescribed in the Tenant's Handbook if we are a party tenant to the lease for your specific salon location. You must subscribe to the following principals:

1. Respect for the individual, regardless of their race, gender, age, sexual orientation, religion, and/or national origin;
2. Serve the needs of the customer; and
3. Strive for excellence.

By your execution of this Agreement, you acknowledge and agree that you subscribe to these principals.

B. You will fulfill the first belief by adhering to a non-discrimination policy, complying with the requirements of the American Disability Act and by using common courtesy. The second is accomplished by maintaining an adequate stock of high quality products, such as which we furnished you in the Snow White Package and by performing those services set forth in Section 21 B. The third belief concerns the best value for the best price. Problems arise in the customer service area when customers complain that they are not completely satisfied with the services for which they paid. You are required to guarantee 100% customer satisfaction. To achieve this goal, you shall attempt to resolve all customer complaints amicably. The few exceptions to this rule must be addressed on an individual basis.

C. Should you not reach a resolution with the customer, you agree to ask the customer to call our toll free customer complaint number so that our representative may endeavor to resolve the matter for you. You authorize us to use our sole discretion in the resolution of the matter. You agree to be responsible for the costs thereof, to give us your full cooperation and to provide any additional information that we may request.

D. If we are a party tenant to the lease, should the customer call the landlord's management or customer service team, that call will eventually be referred to us for resolution. You agree that it may be handled in the same manner as described in Par. C above, that you will be responsible for the costs thereof, plus any additional fines and costs we incur.

E. You agree to pay our statements for these services within thirty days of their presentation.

F. For Wal-Mart locations, you acknowledge that you are aware of Wal-Mart's rigorous policy concerning customer satisfaction. Repeated violations of it, i.e. more than 3 negative reports within a twelve-month period, can lead to cancellation of the lease to the premises and cancellation of your franchise and sublease.

### **30. TRANSFER OF FRANCHISE, CONSENT**

A. To ensure that we have qualified, worthy, competent franchisees, we must approve anyone to whom you wish to transfer your franchise and salon. A transfer takes place when more than a one-third interest is conveyed to a third party.

B. Our consent will not be withheld if the following conditions are met:

1. You are current on all your obligations due us, including for amounts owed Regal by you or any of the principals, if you are a corporate entity, for the salon operating under this Agreement and all other salons franchised by Regal to you, or if you are a corporate entity, your principals or affiliates;
2. Your transferee must submit an application, pay the \$250 Application Fee, submit his/her/their professional license(s), and meet our qualifications;
3. You or the transferee agrees to bring the salon up to current standards within an agreed upon time period;
4. Your transferee must submit to a background and credit check to determine qualification, and, additionally, transferee or at least one of the principals of the transferee must have at least 1 year of salon experience in the last two years;
5. Upon qualification of transferee, we must receive from you and transferee a Bill of Sale and an Assignment Assumption Agreement in a form acceptable to us, both of which must be approved and signed (and in the case of the Bill of Sale, notarized) by both you and transferee;
6. You and transferee execute our required documentation and transferee pays a \$1,000 transfer fee;
7. Copies of all the transfer documentation are sent to us for our approval;
8. You transfer to us or to transferee any and all Websites, Internet pages, listings, accounts, and domain names you own or control related to the Franchise, as well as all social media accounts (including accounts where any username or online activity is related to the Franchise);
9. Transferee attends the next regularly scheduled Regal Nails, Salon & Spa training session, pays any pro rata prepaid expenses due; and
10. If permitted by local law, you must execute a general release and we authorize the transfer. See Exhibit A, Part 4.

C. With our prior permission, you may assign this Agreement and all rights hereunder to a corporation or other legal entity in which you have, at least, a one-third equity position, whose activities are confined exclusively to acting as a Regal Nails Salon & Spa or Regal Nails franchisee. You remain liable for the original obligations successor to the transfer and are relieved of no liability. There is a \$500 fee for this service.

D. You may not pledge either the franchise or the salon as security for a debt, loan, sell or transfer more than one-third of it without our written consent.

E. Depending upon applicable state law, should you die or become disabled, your administrator, executor, tutor, guardian or personal representative shall have no longer than six months to assign this franchise to a person qualified to operate a Regal Nails Salon & Spa or Regal Nails franchise. If no personal representative is appointed or designated within the six-month period or no probate or guardianship proceeding instituted with respect to the estate of the franchisee, then the franchise shall be terminated by us. Any heir or distributee of the franchisee must be approved by us. Should the distributee not be approved, the distributee shall transfer such interest to a third party approved by us, within six months following the death or disability of the franchisee. In the event that your state's manicurist's licensing board imposes a shorter time period, then the time prescribed by that board shall supersede the foregoing. No transfer fee shall be imposed.

F. If you must dispose of your salon, you may contact us to have your location added to a sales list. If an inquiry is made for your location, the potential buyer will be re-directed to you.

G. Upon approval of the transfer by us, you must abide by the noncompetition covenants set forth in Section 33.

H. You acknowledge that the purposes of the foregoing restrictions are to protect our mark, trade secrets and operating techniques of Regal Nails, Salon & Spa; to protect our reputation, image and goodwill and that these restrictions are for your benefit, as well as our other franchisees.

I. This agreement and all its rights and duties hereunder may be freely assigned by us, in whole or in part, without your consent and in our sole discretion to any person or legal entity that agrees to assume our obligations hereunder, including a competitor of ours, and shall be binding upon and inure to the benefit of our successors and assigns, including, without limitation, any entity which acquires all or a portion of our membership units or any entity resulting from or participating in a merger, consolidation, or reorganization in which Regal Nails, Salon & Spa, LLC is involved and to which our rights and duties hereunder, in whole or in part, are assigned or transferred.

### **31. REASONS FOR TERMINATION**

A. General. We have the right to terminate this Agreement, for good cause. The lists below are the reasons for termination and give us good cause. They are referred to as events of default. These lists are in addition to other rights and remedies afforded to us by this Agreement. Minor events of default of this agreement are curable defaults. Curable events of default may be cured by prompt action on your part. You will be advised of what corrective action you must take in the notice of default. Non-curable defaults result in the immediate termination of your franchise upon your receipt of notice from us.

B. Curable Defaults. If you do nothing, curable defaults are grounds for termination. You will be notified of your default and given fourteen days, subject to local law, to cure that default. Curable events of default are events where you do one or more of the following:

1. Unwittingly abuse, disabuse, attempt to assign or to donate, assign or donate our mark or system to another.
2. Operate the salon in such a manner as to detract from or to cause harm to our good name and goodwill or its relationship with the prime lessor or with the public. For example, reusing single use, disposable items, such as buffers, files, autoclave pouches, liners, sanding bands, pumi bars, and toe separators.
3. Default on the timely payment of any Monthly Fee, insurance premium, or other amounts due us as set forth in Section 8 A. and B.
4. Default on any payment of any fine or any other payment due us, they being due within 30 days of the date of our statement.

5. Fail to perform any of those duties set forth herein or fail to meet the standards set forth in the COM.
6. Fail to operate the business continuously during the term of this agreement, Acts of God or other causes beyond your control, excepted.
7. Fail to keep the salon open on the days and during such operating hours as we approve, as you represent to your customers, and as permitted under the terms of your lease. For locations in which we are a party tenant to the lease, these hours are prescribed by the landlord of the premises. (Wal-Mart locations see 2009 MLA, Section 17.1.) For locations in which we are not a party tenant to the lease, you must open on days and operating hours that you represent to your customers on your price list and other signage.
8. Fail to obtain from your manager the required non-disclosure, non-competition agreements.
9. Permit any objectionable or unpleasant odors to emanate from your salon.
10. Allow any insurance policy to lapse.
11. Fail to comply with federal and state laws of significant industry import, such as the Age Discrimination in Employment Act, Americans with Disabilities Act, Fair Labor Standards Act, federal and state withholding, gender based discrimination laws, Illegal Immigration Reform and Control Act, Immigration Responsibility Act, OSHA, Title VII of the Civil Rights Act, wage and hour laws, workers compensation insurance, EPA rules and regulations, local & state fire and safety codes, local environmental laws, laws, rules regulations concerning the handling and storage of flammables or others which give high visibility to transgressors for the harm they inflict upon the environment and your community.
12. Fail to submit in a timely manner and in the prescribed manner, those reports of monthly gross sales and customer data required by us or otherwise obstruct us from obtaining monthly gross sales and customer data. (Wal-Mart locations: Wal-Mart may terminate the lease to the salon premises for this failure.)
13. Fail to submit incident reports to the insurer in proper form and in a timely manner.
14. Treat customers in a rude or crass manner, fail to treat them courteously or act obnoxiously in their presence.
15. Have unauthorized appliances, furniture or other such items in your salon.
16. Fail to adhere to the Regal Nails, Salon & Spa Maintenance Program.
17. Fail to prominently display copies of your professional license.
18. If we are a party tenant to the lease, fail to attend a periodic or special in-store meeting with the big box retail store manager and his staff.
19. If we are a party tenant to the lease, failure to adhere to the rules and procedures contained in the landlord's Tenant's Handbook.
20. If we are a party tenant to the lease, fail to cooperate with the landlord, their contractors or ours in any effort to repair, redecorate or improve your salon.
21. Change or alter the decor of your salon or falsely report its condition.
22. Fail or refuse to comply with or to honor warranties.
23. Failing to file any report or filing false reports to us.
24. Fail to oversee the operation of your salon.

25. Fail to comply with all laws, including but not limited to the requirements of your state board and your federal and state tax returns obligations.
26. Use "Credo" or other razor-type tools.
27. Fail to have or to use a FDA-approved autoclave and to sterilize your instruments after each customer's use.
28. Fail to use an EPA / hospital approved sterilizer / cleanser to sterilize /clean your pedispas, after each customer's use.
29. Offer or provide any products or services without our written approval.
30. Fail to maintain a clean salon in a sanitary condition.

C. Non-Curable Defaults Non-curable events of default are those, which result in an immediate termination of this agreement upon notice. We need only send a Notice of Default to you and this agreement shall terminate immediately, with no right to cure. Non-curable events of defaults are instances where you and / or your principals do one or more of the following:

1. Fail to attend the Training Program described in Section 19, or fail to attend a retraining program you have been requested to attend, expressly including failing to re-attend a training program within 90 days' notice of our knowledge of a second claim within a three-year period.
2. Fail to notify us in writing not more than 180 days and not less 120 days before the end of the term of this Agreement of your wish to execute a successor Franchise Agreement for an additional three-year term.
3. Assign, transfer, lease, sell or for any reason pass the supervision or control of the franchise to another without our written consent.
4. Assign or donate our marks or system to a third party.
5. Operate the salon in other than the territory designated in Section 4, *supra*.
6. Are adjudicated bankrupt (unless prohibited by the United States Bankruptcy Code), become insolvent, if a receiver is appointed for you or your property, or any part thereof is appointed by a court of competent jurisdiction, or if you make a general assignment for the benefit of your creditors, if a final judgment against you remains unsatisfied or recorded for 60 days or longer (unless a supersede as bond is posted), if execution is levied against your business or property, or suit to foreclose any lien or mortgage is instituted and not dismissed with a 60 day period.
7. Have your manicurist's license or other professional license or that of your salon suspended, withdrawn, revoked, cancelled or terminated.
8. Repeatedly default three times within a consecutive 12-month period, even if those defaults are cured within the prescribed time period.
9. Institute procedures or services not authorized by us and this Agreement or those prohibited by the lease to the premises if we are a party tenant to the premises.
10. Operate your salon without obtaining the Worker's Compensation Insurance required by your state's laws.
11. Institute procedures not covered under existing policies of insurance.
12. During the term of this franchise, participate in competing salon within a 5-mile radius of the franchised salon.

13. Engage in lewd or lascivious conduct with your customers, employees, patrons of big box retail store in which we are a party tenant to the lease or others in the shopping center.
14. For locations in which we are a party tenant to the lease, remove merchandise from the store sold by others without permission or proof of purchase.
15. Make false representations or declarations to us.
16. For locations in which we are a party tenant to the lease, breach the terms, conditions, or covenants of the lease.
17. Are convicted of a misdemeanor punishable by more than one year in prison and related to the performance of this agreement
18. Are convicted of any felony.
19. Fail to cooperate with our quality assurance managers; deny him admission or refuse to submit to an inspection; sign the quality assurance manager's report or to pay fines imposed by the quality assurance manager's.
20. For Wal-Mart locations, fail, more than two times, within a period of 12 consecutive months to keep your salon open during the hours prescribed in the 2009 MLA.
21. For Wal-Mart locations, allow more than two reports of unsatisfactory customer satisfaction to be reported to Wal-Mart within a period of 12 consecutive months.
22. Commit three material events of default under this agreement within any 12 month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured after notice.
23. For locations in which we are a party tenant to the lease, fail to comply with the terms and conditions of the lease or any related agreement following notice of such default. For Wal-Mart locations, this includes failing to meet the performance covenant as set forth by Wal-Mart.
24. Fail to give us 30 days' notice of your intention to sell or transfer your salon and to provide us with copies of the documents you propose to use to effect the transfer.
25. Use chemicals, agents, or instruments prohibited by your state board or state law. **NOTE:** *This may be a very serious violation in your state, leading to loss of license, suits by third parties, or criminal prosecutions.*
26. Fail to comply with any laws concerning the operation of your salon.
27. Conflict, clash or fight with employees of the landlord if we are a party tenant to the lease, other tenants if we are a party tenant to the lease, or the public.
28. Become a threat or danger to public health or safety resulting from the operation of your salon.
29. Fail to leave instructions with your personal representative, mandating a transfer of the salon to a qualified individual, within 6 months of your death or disability.
30. Employ as a manicurist, one not properly licensed, not licensed or one fraudulently using another's license or
31. Fail to comply with the in-term covenants against competition of Section 33, or fail to have the Covenants against competition and related agreements required by Section 33, within ten days, following execution of this Agreement.
32. Fail to pay us any sum due, within fourteen calendar days of written demand for payment.

33. You lose the right, for any reason, to occupy the salon premises.

34. Abandon the franchise, where abandonment is a failure to operate the salon for three consecutive days (unless otherwise authorized by us in writing).

D. The foregoing notwithstanding, to the extent that the provisions of this agreement provide for periods of notice less than those required by local law or provide for termination, cancellation or non-renewal or the like, other than in accordance with local law, those provisions shall, to the extent they are not in accord with local law, be superseded by local law, and we shall comply with local law in connection with each.

E. Notice of default shall be sent as specified in Section 49. It will specify the default and time period, if any, given for you to cure the default. Some states, by statute, have given franchisees a longer period of time in which to cure defaults than those set forth above. If your state has a longer period, you will be allowed the longer period prescribed by your state law to cure your default.

F. You agree that following the posting of a Notice of Default that we are excused from further performance of our obligations until you cure your default and that our inaction during that period shall not be a defense to your default.

### **32. CROSS DEFAULT**

You are aware, agree and acknowledge that a default of any of the terms of this Franchise Agreement or any other agreement executed between us not cured in accordance with the terms of this Franchise Agreement or any other agreement executed between us, constitutes a default of your franchise and the other agreement executed between us. Upon a breach of the terms of this Franchise Agreement, we may declare the Franchise Agreement terminated and avail ourselves of all the rights and remedies hereunder or under any other agreement executed between us and/or seek such redress under the terms of any other agreement executed between us as we choose. Further, you are aware, and you agree and acknowledge that a default of any of terms of the lease to the premises, whether we are a party tenant or not a party tenant, not cured in accordance with the lease terms, constitutes a material event of default under this Franchise Agreement; and upon subsequent termination of the lease, we may declare this Franchise Agreement terminated.

### **33. NON-COMPETITION COVENANTS**

A. You, any other owners of this franchise, and your principals, if you are a corporate entity, and your immediate family members (which include the parents, siblings, spouses, and children of individual franchisees and of the principals for a corporate entity franchisee), promise and agree that, except as otherwise approved in writing by us, you shall not during the term of this agreement or for a continuous period commencing upon the expiration, termination, or transfer of this agreement, regardless of the cause for termination, and continuing for a period of one year thereafter, either directly or indirectly, own, maintain, engage in, be employed by, advise, assist, solicit customers for, invest in, franchise, make loans to, participate in, or have any interest in any business, which is the same or substantially similar to the nail salon business and which is located within a radius of five miles of the territory as designated in Section 4, *supra*. If all or any portion of the non-competition covenants set forth in this Section 33 are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency is hereby empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. You expressly agree to be bound by any lesser covenants subsumed within the terms of this Section 33 as if the resulting covenants were separately stated in and made a part of this Agreement.

B. You promise and agree that this restrictive covenant shall be enforced by means of a preliminary injunction and temporary restraining order since monetary damages are inadequate to compensate us for damages it may suffer. You agree that we may obtain these orders as set forth in Section 35.

C. The parties agree that the purpose of this covenant is not to deprive you of a means of livelihood and will not do so. It is to protect the goodwill and interest of us, our franchisees and the System.

D. You acknowledge and agree that the Regal Nails, Salon & Spa system is unique and that we are making that knowledge, know-how and expertise available to you for the sole purpose of operating a Regal Nails, Salon & Spa Salon. You agree that it would be an unfair method of competition for you to use or to duplicate or to allow others, including parents, subsidiaries, affiliates or others to use any of that knowledge, know how or expertise received from us for any use other than the operation of the franchised salon. You warrant that during the term of this agreement, you will use your best and continuing efforts to promote and to develop the business of the salon and that you will not directly or indirectly engage in the operation of any nail salon, other than the franchised salon. If you violate this provision, you agree that we may obtain a temporary or permanent injunction, without bond, as set forth in Section 35, prohibiting you from violating this provision and that we may obtain reasonable attorney's fees.

E. The time period limitations for the covenants in this Section 33 shall be tolled during any period of noncompliance.

F. You agree that either we or the entity to which you sell your franchise to and their successors and assigns may enforce this provision as described in A through D above.

#### **34. BEST EFFORTS**

The parties agree that they shall cooperate, one with the other, and contribute their best efforts toward this undertaking. They agree to communicate any and all complaints and to make every attempt to resolve any problem, which may arise. You further agree that you shall make every attempt to operate a successful salon and to faithfully comply with the terms of this agreement.

#### **35. EXTRAORDINARY ACTIONS**

A. The parties recognizing and agreeing that not all disputes between them by may be resolved as set forth in Sections 36 – 37, *infra*, hereby expressly exclude from Sections 36 and 37 our actions for indemnification, collection, eviction or actions seeking injunctions or temporary restraining orders which shall be brought in accordance with the rules of court of your state in a court of proper venue.

B. Franchisee acknowledges and agrees (a) that any failure to comply with the covenants of this agreement concerning indemnification, collection, eviction, or actions seeking injunctions or temporary restraining orders, shall constitute a default hereunder; (b) that a violation of this Agreement would result in irreparable injury to us for which no adequate remedy at law is available; and (c) as a result, we shall be entitled, in addition to any other remedies it may have hereunder, at law or in equity, to obtain specific performance or an injunction to enforce the requirements of this agreement without the necessity of showing actual or threatened damage and without being required to furnish bond or other security.

C. The parties agree that any dispute arising hereunder or relating to this Agreement concerning which injunctive relief and damages are colorably applicable, the aggrieved party is expressly permitted to seek injunctive relief through the filing of a law suit and, contemporaneously, to seek damages through the arbitral process, neither filing shall preclude the other. This right is discretionary and is not to be construed as an obligation of either party.



D. If you make any claim or assertion that we unreasonably withheld or delayed any consent or approval to a proposed act by you under the terms of this Agreement, you agree that your sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for a declaratory judgment.

E. Notwithstanding the foregoing, in the event of a termination as a result of your abandonment, if we are a party tenant to the lease of the premises, you agree that we have an immediate right to recover and otherwise re-possess the premises upon notice of termination to you. Further, on your abandonment of the Salon, any personal property and/or salon contents still on the premises at the time the premise is recovered and/or re-possessed by us will be deemed to be abandoned by you, and we may dispose of such personal property and salon contents, at our sole discretion without additional compensation to you or as an offset of any amounts owed by you to us; you shall have no expectation that such personal property and salon contents will be held in storage, and you agree to indemnify, defend, and hold us harmless for any claims, actions, suits, injuries, damages, expenses and costs arising out of or related to your failure to remove such personal property and salon contents from the premises and/or your abandonment of the same.

### **36. INFORMAL DISPUTE RESOLUTION**

A. In the true spirit of amicability, collegiality, and friendship and as professionals, the parties agree that they shall attempt to resolve any disputes and differences which may arise between them in the following manner:

- 1<sup>st</sup> By telephone, e-mail, or fax
- 2<sup>nd</sup> By mail

B. Should these attempts fail, then the parties agree to litigate as set forth in Section 37, *infra*.

### **37. LITIGATION**

A. Jurisdiction and Venue. Except as expressly provided by applicable state law, or provided otherwise in this Agreement, the parties agree that any action brought by either party against the other must exclusively be instituted and maintained in the federal or state courts situated Baton Rouge, Louisiana. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Notwithstanding the foregoing, you acknowledge and agree to the following:

1. Injunctive Relief. Notwithstanding this Section 37, we may bring an action for injunctive relief in any court having jurisdiction, for instance, to enforce our trademark and proprietary rights, the covenants not to compete contained herein, to protect the health and safety of the public or the restriction on disclosure of confidential information or trade secrets, in order to avoid irreparable harm to us, the other franchisees and/or the system as a whole; and

2. Sublease. Also notwithstanding this Section 37, if you breach your Sublease Schedule, we may exercise our option under the sublease to evict you from the franchised salon and terminate this Agreement. You will not seek a stay of eviction for any actions involving actions brought for non-payment of rent or any other fees.

B. Waiver of Jury Trial. **The parties hereto, you and we, waive trial by jury in any action brought by one against the other, except to the extent this provision is unenforceable under the local law of the jurisdiction in which the salon is located.**

C. Punitive Damages, Recoupment. No punitive or exemplary damages shall be awarded in any proceeding against either party to this Agreement or their affiliates, employees and agents, and they are expressly waived by the parties, who agree that the exclusive and sole measure of damages shall be that set forth in subsection 37 D., *infra*. No actions or claims for recoupment

shall be brought.

D. Limitations on Damages. The parties agree that that application of the formulas set forth in subsections 2. and 3. below are fair and not disproportionate to the loss incurred as a result of the breach.

1. The parties agree that they shall not demand or be awarded consequential, contingent, continuing, exemplary, punitive or special damages, they being waived insofar as permitted by local law.
2. For the reasons that damages would be difficult to estimate, and that they include lost profits, damage to goodwill and harm to intellectual property, we agree to pay you, should we be found to have breached our agreement with you, without just cause, before the end hereof as damages and not as penalty for such breach, a sum of money equal to the average of your profits from the franchise, as shown on your last year's federal tax return, divided by twelve, multiplied by the number of months remaining under the terms of this Agreement.
3. For the reasons that damages would be difficult to estimate, and that they include lost profits, damage to goodwill and harm to intellectual property, you agree to pay us, should you be found to have breached this Agreement with us without just cause before the end hereof as damages and not as penalty for such breach, a sum of money calculated as follows:
  - a. The number of months remaining on the agreement, multiplied by the amount of your Monthly Fee; and
  - b. Plus, the number of months remaining on the agreement, multiplied by the amount of the Monthly Utility Charge and/or CAM; and
  - c. The costs of transferring telephone service, fax service, websites, yellow page advertising, assumed business names or d/b/a, as well as any monthly charges related thereto or termination charges for the foregoing services. Less any successor rentals or franchise fees paid to us as a result of our efforts to mitigate our damages.

E. Procedurally. All adjunct claims or defenses must be raised in any litigation proceeding (excluding, however, any proceeding for eviction). Those not properly or timely asserted shall be deemed waived.

F. Limitations on Actions - Any claim must be brought or asserted before the expiration of the earlier of (1) the time period for bringing such action under any applicable state or federal statute of limitation; (2) one year after the date on which a party discovered or should have discovered the facts giving rise to the alleged claim; (3) one year after the first act or omission giving rise to the alleged claim; (4) one year following the termination of this agreement. Notice of the claim shall be given to the other party within 60 days following its discovery. You agree that this time period is fair, reasonable, and commercially feasible.

G. Sole Defendant - To the extent permitted by law, the sole entity against which you may seek damages in law or equity is Regal Nails, Salon & Spa, LLC, its successors and assigns. You agree that the partners, managers, employees, agents and representatives of Regal Nails, Salon & Spa, LLC and its affiliates shall not be liable or named as a party to any litigation or other proceedings commenced by you where the claim arises out of this Agreement. You also acknowledge and agree that each of the aforementioned are intended beneficiaries of this Section 37 and that all claims against them that arise out of or relate to this Agreement must be resolved through litigation with Regal Nails, Salon & Spa, LLC.

H. Confidentiality - The dispute resolution proceedings contemplated by this Agreement shall be as confidential and private as permitted by law. To that end, the parties agree not to disclose the existence, content or results of any proceedings conducted in accordance with this Section 37, and materials prepared or submitted in connection with such proceedings shall not be admissible in any other proceeding; provided, however, that this confidentiality provision shall not bar disclosures required by law. The parties agree that any decision or award resulting from proceedings in accordance with this dispute resolution provision shall have no preclusive effect in any matter involving third parties.

### **38. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

A. Upon termination for any reason or in the event of expiration, you agree to do the following without delay:

1. Return to us, our Confidential Operations Manual;
2. Return to us all materials bearing our mark;
3. Vacate the salon and, if we are a party tenant to the lease for the premises, return the premises to us "broom clean" and, if required by the lease, in "white box" condition, in lieu of returning the premises in a "white box" condition you may pay us \$25,000.00. If we are party tenant to the lease for the premises and you fail to remove your personal property and/or the contents of the salon from the premises, then such personal property and/or salon contents be deemed abandoned by you, and we may dispose of such personal property and salon contents at our sole discretion without additional compensation to you or offset of any amounts owed by you to us; you shall have no expectation that such personal property and salon contents will be held in storage, and you shall indemnify, defend, and hold us harmless for any claims, actions, suits, injuries, damages, expenses and costs arising out of or related to your failure to remove such personal property and salon contents from the premises and/or your abandonment of the same.
4. Assign to us your salon's:
  - a. Telephone listing,
  - b. Fax number,
  - c. Websites and any Internet pages, listings, accounts, and domain names you own or control related to the Franchise,
  - d. Social media accounts (including accounts where any username or online activity is related to the Franchise);
  - e. Assumed business name or d/b/a,
  - f. Yellow Pages advertising and
  - g. Any other contract, which requires use of Regal Nails, Salon & Spa's mark;
5. Pay us any monies due,
6. Surrender and assign to us whatever rights, if any, you may have to our mark and its attendant goodwill; and
7. Comply with the terms of the Non-Competition Covenants, Section 33, and any indemnification obligations under this Agreement.

B. Upon early termination of this Franchise Agreement for any reason, you further agree that damages would be difficult to estimate, and that they include lost profits, damage to goodwill and harm to intellectual property and, as such, you agree to pay us a sum of money, calculated as

follows, that reasonably represents our monetary losses of Monthly Fees and other monthly payments and which is in no way a penalty:

1. The total of all Monthly Fees due to us through the remainder of the term under this Agreement, as set forth in the chart in Section 50 of this Franchise Agreement; plus
2. The total of all Monthly Utility Charges and/or CAM due to us through the remainder of the term of this Agreement as set forth in the chart in Section 50 of this Franchise Agreement; and
3. Discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank.

C. If on the expiration of this Franchise Agreement, your abandonment of the franchise or the salon premises, or the termination of this Franchise Agreement, you leave any property of any kind or character in the salon, your act of leaving such property in the salon will (i) be construed as conclusive evidence of your intent to abandon such property, and (ii) such leaving shall constitute abandonment of the property. We, our agents, representatives, and attorneys, shall have the right and authority without notice or compensation to you, to assume ownership of the abandoned property and remove and destroy, store, sell, use or otherwise dispose of such property, or any part of such property, in our sole discretion, without being in any way liable to you. The provisions of this subsection shall survive the expiration or termination of this Franchise Agreement.

### **39. BINDING EFFECT/ MODIFICATION**

This agreement shall be binding on the heirs, assigns, personal representatives or successors of the parties. The agreement may not be modified except in writing, signed by both parties.

### **40. NON-WAIVER**

If we allow you to deviate from this agreement, we may insist upon strict compliance at any time thereafter, with or without written notice. Our silence or inaction will not be, or will not establish a waiver, consent or course of dealing, implied modification or an estoppel. All modifications, waivers, approvals and consents by us must be in writing and signed by an authorized representative to be effective. Unless otherwise provided in this agreement, concerning certain issues, whenever this agreement requires you to obtain our written consent, or permits us to take any action or refrain from taking any action, we are free to act in our own self-interest without any obligation to act reasonably; to consider the impact on you; or to act subject to any other standard of care limiting our right, except as may be provided by statute or regulations.

### **41. VARIATION OF TERMS AND STANDARDS**

You acknowledge that because uniformity under many varying conditions may not be possible or practical, we reserve the right to materially vary our standards, Franchise Agreement terms or enforcement or any of our standards or Franchise Agreement terms for any franchised Business, based on the timing of the grant of the franchise, the peculiarities of the particular location or circumstances, business potential, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of the franchised Business. You will have no right to require us to disclose any variation or to grant the same or a similar variation to you.

### **42. CHOICE OF LAW / SEVERABILITY**

Except to the extent governed by the United States Trademark Act of 1946, (Lanham Act 15 USC § 1051 et seq.), this agreement shall be construed under the laws of the state of the State of Louisiana, which laws shall prevail in the event of any conflict of law, except that you will not be

entitled to any rights under any Louisiana franchise or registration law, unless the franchised salon is in Louisiana or the jurisdictional requirement of the law is otherwise met without reference to the choice of law provision in this Section 42.

**Except as expressly provided to the contrary herein, each section, part, term, and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid or contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Regal Nails, Salon & Spa determines that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, Regal Nails, Salon & Spa, at its option, may terminate this Agreement.**

#### **43. ATTORNEY'S FEES**

Should it become necessary for us to engage the services of an attorney to correct any error or omission on your part, or to defend any claim made or brought by a third party as a result of your actions or inactions under the terms of this agreement, or to enforce or to defend any right of Regal Nails, Salon & Spa's under the terms of this agreement, we are entitled to indemnification and to recover reasonable attorney's fees, court costs and expenses from you.

#### **44. COLLECTION FEES, COSTS AND EXPENSES**

Should it become necessary for us to engage the services of a third-party agency or an attorney to collect amounts owed by you to us, we are entitled to recover from you any and all fees, costs and expenses of such collection attempts. These collection fees, costs and expenses include but are not limited to court costs, any amounts charged to us for the successful or unsuccessful collection of the overdue amounts owed by your or our withdrawal of your overdue account from the agency or attorney or a settlement of the amounts due by you with us.

#### **45. ASSIGNABILITY**

You may not assign, sell or transfer this agreement, except in accordance with the provisions of Section 30, *supra*. Nothing herein shall limit our ability to assign this Agreement, should we choose to do so.

#### **46. COMPLETENESS OF AGREEMENT**

This Agreement, and, if we are a party tenant to the lease for the premises, the lease, and their respective exhibits and addenda, shall constitute the entire agreement between you and us regarding your Regal Nails, Salon & Spa salon. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations we made in the disclosure document we gave you. A breach of the terms and provisions of any one shall be deemed a breach of the others, allowing us to pursue the remedy of its choice. There are no promises, terms, conditions or promises other than those contained herein; and they supersede all previous communications, representations or agreement, either verbal or written, between the parties. You know of no representation by us or our agents, directors, employees, officers, servants or shareholders, about the franchise, which is contrary to the terms of this agreement or the

documents incorporated herein. You further represent to us, as an inducement to entry into this Agreement, that we have made no misrepresentations in obtaining this agreement.

**47. NO THIRD PARTY BENEFICIARIES**

Nothing in this Agreement is intended, nor will be deemed, to confer rights or remedies upon any person or legal entity not a party to this Agreement.

**48. SECTION HEADINGS**

The section headings appearing in this Agreement have been inserted for the purpose of convenience only. They do not purport to, and shall not be deemed to define, limit or extend the scope or intent of the clauses to which they appertain. "He" and "she" are used interchangeably throughout this Agreement without preference.

**49. NOTICES**

Notices required by this agreement shall be sent by USPS certified mail, return receipt requested/priority mail/express mail or by commercial carrier, signature requested. Notices to the franchisee shall be sent to the salon address or to the address set forth on the signatory page, and those to be sent to Regal Nails, Salon & Spa, LLC shall be sent to the address set forth in Section 2, *supra*. Proof of mailing shall be deemed proof of delivery.

**50. TERM, TERRITORY ADDRESS AND MONTHLY PAYMENT SCHEDULE**

**Term Commencement Date: Effective Date as set forth below.**

**Term Expiration Date:** \_\_\_\_\_

**Payment Commencement Date:** \_\_\_\_\_

**Territory**

**Address:**

Period	Monthly Fee*	Monthly Utility Charge**	Common Area Maintenance***	Total Monthly Due****

\*If we are a party tenant to the lease, then this amount includes the monthly franchise fee, base rent and rental tax for the premises. Rental taxes are subject to increases by governmental entities; if increased, you are responsible for the additional amounts. For Wal-Mart locations: if Wal-Mart imposes a percent-based monthly base rent amount, we reserve the right to unilaterally amend the monthly payment structure and separate the monthly base rent and rental tax, which we anticipate to be not more than 20%, from the Monthly Fee.

\*\*\*Applicable only to locations in which we are party tenant to the lease and the landlord has charged us for certain utilities. May be increased by \_\_\_\_% annual increase. You are responsible for any increase.

\*\*\*\*Applicable only to locations in which we are a party tenant to the lease and the landlord has charged us for CAM. CAM amount shall include the lease's CAM, property insurance and property tax charged for the premises by the landlord. Subject to increases for actual amounts charged by the landlord. You are responsible for any increases.

\*\*\*\*Subject to increases to Monthly Utility Charge, and/or CAM and increases to the rental tax.

**For Wal-Mart locations: Percentage Rent Due (annual):** 6.5% of any Gross Sales amount above Natural Break Point. Natural break point is rent divided by percentage rent rate. If Wal-Mart allows or requires us to impose a percent-based Monthly Rent amount, we reserve the right to unilaterally amend the Monthly Rent and any other payments due hereunder, to reflect the percent-based Monthly Rent payment structure, which may include a minimum monthly payment requirement and which Monthly Rent payment amount we anticipate will not exceed 20% of Franchisee's gross sales.

**Non-Wal-Mart locations: Percentage Rent Due:** \_\_\_\_\_

BY EXECUTING THIS AGREEMENT WITH MY SIGNATURE BELOW, I HEREBY ACKNOWLEDGE AND AGREE THAT I HAVE RECEIVED A FULL AND UNRESTRICTED OPPORTUNITY TO HAVE THIS AGREEMENT EVALUATED AND EXPLAINED TO ME BY EXPERTS OR ADVISORS SUCH AS ATTORNEYS OR ACCOUNTANTS, THAT I HAVE READ AND FULLY UNDERSTAND THIS AGREEMENT, AND THAT I HAVE RELIED ON NO STATEMENTS OR REPRESENTATIONS MADE BY OR ON BEHALF OF REGAL NAILS, SALON & SPA, LLC CONCERNING ANY ASPECTS OF THE REGAL NAILS, SALON & SPA FRANCHISE IN PARTICULAR, OTHER THAN SUCH STATEMENTS OR REPRESENTATIONS CONTAINED IN THIS FRANCHISE AGREEMENT OR THE DISCLOSURE DOCUMENT PERTAINING THERETO.

FRANCHISE AGREEMENT EFFECTIVE AS OF \_\_\_\_\_ 20\_\_.

Regal Nails, Salon & Spa, LLC

Franchisee Name Printed

\_\_\_\_\_  
An \_\_\_individual, \_\_\_corporation, \_\_\_LLC, or \_\_\_partnership

5150 Florida Blvd.  
Baton Rouge, LA 70806

Address \_\_\_\_\_  
\_\_\_\_\_

Tel. # \_\_\_\_\_

Email: .....

By \_\_\_\_\_

Signature **X** \_\_\_\_\_

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

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

Date \_\_\_\_\_ 20\_\_

Date: \_\_\_\_\_ 20\_\_

**ACKNOWLEDGEMENTS:**

As a Principal of the franchisee by my signature below, I acknowledge, covenant and represent that I:

1. Have read the terms and conditions of this agreement;
2. Am a "Principal" as described in this agreement;
3. Am the owner of and have the right to vote the percentages of the equities of Franchisee shown below.
4. Assume, endorse and subscribe to all the representations, warranties, covenants and agreements of the franchisee (including the liability to make payments) and shall keep the covenants, honor the agreement on every particular and am equally obligated to perform this agreement as the Franchisee.
5. Have derived and expect to derive financial or other benefit, directly or indirectly, from this Franchise Agreement and the transaction described herein; and
6. Acknowledge that my execution of this Franchise Agreement, and my undertakings and agreements herein, have induced Regal Nails, Salon & Spa, LLC to enter into the transactions described herein, and to execute, this Franchise Agreement.

PRINCIPAL

Percentage of Ownership

**X** \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %

**X** \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %

**X** \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %



## **Sublease Schedule to Franchise Agreement**

### Additional Sublease Terms, Conditions, and Obligations of Franchisee under Franchise Agreement

#### **1. Applicability**

This Sublease Schedule is only applicable if we are a party tenant to the lease of the premises. If we are, then, as Franchisee, you agree to abide by and be legal bound to the terms, conditions and obligations of this Sublease Schedule, which is incorporated into and hereby made a part of the Franchise Agreement.

#### **2. Subject to a Master Lease Agreement with Landlord**

Franchisee acknowledges that Regal Nails, Salon & Spa, LLC has entered into a Master Lease Agreement with the Landlord for the premises indicated at the address listed in Section 50 of the Franchise Agreement, granting us the right to operate a nail salon at the premises and the right to grant a sublease to our designated franchisee(s) to operate a nail salon at the premises. This sublease is granted to Franchisee for the premises pursuant to the Master Lease Agreement, a copy of which has been provided to Franchisee, who acknowledges receipt and possession of said copy. Franchisee hereby assumes and be legally bound by the duties and obligations set forth in the Master Lease Agreement and all its attachments and addendums executed between us and Landlord, as though Franchisee were an original party to the Master Lease Agreement and all its attachments and addendums. Where there is a conflict between this Franchise Agreement and the Master Lease Agreement, the latter shall control; provided that the dispute resolution provisions of the Franchise Agreement between us and Franchisee (Sections 35-37, 41 and 42) shall govern any disputes or claims by and between Franchisor and Franchisee, except for any Lease-related matters or claims in which the Landlord is involved as a party.

#### **3. Permitted Use of the Premises**

The premises are to be used solely for a nail salon to perform at the very least manicures and pedicures and other services authorized by the Master Lease Agreement and all its attachments and addendums. In addition to these services, Franchisee is permitted to sell nail care products and products associated with other services authorized by the Master Lease Agreement and all its attachments and addendums. No other services or products are permitted.

#### **4. Monthly Base Rent and Applicable Rental Tax and other Charges**

The monthly base rent and any applicable rental tax are included in the Monthly Fee. Rental tax is subject to any increase by the applicable governmental authority. You are responsible for the increase upon notice by us. Additionally we have the right to unilaterally change the monthly payment structure by separating the monthly base rent and rental tax from the Monthly Fee, in the event that the Landlord moves to a percentage-based monthly rent. If the Landlord charges us a Monthly Utility Charge and/or CAM, which includes the CAM, property insurance and property taxes for the premises in the Master Lease Agreement and all its attachments and addendums, you are responsible for payment of the Monthly Utility Charge and/or CAM and all increases to them. The Monthly Utility Charge and/or CAM are listed in Section 50 of the Franchise Agreement.

#### **5. Security Deposit**

See Section 7.D. of the Franchise Agreement of which this Sublease Schedule is a part.

## 6. **Additional Defaults under the Sublease**

We at our election, may declare the sublease granted in this Sublease Schedule terminated, and at our election, the Franchise Agreement, of which this Sublease Schedule is a part, also terminated, and either with or without process of law, re-enter, expel, remove and put out Franchisee and all persons occupying the premises under Franchisee, using such force as may be necessary in doing so, and repossess and enjoy the premises, such re-entry and/or repossession shall not work as a forfeiture of the monthly amounts to be paid to us or terminate the covenants to be performed by Franchisee during the full term of this Agreement, for the following additional defaults:

- a. Franchisee defaults on payment of the Monthly Fee, which shall include the monthly base rent and applicable rental tax, the Monthly Utility Charge and/or CAM, and any other payment due under the terms of the Franchise Agreement.
- b. Franchisee defaults in any covenants or undertakings to be performed by Franchisee, other than the payments owed us, under the terms of the Franchise Agreement, and such default continues for fourteen days after written notice to Franchisee.
- c. Franchisee permits proceedings in bankruptcy or for liquidation, reorganization, or rearrangement of Franchisee's affairs to be instituted by or against Franchisee.
- d. Franchisee permits a receiver or trustee to be appointed for all or substantially all of Franchisee's business or assets on the grounds of Franchisee's insolvency.
- e. Franchisee permits a trustee to be appointed for Franchisee after a petition has been filed for Franchisee's reorganization under the U.S. Bankruptcy Code.
- f. Franchisee makes an assignment for the benefit of its creditors.
- g. Franchisee vacates or abandons the salon and premises, where Franchisee fails to operate the salon for three consecutive days without our express written authorization.

## 7. **No Relief of Performance by Franchisee**

Franchisee shall neither be relieved from the performance of its covenants and obligations, including but not limited to the obligation to pay the Monthly Fee, the Monthly Utility Charge and/or CAM, and annual Insurance Premium, nor entitled to terminate this Agreement due to a breach or default by us of any of our covenants or obligations, unless expressly permitted by the terms of this Agreement.

## 8. **Security Interest**

In addition to the common law and statutory landlord's lien, we will at all times have a valid security interest, which Franchisee hereby grants us, to secure payment of all sums of money due to us from Franchisee, and to secure the payment of any damages or loss which we may suffer by reason of the breach by the Franchisee of any covenant, agreement, or condition contained in this Agreement, upon all goods, wares, equipment, furniture, fixtures, inventory, improvements, and other personal property of the Franchisee presently or which may hereafter be situated in or on the premises, and all the proceeds therefrom, and such property shall not be removed from the premises without our consent until all arrearages in payments due us or to become due to us under this Agreement, shall have first been paid and discharged and all the covenants, agreements, and conditions of this Agreement have been fully complied with and performed by the Franchisee.

## **9. No Duty to Mitigate**

In any of the events above, we shall have no duty to mitigate our damages, although we may attempt to do so. Our damages may include among other things, Monthly Fee, taxes, insurance, trial expenses, attorney's fees, witness travel fees, court costs, expenses to put the premises in good order to be re-let, commissions, charges paid or assumed by us in re-letting the premises, or on any part of the Monthly Fee that may be collected by suit or by the attorney after the same is past due. Our recovery, if any, shall first be applied to the foregoing and then to the fulfillment of the terms of this sublease.

## **10. Holdover**

If you continue to accept the benefits of this Agreement after its expiration we may, at our option, treat this Agreement as: (1) expired as of the date of expiration and you will be occupying the premises without the right to do so, or (2) continued on a month-to-month basis ("Holdover Period") and all of your obligations will remain in full force and effect during the Holdover Period except, however, you will be charged a monthly amount equal to 150% of the sum of your Monthly Fee, plus 150% of your Monthly Utility Charge and/or CAM, as due under this Agreement ("Holdover Amount"). Furthermore, this Holdover Amount will increase 4% annually. Each Holdover Period expires at the end of each calendar month unless this Agreement is continued as provided in Section 16 above. The Holdover Period does not create any new possession rights and upon expiration of the final Holdover Period, you will be bound by all post-term obligations as provided in this Agreement. If we deem this Agreement as expired and you continue your possession of the premises in violation of this Agreement, you will be responsible for any and all costs and expenses, including attorneys' fees and court costs, we incur in enforcing our rights under this Agreement, resulting from your holdover possession of the premises, and/or as a result of any subsequent actions we take to remove you from the premises.

## **11. Repairs and Maintenance and Handling Hazardous Substances**

You at your sole cost and expense shall maintain the premises in compliance with applicable law and in good order and clean and sanitary condition, free of debris and offensive odors, ordinary wear and tear excepted. You at your sole cost and expense and according to applicable law shall effect all repairs to the premises, except those that are the responsibility of the Landlord under the Master Lease Agreement and all its attachments and addendums to the premises, that are commercially necessary and desirable to maintain the premises in a safe, dry and tenantable condition. Additionally, at your sole cost and expense, you shall handle, manage, transport, and dispose of all hazardous substances created by you, your agents, your employees or your representatives in any process, action, or inaction in connection with the premises, in accordance with all applicable Federal, State, and local laws and regulations; you must maintain and provide upon request proof of your compliance with applicable Federal, State, and local laws and regulations concerning the use, handling, management, storage, transportation, and disposal of hazardous substances.

## **12. Remodel**

You may not remodel the salon and premises without our prior approval and authorization. During Landlord's renovation of its store, you will repair, update, and upgrade the trade fixtures, equipment, furniture, décor, improvements, and the salon and premises, unless you have repaired, updated, and upgraded said items within the three consecutive preceding years.

## **13. Right to Inspect**

By your execution of the Franchise Agreement, you grant us an irrevocable power-of-attorney, coupled with interest, to inspect your salon and premises as frequently as we may decide for such purposes as we, in our sole discretion may choose. Inspections shall be conducted during your normal business hours.

#### **14. Our Rights as Sub-lessor**

You hereby also grant us an irrevocable power-of-attorney, coupled with an interest to effect all the foregoing. Franchisee expressly acknowledges that we shall have and may exercise all of the rights, benefits and remedies granted or retained by the Landlord under the premises' Master Lease Agreement and all its attachments and addendums. Nothing in this Agreement shall enlarge any defenses of Franchisee under the laws of any jurisdiction or the premises' Master Lease Agreement and all its attachments and addendums to any default, liability, obligation or claim by us nor diminish any remedies under the laws of the state in which the premises is located or the premises' Master Lease Agreement and all its attachments and addendums that we may have in the event of Franchisee's default.

#### **15. Abandonment of Property on Premises**

If on the expiration of this Agreement, your abandonment of the salon premises, or the termination of this Agreement, you leave any property of any kind or character in the salon, your act of leaving such property in the salon will (i) be construed as conclusive evidence of your intent to abandon such property, (ii) such leaving shall constitute abandonment of the property; and (iii) such leaving shall be construed as your express intent to return the premises to us. We, our agents, representatives, and attorneys, shall have the right and authority without notice or compensation to you, to reassume ownership of the abandoned property and remove and destroy, store, sell, use or otherwise dispose of such property, or any part of such property, in our sole discretion, and without being in any way liable to you. The provisions of this subsection shall survive the expiration or termination of this Agreement.

#### **16. Joint and Several Obligations**

Your obligations hereunder are joint and several.

## **PART 1 TO THE REGAL NAILS SALON & SPA FRANCHISE AGREEMENT** **DEFINITIONS**

2004 MSLA – Our expired 2004 Master Sublease Agreement with Wal-Mart.

2009 MLA – Our current Master Lease Agreement with Wal-Mart.

Agreement – Refers to the Franchise Agreement to which this Part 1 is attached.

Alfalfa Nail Supply, Inc. - A unit formed and maintained, by Mr. Ton, but detested by its competitors for its fast shipping & low prices. See also, NSS.

Assumed Business Name – This term is also known as d/b/a, fictitious name, business alias and similar names. Its registration is a procedure, allowed in most states whereby one may do business in the name of another or a hypothetical name. The act of registration is for public disclosure.

CGL – An abbreviation for a Commercial General Liability policy of insurance.

COM – the Regal Nails, Salon & Spa Confidential Operating Manual, which collectively includes all manuals, policy statements, directives, bulletins and memoranda that contain mandatory and recommended specifications or standards, procedures, policies, advice and training relating to the operation or promotion of our salons.

Confidential Information - all our trade secrets, our standards and specifications, all information contained in the Confidential Operating Manual, the name and contact information concerning our franchisees and prospective franchisees and all other information we designate as confidential.

d/b/a - see Assumed Business Name, *supra*.

Snow White Package – A custom-built, finished, equipped, and ready to operate nail salon, with furniture, fixtures and equipment, including start-up supplies and an initial inventory and Regal Nails, Salon & Spa décor, all according to then current standards and requirements.

Disposable Items – Those tools designed to be used no more than once and only for use on one customer. Examples are slippers, toe separators, files, buffers, autoclave pouches, liners, sanding boards, gloves cotton balls, etc.

Expiration – The end of a contractual relationship due solely to the passage or lapse of time. It has the same effect as termination.

Extension – Generally refers to a continuation of the present status. Although changes may be made, usually they are small & not significant.

FDD - Federal disclosure document. Even if you don't know all the rules, know these know the rules, check them out. Redo your documentation so that it's compatible it.

Franchise Filing state –Fourteen states have enacted legislation, which gives them and only them, the power & the right and power regulate against franchisors, who have not registered their disclosure statements with them. See Ex. C-1 to the disclosure document.

Force Majeure – means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics/pandemics; or other similar forces outside of a party's control which could not, by the exercise of reasonable diligence, have been avoided.

Goals - Targets that we expect you to achieve and to maintain. Examples include: no fines by

the QAMs for the next 6 months, only English spoken in front of your salon customers, participation in local charitable programs, maintaining a cordial relationship with the landlord's store manager, etc.

Manual(s) – Generally refers to our Confidential Operations Manual. It is a loose leaf publication, under constant revision and contains lists or many useful procedures, actions to avoid, contacts, trade secrets, tips on using our marks and other things, which distinguish our franchise from others.

Mark – A shortened expression referring to a trade or service mark. The word does not distinguish between a mark which has been registered or one pending registration on the principal register of the USPTO.

Non-Renewal – The ending of our franchise relationship, at the end of the Franchise Agreement's stated term.

P. L. – As used in this publication, PL is an abbreviated form of public liability insurance. These policies protect the general public from harm, caused by your actions or inaction.

Principal - One who owns 1/3 or more of the franchise who thereby assumes all the privileges and duties of the franchisee.

QAMs – Quality Assurance Managers – We have five who will visit our salons and assist you with any problems you may have QAMS will point out things, which need to be corrected. They will assist in their correction. QAMs visit each salon, on average, four times a year.

Renewal – The grant of an option for a two year period following the expiration of your current Franchise Agreement. The terms are more likely to change during the option period.

R.N. – An abbreviation for Regal Nails, LLC

RNS&S – An abbreviation for Regal Nails, Salon & Spa, LLC.

Standards – We expect you to operate your salon, in the same manner, generally, as do all our other franchisees.

Sublease Schedule – The Sublease Schedule is a part of the Franchise Agreement but applies only in the event we are a tenant party to your salon premises and sublease the premises to you. The Sublease Schedule grants sublease rights to you and governs the terms of that sublease along with other terms related to your lease set forth in the Franchise Agreement.

Successor Franchise Agreement – Is an agreement, generally in use at some future date, for a new franchise term.

Termination – The ending of the Franchise Agreement prior to its stated term, resulting in cancellation of your rights under the Franchise Agreement.

Trade Secret – A compilation of information, amassed at great expense, acquired over time, unique to our business, and gained through experience, which gives you advantages over your competition and facilitates the operation of your salon.

White Box Condition – Return (at the Franchisee's expense) of the premises to a vanilla shell, including but not limited to the removal of unwanted improvements, the capping and placement of pipes and plumbing into drywall, drywall repair, painting, and removal of custom flooring and replacement with landlord's desired flooring.

WM – An abbreviation for Wal-Mart.



**PART 2 TO THE REGAL NAILS SALON & SPA FRANCHISE AGREEMENT**

**SITE DEPOSIT ADDENDUM**

**(applicable only to new locations in which we are party tenant to the lease)**

This is an Addendum (the "Addendum") to the Regal Nails, Salon & Spa Franchise Agreement dated \_\_\_\_\_ 20\_\_\_\_ (the "Franchise Agreement"). This Addendum is between Regal Nails, Salon & Spa, LLC, a Nevada limited liability company ("franchisor," "RNS&S", "we," "us" or "our") and you, our Franchisee signing this Addendum ("Franchisee," "you" or "your"). You and we agree that the Franchise Agreement is modified and supplemented as follows: The Effective Date of this Addendum is \_\_\_\_\_ 20\_\_\_\_.

1. Section 50 of the Franchise Agreement may not designate a location or territory for the salon as of the Date of the agreement. To obtain a specific location or territory and a commencement date, we must secure the Landlord's confirmation of the site. To do so:

2. A. You selected the general vicinity of the intended location for your salon, which is \_\_\_\_\_ (the "General Vicinity"). You expressly acknowledge and agree that i) the General Vicinity is not, and shall not be construed to be, your territory, and ii) at any time, we may locate, or authorize others to locate, a RNS & S salon anywhere in the General Vicinity, so long as we are otherwise in compliance with the Franchise Agreement.

-or-

2. B. You selected an Existing Location for the intended site of your salon, which is \_\_\_\_\_ You expressly acknowledge and agree that: the Existing Location is, and shall be construed to be, your territory; and that anywhere else is not. We may, at any time, locate, or authorize others to locate, a RNS & S salon anywhere other than in that Existing Location, so long as we are otherwise in compliance with the Franchise Agreement.

3. To secure that site, in the General Vicinity or in an Existing Location, you agree to pay us \$25,000 for the Initial Franchise Fee, which will be credited against the price of your salon.

4. Since you have reviewed and read the Franchise Agreement, you understand that any territory will be non-exclusive, and we will, each of us, have our respective rights in it, as described Section 4 of the Franchise Agreement.

5. Following receipt of your Initial Franchise Fee, we will ask the Landlord to confirm the site for us. When the Landlord confirms the site for us, you will be required to pay a \$45,000 Confirmation Fee. The Confirmation Fee must be paid within ten days of our request for it. The Confirmation Fee, as well as the Initial Franchise fee will be credited toward the purchase price of your salon. The balance must be paid upon the delivery, set up and installation of your salon.

6. Refunds:

- a. If we are unable to obtain confirmation of the site because the landlord declines our offer or we receive communications from the landlord conveying that the premises is unavailable, you may request a refund of the entire Initial Franchise Fee.
- b. If you renege or otherwise withdraw after making a request for a site but before the landlord confirms your requested site, you may request a refund of your Initial



Franchise Fee less \$15,000.

- c. If you request a site and site has been confirmed by the landlord, you will be required to pay \$45,000.00 Confirmation Fee within 10 days of notice. If you fail to pay the full Confirmation Fee within the 10-day period, you forfeit the entire Initial Franchise Fee. There will be no refund.
- d. If you have paid both the Initial Franchise Fee and the Confirmation Fee, but subsequently renege or threaten to renege or in any other way communicate to us your intent to renege on your remaining obligations under the Franchise Agreement, then this Franchise Agreement may be terminated by us without liability to us upon notice to you. Should we exercise our right to terminate as stated in this Section 6.d, there will be no refund of any amounts paid to us.

7. Upon the occurrence of any of the events, described in 6 a. through c., above, you agree that all documentation may be voided, cancelled and of no effect. Our relationship will be mutually terminated upon your receipt of our refunds or ten days following receipt of our notice of the Confirmation Fee due, if not paid. You will have no further opportunity to cure and we will have no liability to you. You will no longer have any rights under the Site Deposit Addendum, the Franchise Agreement and related contracts.

8. There are no refunds under any circumstances not listed in Section 6.

9. To obtain a refund, we must receive your written request before we have made an offer to the Landlord for either a General Vicinity site or an Existing Location site or within 60 days of being advised that Landlord is unable to grant us either a General Vicinity Site or an Existing Location.

10. You acknowledge that when you and we identify the General Vicinity or an Existing Location, it is not an assurance or guaranty to you of the availability, suitability or success of that location or area, and does not create a liability for us. You further acknowledge that we do not select or control the selection of sites by the Landlord. You agree that we have no liability with respect to the selection of the General Vicinity or territory / salon location or Existing Location.

11. This Addendum is incorporated into and made a part of the Franchise Agreement. Those parts of your Franchise Agreement(s) which are not inconsistent with this Addendum will remain in full force and effect. If there is any inconsistency or conflict between this Addendum and the Franchise Agreement, this Addendum will control.

12. You and we agree that this Addendum contains the final, complete and exclusive expression of the terms of your and our agreement regarding the General Vicinity, Existing Locations and Site Deposit and supersedes all other agreements and/or representations of any kind or nature with respect thereto. Any understandings, agreements, representations, or otherwise (whether oral or written) which are not fully expressed in this Addendum, the Franchise Agreement and related agreements are expressly disclaimed by you and us. You specifically acknowledge that you have not received or relied on, nor have we or anyone else provided, any statements, promises or representations that you will succeed in the franchised business or at any location; achieve any particular sales, income or other levels of performance as a result of signing this Addendum or otherwise; earn any particular amount, including any amount in excess of your initial franchise fee or other payments to us; or receive any rights, goods, or services not expressly set forth in this Addendum and Franchise Agreement.

**THIS ADDENDUM WILL NOT BE EFFECTIVE UNTIL SIGNED BY AN AUTHORIZED OFFICER OF REGAL NAILS, SALON & SPA, LLC.**



Regal Nails, Salon & Spa, LLC  
Franchisor

Franchisee, Name Printed

\_\_\_\_\_  
Its \_\_\_\_\_

\_\_\_\_\_  
Sign \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

5150 Florida Boulevard

Address \_\_\_\_\_

Baton Rouge, LA 70806

\_\_\_\_\_  
Tel. # \_\_\_\_\_

Signature pages, all principals of Franchisee must sign

As a Principal of the Franchisee by my signature below, I warrant and represent that I have been represented by independent counsel and I:

1. Have read and understand the terms and conditions of this Addendum and agree to them.

PRINCIPAL

Percentage of Ownership

**X** \_\_\_\_\_  
 Name Printed: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_ %

**X** \_\_\_\_\_  
 Name Printed: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_ %

**X** \_\_\_\_\_  
 Name Printed: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_ %

**PART 3 TO THE REGAL NAILS SALON & SPA FRANCHISE AGREEMENT**

**CONFIDENTIALITY AGREEMENT AND AGREEMENT NOT TO COMPETE**

I/We, the undersigned, in further consideration of the grant of my/our Regal Nails, Salon & Spa or Regal Nails franchise, No \_\_\_\_\_, I/we agree that during the entire term of my/our franchise, and for a period of one year, thereafter, any information: customer counts, customer lists, data, figures, nail salon procedures or techniques introduced to me by Regal Nails, Salon & Spa, LLC, personnel history, projections, promotions, sales figures, tax records, shall be considered and maintained as confidential, private and privileged records of Regal Nails, Salon & Spa, LLC and will not be divulged to any firm, individual or institution either by statement, deposition or as a witness except on the direct authority of its managing partner or by lawful order or a judicial authority having jurisdiction over such matters. The one year period, following the expiration or termination of the franchise shall apply, regardless of the cause for the cancellation or termination.

I/We further agree that during the term of my franchise and for a period of one year thereafter, following the expiration, termination, or transfer of the franchise, regardless of the cause for the cancellation or termination, I/we shall not, directly or indirectly: advise, assist, solicit any customers for, be employed by, franchise, have an interest in, invest in or lend to any business which is the same as or substantially similar to Regal Nails, Salon & Spa's salons, located within a five (5) mile radius of the territory granted to me/us in Section 4 of our Franchise Agreement. If all or any portion of the non-competition covenants set forth herein are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency is hereby empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. I/We expressly agree to be bound by any lesser covenants subsumed within the terms herein as if the resulting covenants were separately stated in and made a part of this agreement.

Either or both of these agreements may be enforced by a preliminary injunction or restraining order since Regal Nails, Salon & Spa , LLC will suffer irreparable damages should a breach occur and monetary damages are inadequate compensation for any damages it may sustain. Should Regal Nails, Salon & Spa, LLC decide, in its sole discretion, that such action is necessary, I/we agree that Regal Nails, Salon & Spa, LLC may enforce this agreement under the provisions of Section 35 of my/our Franchise Agreement, dated .....20 and need not post bond agreeing that continuing violations of either agreement will damage Regal Nails, Salon & Spa. I/We further acknowledge that enforcement of these agreements will not deprive me/us of a means of making a livelihood, but is intended solely to protect the system, reputation and good will of Regal Nails, Salon & Spa, LLC its trademark and its individually owned and operated franchisees.

Signed at:

By \_\_\_\_\_  
Name(s), (printed)

X \_\_\_\_\_  
Signature

Address \_\_\_\_\_

City, State \_\_\_\_\_

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

**PART 4 TO THE REGAL NAILS SALON & SPA FRANCHISE AGREEMENT**

**CURRENT FORM OF  
GENERAL RELEASE  
(SUBJECT TO CHANGE BY FRANCHISOR)**

Release - General Provisions. For good and valuable consideration, the Franchisee(s), jointly and severally, hereby release and forever discharge each and all of the Franchisor-Related Persons/Entities (as defined below) of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, including (without limitation) any claims alleging fraud, breach of any obligation of good faith and fair dealing, or otherwise, howsoever arising, **known or unknown**, fixed or contingent, past or present, that the Franchisee(s) (or any of them) now has or may hereafter have against all or any of the Franchisor-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "Claims"), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the Franchisor-Related Persons/Entities are hereby forever canceled and forgiven.

THE FRANCHISEE (S) ACKNOWLEDGES THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

THE FRANCHISEE(S), BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR JURISDICTIONS OF FRANCHISEE(S)' RESIDENCE AND LOCATION OF FRANCHISED UNIT.

(FOR FRANCHISEES SUBJECT TO THE CALIFORNIA FRANCHISE INVESTMENT LAW, ADD THE FOLLOWING TEXT: *"provided that if this Release is given in connection with the award of a franchise, then this release will not apply to Claims relating to the offer and sale of such franchise under the California Franchise Investment Law or any rule or order issued thereunder."*)

(FOR WASHINGTON FRANCHISEES ONLY: This 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.)

The Franchisee(s) expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee(s), and it is the Franchisee(s) intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee(s) are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee(s) represent and warrant that they

have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Franchisee(s), in the Franchisee(s) independent judgment, believe necessary or appropriate. The Franchisee(s) have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

Franchisee(s) Initials: \_\_\_\_\_

No Assignment or Transfer of Interest. The Franchisee(s) represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee(s) may have against any or all of the Franchisor-Related Persons/Entities, all Claims having been fully and finally extinguished, and the Franchisee(s) agree to forever indemnify and hold the Franchisor-Related Persons/Entities harmless from any liability, claims, demands, damages, losses, costs, expenses or attorneys' fees incurred by any of the Franchisor-Related Persons/Entities as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer, or any rights or claims under any assignment, transfer or otherwise. It is the intention of the parties that this indemnity does not require payment by any of the Franchisor-Related Persons/Entities as a condition precedent to recovery against the Franchisee(s) under this indemnity.

Franchisee(s) Initials: \_\_\_\_\_

Attorneys' Fees. If the Franchisee(s), or anyone acting for, or on behalf of, the Franchisee(s) or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commence, join in, or in any manner seek relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder or in any manner asserts against all or any of the Franchisor-Related Persons/Entities any of the Claims released hereunder, the Franchisee(s) agree to pay all attorneys' fees and other costs incurred by any of the Franchisor-Related Persons/Entities in defending or otherwise responding to said suit or assertion directly to the Franchisor-Related Persons/Entities incurring such costs.

Franchisee(s) Initials: \_\_\_\_\_

"Franchisor-Related Persons/Entities." Franchisor, Franchisor's affiliates, any advertising fund, including the Marketing Fund, any Franchisee Advisory Group/FAC and each of the following, whether past, current or future: companies and/or persons acting through and/or in concert with us and/or with any of the foregoing; partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of ours and/or of any of the foregoing; and predecessors, successors and/or assigns of ours and/or of any of the foregoing.

Franchisee(s) Initials: \_\_\_\_\_

Date of Releases, Joint and Several Liability. The releases granted hereunder will be deemed effective as of the date hereof. The liabilities and obligations of each of the Franchisee(s) (and any other person/entity providing releases to the Franchisor-Related Persons/Entities) will be joint and several.

Franchisee(s) Initials: \_\_\_\_\_

Regal Nails, Salon & Spa, LLC  
Franchisor

Franchisee, Name Printed

\_\_\_\_\_  
Its \_\_\_\_\_

\_\_\_\_\_  
Sign \_\_\_\_\_

Date \_\_\_\_\_  
5150 Florida Boulevard

Date \_\_\_\_\_  
Address \_\_\_\_\_

Baton Rouge, LA 70806

\_\_\_\_\_

Tel. # \_\_\_\_\_

As a Principal of the franchisee by my signature below, I acknowledge, covenant and represent that I:

1. Have read the terms and conditions of this release
2. Am a "Principal" as described in the Franchise Agreement;
3. Am the owner of and have the right to vote the percentages of the equities of Franchisee shown below;
4. Assume, endorse and subscribe to all the representations, warranties, covenants and agreements of this release.

PRINCIPAL

Percentage of Ownership

**X** \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %

**X** \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %

**X** \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %



**PART 5 TO THE REGAL NAILS SALON & SPA FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PREAUTHORIZED PAYMENTS  
(ACH Debits)**

**Effective Date** \_\_\_\_\_

**Store Number** \_\_\_\_\_ **Location** \_\_\_\_\_

**Franchisee Name** \_\_\_\_\_

I/We hereby authorize **Regal Nails, Salon & Spa, LLC** to initiate debit entries for amounts due for monthly lease payments, Monthly Fees, any applicable tax payments, Monthly Utility Charge, and Common Area Maintenance; insurance premiums and service charges; renewal fees; Security Deposits; NSF returned items and to initiate, if necessary, credit entries and adjustments for any debit entries in error to my (our) \_\_\_\_\_ **CHECKING** or \_\_\_\_\_ **SAVINGS** account (select one) indicated below and the depository named below, hereinafter called **JPMorgan Chase Bank, NA**, to debit and/or credit the same to such account.

In the case of preauthorized variable amount debits, I/we request that **Regal Nails, Salon & Spa, LLC** give me/us notice only when the debit does not fall within the specific range of amounts of \$50.00 to \$7500.00.

Please attach a "VOID" check or fill in the information below:

Account Name _____	
Address _____	
Name of Bank _____	Branch _____
City _____	State _____
Transmit ABA Number _____ (First 9 digit numbers on check book)	
No. _____	or No. _____
(Checking Account)	(Savings Account)

This authority is to remain in full force and effect until **Regal Nails, Salon & Spa, LLC** has received written notification from me (or either of us) of its termination in such time and in such manner as to afford **Regal Nails, Salon & Spa, LLC** and **JPMorgan Chase Bank, NA** a reasonable opportunity to act on it.

I/We understand and accept that an additional fifty dollars (\$50.00) NSF fee will be imposed for any denied ACH debit due to insufficient funds; I/we authorize this NSF fee to be collected on any subsequent ACH debit.

**DATE** \_\_\_\_\_

**Authorized Signer (1)** \_\_\_\_\_

**Authorized Signer (2)** \_\_\_\_\_

**PART 6 TO THE REGAL NAILS SALON & SPA FRANCHISE AGREEMENT**

**SBA ADDENDUM  
RELATING TO  
REGAL NAILS SALON & SPA  
FRANCHISE AGREEMENT**

THIS ADDENDUM ("Addendum") is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by **Regal Nails, Salon & Spa, LLC** ("Franchisor"), located at 5150 Florida Blvd., Baton Rouge, LA 70806, and \_\_\_\_\_ ("Franchisee"), located at \_\_\_\_\_.

**Recitals.** Franchisor and Franchisee entered into a Franchise on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the "Franchise Agreement"). The Franchisee agreed among other things to operate and maintain a franchise located at \_\_\_\_\_. Franchisee is applying for or has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge the parties agree as follows:

- The Franchise Agreement is in full force and effect.
- Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer or assignment by Franchisee which requires Franchisor's consent under the Franchise Agreement.
- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. In the event of an approved transfer of the Franchisee's interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee provided that the transferor has no ongoing interest in the Franchise.
- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the Franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding renewals) for fair market value.
- If the Franchisee owns the real estate where the Franchisee location is operation, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants. If any such restrictions are currently recorded against the

Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

- This Addendum automatically terminates on the earliest to occur of the following:  
(i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid; or  
(iii) SBA no longer has any interest in the Loan.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. Section 3729-3733

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

**FRANCHISOR:**

**FRANCHISEE:**

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

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

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

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

**EXHIBIT B**  
**TO THE REGAL NAILS, SALON & SPA DISCLOSURE DOCUMENT**

**RECEIPT FOR CONFIDENTIAL OPERATIONS MANUAL # \_\_\_\_\_**

In further consideration of the grant of my franchise, I acknowledge receipt of the above numbered Confidential Operations Manual (COM) and agree that that publication contains copyrighted materials, confidential and proprietary information belonging exclusively to Regal Nails, Salon & Spa, LLC. I further acknowledge and agree that:

1. Regal Nails, Salon & Spa, LLC has the exclusive right title and interest thereto and that I shall neither contest nor do anything to contest that right.
2. I have no right, of any kind, to the confidential information contained in the COM other than to use it during the term of my franchise.
3. The contents of the COM are material to Regal Nails, Salon & Spa's operations and its success.
4. I will use the COM and the information contained therein, solely for the operation of my Regal Nails, Salon & Spa or Regal Nails Salon and for no other purpose.
5. I will not reproduce the COM, in whole or in part.
6. The standards and guidelines contained in the COM are fair and reasonable and obtainable.
7. From time to time, with and without notice, changes may be made to the COM and I shall comply with those changes.
8. Changes are made to increase efficiency, profitability, enhance goodwill and the reputation of Regal Nails, Salon & Spa and Regal Nails.
9. Should changes be made in loose leaf form, I will properly file those changes and comply with them.
10. In the event of a conflict between the copy of the COM, furnished me, and the official COM, retained by Regal Nails, Salon & Spa, LLC the latter shall be controlling.
11. Fines and penalties, even termination of the franchise may result from my failure to follow the guidance of the COM.
12. Any fine assessed against me, shall be paid within 30 days of receipt of my statement.
13. The COM requires me to meet certain standards and goals, prescribed by Regal Nails, Salon & Spa, LLC. It furnishes general guidelines, informs me of what I am expected to achieve, but does not control the actual, day to day operation of my salon.
14. Should I learn of an unauthorized use of the COM, I shall promptly notify Regal Nails, Salon & Spa, LLC Other than notification, I shall take no action until I am requested to do so.
15. Should Regal Nails, Salon & Spa, LLC take any action against an unauthorized user, I shall cooperate with Regal Nails, Salon & Spa in their efforts.
16. Regal Nails, Salon & Spa, LLC has no duty to protect me from any charges arising out of my use of the COM.

17. I shall hold Regal Nails, Salon & Spa, LLC harmless for any claims made against it, as a result of my use of the COM.
18. I have no grounds and shall have no grounds to contest Regal Nails, Salon & Spa, LLC's rights to the COM or the information contained therein.
19. I shall not attempt to copyright the COM, in whole or in part or any other of their publications.
20. Upon the expiration, termination or cancellation of my franchise, I shall immediately return the COM to Regal Nails, Salon & Spa, LLC.
21. Should changes to the COM require me to incur expense, unless notified to the contrary, by Regal Nails, Salon & Spa, LLC, I shall not look to Regal Nails, Salon & Spa, LLC for reimbursement.
22. This agreement may be enforced by means of a temporary restraining order, preliminary injunction and permanent injunction, without the necessity of Regal Nails, Salon & Spa, LLC having to post a bond, that requirement being expressly waived.

Signed at \_\_\_\_\_  
 Address \_\_\_\_\_  
 \_\_\_\_\_  
 City state \_\_\_\_\_

This \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

By: \_\_\_\_\_  
 Franchisee, name printed

X \_\_\_\_\_  
 Signature

By: \_\_\_\_\_  
 Manager, name printed

X \_\_\_\_\_  
 Signature

This \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

**Note:** Managers, Partners and Shareholders are required to execute this agreement. Add name, date & signature lines, as required

**EXHIBIT C-1**

**TO THE REGAL NAILS SALON & SPA DISCLOSURE DOCUMENT**

**WAL-MART MASTER LEASE AGREEMENT (MLA)**

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## Master Lease Agreement

Wal-Mart Stores East, LP, individually and only as to Stores (as defined below) owned, leased, or operated in AL, CT, DC, DE, FL, GA, IN, KY, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, VT, VA, WI and WV; Wal-Mart Stores, Inc., individually and only as to Stores owned or leased in AK, AR, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA and WY; Wal-Mart Louisiana, LLC, individually and only as to Stores owned or leased in Louisiana; Wal-Mart Stores Arkansas, LLC, individually and only as to Stores owned or leased in Arkansas; and Wal-Mart Stores Texas, LLC, individually and only as to Stores owned or leased in Texas (each referred to as "Landlord" for purposes of this Master Lease as it applies to the Store) and Regal Nails, Salon and Spa, LLC ("Tenant") enter into this Master Lease effective the 6<sup>th</sup> day of March, 2009 (the "Effective Date"). *u 11/6/09*

WHEREAS, Landlord operates discount retail stores nationwide;

WHEREAS, Tenant operates a full service nail salon (described more fully in Appendix-1) and desires to lease space within one or more Stores from which to operate such full service nail salon; and

WHEREAS, Landlord desires to lease space in one or more of its Stores to Tenant, so Tenant may operate such full service nail salon in the Store.

NOW, THEREFORE, in consideration of the mutual promises and premises set forth above and below, the receipt and sufficiency of which the parties hereby acknowledge, the parties hereby agree as follows:

### Article I General Provisions

#### 1.1 Definitions.

A. "Affiliate" means a corporation related to Tenant by shareholdings or any other means of control, a subsidiary of Tenant, Tenant's parent company or a sibling company of Tenant, in each case known to Landlord on the Effective Date.

B. "Appendix-1" means an appendix to this Master Lease, incorporated into this Master Lease when fully signed by Tenant and Landlord, which provides obligations of Landlord and Tenant specific to Tenant's Permitted Uses (as designated in Appendix-1) contemplated by Landlord and Tenant at the time this Master Lease was entered into.

C. "Attachment A" means an attachment to this Master Lease, incorporated into this Master Lease when fully signed by Tenant and by the particular Landlord with authority to lease the Leased Premises identified in the applicable Attachment A, that identifies the Store in which the Leased Premises is located; the size of the Leased Premises; the anticipated Delivery Window and the anticipated Delivery Date; the anticipated Rent Commencement Date, the Base Rent and the Percentage Rent, as applicable; and the Extension Option.



D. "Attachment A-1" means an attachment to this Master Lease, incorporated into this Master Lease upon the full execution of the applicable Attachment A, depicting the location of the Leased Premises within the Store.

E. "Base Rent" means the amount, if any, set forth as such in the applicable Attachment A.

F. "Commencement Notice" means an attachment to this Master Lease, incorporated into this Master Lease at the time of delivery by Landlord of the Commencement Notice to Tenant in accordance with Section 19.10 below, which identifies the actual Rent Commencement Date and the actual Delivery Date with respect to the applicable Leased Premises.

G. "Common Area" means the public access areas of the Store and surrounding land leased or owned by Landlord on which the Store is located including, but not limited to, the parking areas, driveways, sidewalks, entrances, and exits in the Store and between the Store and the Leased Premises.

H. "Common Area Maintenance Fee" means the amount, if any, set forth as such in the applicable Attachment A.

I. "Delivery Date" means the date on which Landlord delivers possession of the applicable Leased Premises to Tenant.

J. "Delivery Window" means the span of time in which Landlord may deliver possession of the Leased Premises to Tenant.

K. "Due Date" means the first (1<sup>st</sup>) calendar day of each month, unless this day falls on New Year's Day, Memorial Day, Independence Day (US), Labor Day, Thanksgiving, or Christmas, in which case the Due Date means the following business day.

L. "Expiration Date" means 11:59 p.m. (local time as to the applicable Leased Premises) on the last day of the month in which the anniversary date of the Rent Commencement Date, designated in the applicable Attachment A, falls; provided, however, if the anniversary date falls between July 1<sup>st</sup> and December 31<sup>st</sup> of a given year, then the Expiration Date extends to 11:59 p.m. (local time as to the applicable Leased Premises) on January 31<sup>st</sup> of the following year. In case of cancellation or termination of this Master Lease with respect to a particular Leased Premises, the Expiration Date becomes the date on which this Master Lease is cancelled or terminated with respect to such Leased Premises.

M. "Extension Option" means the option, if any, of the applicable Landlord and Tenant to extend the Lease Term for each Leased Premises, as set forth in the applicable Attachment A.

N. "Grand Opening" means the first day on which a Store opens for business to the public.

O. "Hazardous Substance" means (i) any hazardous material, hazardous waste, hazardous substance, toxic substance, biomedical waste, infectious waste, medical waste, or toxic waste identified by any federal or state law; chemical, dust, mixture, medical device, pharmaceutical, or common material capable of causing harm; or solid, liquid, contained gas, sludge, pollutant, asbestos, petroleum product, polychlorinated biphenyls, unused or returned consumer product, or other material, any of which, during the term of this Master Lease, become regulated as a hazardous material, hazardous waste, hazardous substance, toxic waste, or toxic substance; or (ii) any solid, liquid, contained gas, sludge, pollutant, asbestos, polychlorinated biphenyls, or other material that, during the term of this Master Lease, becomes prohibited or requires special handling or treatment under any applicable law or regulation, including common law.

P. "Hours of Operation" means the hours that the Leased Premises shall be operated as set forth in Appendix A-1 of this Master Lease.

Q. "Improvements" means any addition, alteration, construction, finish, or improvement to the Leased Premises; any attachment (including, but not limited to, attachment through the use of drilling) of a permanent fixture, permanent furniture, or permanent equipment; and includes, but is not limited to, completing the interior walls, partitioning(s), floor covering, ceiling work, utilities, painting, finish work, restroom facilities, signage (pursuant to Section 2.6 below), and any other thing necessary for Tenant to obtain a certificate of occupancy for the Leased Premises and operate the same as designated in Paragraph 1 of Appendix-1, Permitted Uses.

R. "Insurance Reimbursement Fee" means the amount, if any, set forth as such in the applicable Attachment A.

S. "Key Money" means the amount, if any, set forth as such in the applicable Attachment A as a one-time, non-refundable fee for the right to operate the Leased Premises within the Store

T. "Lease Term" means, for each Leased Premises, the period commencing on the Lease Term Commencement Date and ending on the Expiration Date. In the event that the Lease Term of the applicable Leased Premises extends, any reference to the term "Lease Term" includes the period by which the Lease Term extends.

U. "Lease Term Commencement Date" means, for each Leased Premises, the day on which the applicable Landlord and Tenant each sign the Attachment A for that Leased Premises.

V. "Leased Premises" means the area of a Store leased to Tenant by Landlord subject to the terms and conditions of this Master Lease, as identified in the applicable Attachment A and further depicted on the applicable Attachment A-1.

W. "Leased Premises Improvement Charge" means the amount, if any, set forth as such in the applicable Attachment A as a one-time, non-refundable charge for Landlord's construction of the Leased Premises to White Box condition

X. "Master Lease" means this Master Lease and any amendment, appendix, attachment, and exhibit attached to and incorporated into this Master Lease.

Y. "Percentage Rent" means the amount, if any, determined as set forth in the applicable Attachment A.

Z. "Rent" means Base Rent, Percentage Rent, to the extent described in the applicable Attachment A, plus any additional or other rent, interest, tax, or other sum this Master Lease obligates Tenant to pay Landlord, including, without limitation, the Common Area Maintenance Fee, the Utility Reimbursement Fee, the Insurance Reimbursement Fee, and the Leased Improvement Charge, as applicable.

AA. "Rent Commencement Date" means:

(i) the Grand Opening, as memorialized in the applicable Commencement Notice and specified in the applicable Attachment A, if the Leased Premises is located in a new, relocated, or expanded Store; or

(ii) The day specified in the applicable Attachment A, if the Leased Premises is located in a Store currently in operation that has not or will not be relocated or expanded between the time that the Attachment A is executed and the Rent Commencement Date.

BB. "Restriction" means any easement, covenant, condition, law, regulation, land use or other restriction, rule, or other matter binding upon the Leased Premises, Landlord or Tenant or any combination thereof, which acts to prohibit or materially restrict the use of the Leased Premises as contemplated by this Master Lease including, without limitation, the ability of Landlord to lease to Tenant or Tenant's ability to operate the Leased Premises as designated in Paragraph 1 of Appendix-1, Permitted Uses. By way of example, and not of limitation, if Landlord is required to obtain the consent of a third party prior to leasing space to the Tenant in a particular Store, the requirement of consent is a Restriction.

CC. "Store" or "Stores" means the "Wal-Mart" retail store operated by Landlord.

DD. "Sublease" means a written sublease agreement, approved by Landlord in Landlord's sole discretion, between Tenant and a Sublessee, pursuant to which such Sublessee will sublease and operate the applicable Leased Premises as part of a marketing plan or system prescribed by Tenant that is substantially associated with Tenant's trademark, service mark, trade name, logotype, advertising, or other commercial symbol designated by Tenant. The Sublease shall be subject and subordinate to this Master Lease, and shall provide that Sublessee agrees to be bound by all the terms, covenants, and conditions of this Master Lease.

EE. "Sublessee" means a franchisee, licensee, concessionaire or other party of Tenant that has been approved by Landlord in Landlord's sole discretion.

FF. "Tenant's Pro Rata Share" means the product of a fraction derived from time to time by dividing the gross square foot area of the subject Leased Premises for the period in question by the gross square foot area of the Store containing such Leased Premises for the same period.

GG. "Trade Fixtures" means any attached or unattached, moveable or non-moveable, fixture, furniture, or equipment unique to Tenant's business, the installation and removal of which requires no cutting, drilling, or other defacing of the Leased Premises.

HH. "Utility Reimbursement Fee" means the amount, if any, set forth as such in the applicable Attachment A.

II. "White Box" means the interior condition of the Leased Premises with sprinklers, sheetrock walls, ceiling grid, HVAC installed, electrical service to the Leased Premises, security gate, acoustic ceiling tile, lighting and electrical outlets, and access to water and sewer.

1.2 Landlord's Entry into the Agreement.

A. Each Landlord enters into this Master Lease severally and solely as to the Store it operates and in which the Leased Premises is located and without any obligation with respect to any other Store. Accordingly, only the respective Landlord that operates the Store in which such Leased Premises is located may execute, for a Leased Premises, an Attachment A.

B. If, during the term of this Master Lease, it is determined that any Restriction on the use of the Leased Premises exists, Landlord may terminate this Master Lease as to the affected Leased Premises and the Master Lease and applicable Attachment A will be null and void as to such Leased Premises without further action by Landlord or Tenant. Neither Landlord nor Tenant will be liable to the other for any damages, loss, or liability in connection with the termination of this Master Lease as to the affected Leased Premises.

1.3 Landlord's Overlease. If Landlord is itself a lessee of a Store in which a Leased Premises is located, so that this Master Lease as to the particular Leased Premises is actually a sublease, Landlord will provide to Tenant, upon Tenant's reasonable request, a copy of the overlease under which Landlord holds the Leased Premises as lessee. Tenant accepts this Master Lease subject to all the terms and conditions of such overlease and covenants that it will do no act or thing that would constitute a violation of the overlease.

1.4 Granting Language. *Upon the full execution of the applicable Attachment A, Landlord leases to Tenant and Tenant rents from Landlord (subject and subordinate to any mortgage, deed or trust, other lien and any other matters of record presently existing or hereafter placed upon the applicable Leased Premises, the Common Areas, the Store, or any combination thereof) the Leased Premises identified in the applicable Attachment A and further depicted in the applicable Attachment A-1 to have and to hold subject to the terms of this Master Lease, by which the parties intend to be legally*

*bound as to the applicable Leased Premises upon the execution by each appropriate party of both this Master Lease and the applicable Attachment A.*

Article II  
Construction and Acceptance of the Leased Premises

2.1 Landlord's Obligation to Deliver Possession on the Delivery Date.

A. Landlord shall use commercially reasonable efforts to deliver the applicable Leased Premises to Tenant in the condition and during the Delivery Window specified in the applicable Attachment A.

(1) Unless otherwise agreed to in the applicable Attachment A, Landlord shall notify Tenant, in writing and no later than ten (10) days prior to the first day of the Delivery Window, of the status of the construction of the applicable Leased Premises and of the anticipated Delivery Date within the Delivery Window on which Landlord estimates it will deliver possession of the applicable Leased Premises to Tenant.

(2) Landlord, at any time prior to notifying Tenant of the anticipated Delivery Date, may revise the Delivery Window.

(3) Landlord may revise the anticipated Delivery Date at any time after Landlord notifies Tenant of the anticipated Delivery Date, in accordance with this Article II, but in no event may Landlord revise the anticipated Delivery Date with less than five (5) days notice.

B. If Landlord is unable, through the use of commercially reasonable efforts, to deliver possession of the applicable Leased Premises to Tenant on the anticipated Delivery Date or within the Delivery Window specified in the applicable Attachment A, subject in all events to causes beyond Landlord's reasonable control, Landlord's delay in delivering possession of the Leased Premises will not constitute a breach of this Lease and Tenant waives any right or remedy it may have, at law or in equity, because of the delay in performance. If Landlord and Tenant mutually agree that delivery of possession is unfeasible within a commercially reasonable amount of time after the Delivery Window specified in the applicable Attachment A, the parties, without liability, may terminate this Master Lease as to the applicable Leased Premises.

2.2 Tenant's Right of Entry.

A. Prior to the Delivery Date, Tenant may enter the Leased Premises only to inspect and measure the Leased Premises to ready the Leased Premises for opening on the Rent Commencement Date.

B. Tenant may enter the Leased Premises in accordance with the preceding paragraph only if:

- (1) Landlord and Tenant have previously signed an Attachment A for the Leased Premises,
- (2) Tenant does not interfere with Landlord's performance of its obligations under Section 2.1 above, or with the transaction of Landlord's business or the business of any of Landlord's other Tenants, and
- (3) The Leased Premises is not currently in the possession of another tenant.

C. If any work or other action done by, or on behalf of, Tenant results in a stoppage of Landlord's work, Tenant will immediately stop work until such time as the parties mutually agree Tenant's work can re-commence without materially interfering with Landlord's obligations under Section 2.1 above, which time may not be any later than the Delivery Date. Any failure by Tenant to comply with the provisions of this Section 2.2C is a material breach.

### 2.3 Acceptance of the Leased Premises.

A. Landlord makes no representations, covenants, or warranties of any kind or character whatsoever, express or implied, with respect to:

- (1) The quality, condition, or title of the applicable Leased Premises;
- (2) The suitability of the applicable Leased Premises for any activity and use that the Tenant may conduct in that Leased Premises according to this Master Lease;
- (3) Compliance of the applicable Leased Premises with any applicable law;
- (4) The habitability, merchantability, or fitness for a particular purpose of the applicable Leased Premises;
- (5) The environmental condition of the applicable Leased Premises; or
- (6) Whether Tenant's anticipated or actual use of the Leased Premises complies with the applicable land use restrictions or private limitations.

B. Tenant shall accept possession of the applicable Leased Premises when delivered by Landlord, even if Landlord is unable to deliver possession during the Delivery Window or on the anticipated Delivery Date, unless this Master Lease as to the applicable Leased Premises has been terminated according to Section 2.1B above.

C. TENANT WAIVES ALL RIGHTS WITH RESPECT TO ANY DEFECT IN THE LEASED PREMISES OR OTHER CONDITIONS OF THE LEASED PREMISES, AND IF TENANT FAILS TO NOTIFY LANDLORD OF ANY DEFECT AT LEAST

SIXTY (60) DAYS AFTER THE DATE OF DELIVERY, TENANT CONCLUSIVELY ACCEPTS THE LEASED PREMISES "AS IS" AND WITH ALL FAULTS.

D. TENANT WAIVES ALL RIGHTS AGAINST LANDLORD WITH RESPECT TO ANY LIMITATION OR RESTRICTION ON ITS USE OF THE LEASED PREMISES AS A RESULT OF ANY APPLICABLE LAW, RULE, OR REGULATION INCLUDING, WITHOUT LIMITATION, ANY RESTRICTIONS OR PRIVATE LIMITATIONS.

2.4 Tenant's Obligations to Prepare the Leased Premises to Open for Business.

A. Tenant shall complete all Improvements and install all Trade Fixtures in accordance with this Section 2.4 and in accordance with the plans and specifications previously approved by Landlord in a timely manner, and shall open the Leased Premises on the applicable Rent Commencement Date.

B. Tenant shall submit to Landlord and obtain Landlord's approval of the floor plans and specifications and layouts of the Leased Premises, including dimensions, elevations, Improvements, intended colors, Trade Fixtures and plans and specifications for any proposed rooftop or other mechanical equipment, such approval not to be unreasonably withheld, conditioned or delayed.

(1) Tenant shall obtain Landlord's approval of the floor plans and layouts of the Leased Premises prior to seeking and obtaining any permits, licenses, certifications, or other documents necessary to complete the Improvements in the Leased Premises and install Trade Fixtures in the Leased Premises in accordance with this Master Lease.

(2) Tenant may not vary from or add to the previously approved plans and specifications and layouts without Landlord's prior, written consent, which Landlord may not unreasonably withhold or delay. Landlord's approval of Tenant's plans and specifications is solely based on Landlord's review. Landlord's approval of the plans and specifications and layouts does not represent government approval or suitability of the plans and specifications and layouts for Tenant's intended purposes.

(3) All Trade Fixtures and Improvements installed must be of high-quality materials and workmanship, comparable to or better than the storefront, improvements and trade fixtures used by other retailers in the vicinity of the Store and, specifically, used at Tenant's most recent prototype and must be conducted and installed in a good and workmanlike manner in accordance with all applicable laws and in accordance with obligations and requirements of this Master Lease including, but not limited to, insurance, licensing, and regulatory compliance requirements.

(4) Prior to any roof penetrations caused by Tenant's Improvements, Tenant shall obtain from Landlord's Leasing Operations Department the contact information for the contractor approved to work on Landlord's roof.

(5) If Tenant's rooftop heating, ventilating, and air-conditioning unit, or other rooftop equipment, requires steel supports in addition to the steel framing erected by Landlord, then Tenant will pay the cost of labor and materials for the installation thereof.

(6) Mechanical equipment on the roof will be placed within the area designated on Landlord's structural drawings.

(7) Tenant will provide screening or other type of cover for such mechanical equipment to prevent visibility by the public and subject to approval of Landlord and the local governmental authorities. If Landlord or any governmental authorities require a project standard equipment screen, Tenant will use and pay for same.

E. Tenant shall construct Improvements and install Trade Fixtures without interfering with other construction in progress at the Store or with the transaction of Landlord's business or the business of any of Landlord's other lessees. Tenant shall repair any damage that results from cutting, drilling or other defacing of the Leased Premises. Additionally, for any Leased Premises for which Improvements are being conducted or Trade Fixtures installed in a Store already open to the public for business, Tenant, prior to commencing Improvements or installing Trade Fixtures, shall erect a dust wall across the entrance to the Store from the Leased Premises. The dust wall required above must keep dust out of the Store and must minimize any noise or other disruption of Store operations but may not be plastic or canvas, and must be maintained in place throughout the construction.

F. If Landlord requests, Tenant will secure a bond or other security reasonably satisfactory to Landlord against any liens, loss, liability, or damage to persons or property related to the Improvements.

G. If Tenant fails to open the applicable Leased Premises on the Rent Commencement Date, subject to events beyond Tenant's reasonable control, including Landlord's material interference or default under this Master Lease, Landlord may charge Tenant liquidated damages of ten thousand dollars (\$10,000) and additional liquidated damages of three hundred dollars (\$300) a day for each day, including the Rent Commencement Date, which the Leased Premises remains unopened as required by the terms of this Master Lease. By way of example, and not as a limitation thereof, material interference may occur if Landlord fails to deliver possession to Tenant of the applicable Leased Premises with sufficient time before the Rent Commencement Date for Tenant to fulfill its obligations under this Article II. Tenant will pay any liquidated damages it owes to Landlord within thirty (30) days after Tenant receives an invoice from Landlord for the liquidated damages. Landlord and Tenant acknowledge that it would be impracticable to fix the actual damages suffered by Landlord as a result of Tenant's failure to open the Leased Premises on the Rent Commencement Date, according to this paragraph, and that the amount of liquidated damages described in the preceding sentence represents fair and reasonable compensation to Landlord for this failure. If the Leased



Premises remains unopened for more than three (3) consecutive days following the Rent Commencement Date, Tenant will materially breach this Master Lease.

2.5 Tenant's Contractors. Tenant's contractors must be licensed, carry worker's compensation coverage as required by law, and comply with all applicable laws including, but not limited to, obtaining any required permit, license, or other documentation necessary to perform the construction work in connection with this Master Lease. At Landlord's request, Tenant will provide Landlord with a list of all contractors and subcontractors Tenant is using.

2.6 Signs.

A. Notwithstanding anything to the contrary set forth in this Master Lease or any applicable Attachment A or Appendix-1, Tenant may not install on the exterior of any Store any sign, light, decoration, painting, awning, canopy, or any other identifying mark or like item (collectively, "Signs").

B. Tenant may, with the prior, written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed, and in accordance with Section 2.6C, install a Sign on the exterior bulkhead of the applicable Leased Premises, which is inside the Store in which a Leased Premises is located, with Tenant's trade name identified in Appendix-1 to this Master Lease and Tenant's logo.

C. Tenant may not install any Sign containing images or words that may offend the ordinary, reasonable person including, but not limited to, words or images that are cloaked in other words or images, phrases with double meanings, and words or images commonly considered to be vulgar, swear, or curse words. If Tenant's business or trade name violates this provision, Tenant may not use the name in any signage in or around the Leased Premises.

2.7 Landlord's Right of Re-Entry. After the Delivery Date and before the Rent Commencement Date, Landlord may re-enter the applicable Leased Premises to continue any portion of Landlord's work not yet complete. During this period of re-entry, Landlord may not unreasonably interfere with any work required under Section 2.4 being performed by Tenant or on behalf of Tenant.

2.8 Certificate of Occupancy. Tenant shall fax a copy of the Certificate of Occupancy within two (2) calendar days after receiving it to Landlord's **Project Management at (479) 204-2263.**

### Article III

#### Binding Effect of Attachments A and A-1, Commencement Notice Master Lease Term and Extension

3.1 Effective Date of Master Lease. This Master Lease is effective and binds Landlord and Tenant as of the Effective Date. This Master Lease terminates in its entirety upon the termination, for whatever reason, of every Attachment A signed by Landlord and Tenant that attaches to this Master Lease and which is incorporated into this Master Lease.

- 3.2 Binding Effect of Attachment A. This Master Lease governs each Leased Premises for which Landlord and Tenant execute an Attachment A. Once signed by both Landlord and Tenant, each Attachments A and A-1 attaches to and incorporates into this Master Lease binding both Landlord and Tenant to the terms and conditions in both this Master Lease and the applicable Attachments A and A-1.
- 3.3 Commencement Notice. Within forty-five (45) days following the actual Rent Commencement Date of the applicable Leased Premises, Landlord will deliver the Commencement Notice to Tenant. The Commencement Notice is for informational purposes only and does not modify the terms of this Master Lease. If Tenant does not receive the Commencement Notice within that time, Tenant will notify Landlord, in writing or verbally. Any delay in delivery of the Commencement Notice is not a breach of this Master Lease.
- 3.4 Lease Term of a Specific Leased Premise. The Lease Term for each Leased Premises commences on the day on which the applicable Landlord and Tenant each sign the Attachment A for that Leased Premises and continues until the Expiration Date.
- 3.5 Extension of the Lease Term. The Lease Term for the applicable Leased Premises may extend, subject to the terms and conditions of this Master Lease, as designated in the applicable Attachment A.

Article IV  
Rent, Security, Taxes

- 4.1 Rent. Tenant's obligation under this Master Lease to pay Rent, in lawful money of the United States and without, for any reason, deduction or offset, begins on the Rent Commencement Date. Tenant shall pay Rent to Landlord for each Leased Premises for which Landlord and Tenant execute an Attachment A in accordance with the terms of this Master Lease and the applicable Attachment A.
- 4.2 Base Rent Payments.
- A. Tenant shall pay Base Rent, as set forth in the applicable Attachment A, to Landlord in advance, without offset, notice, or demand, in equal monthly installments with each monthly installment due by the Due Date. If the Rent Commencement Date occurs other than on the first day of the month, the Base Rent for that month equals one-thirtieth (1/30th) of the normal monthly rent installment for each day starting on the Rent Commencement Date and continuing through midnight on the last day of that month. If the Rent Commencement Date occurs other than the first day of the month, the Base Rent for the final month equals one-thirtieth (1/30th) of the normal monthly rent installment for each day starting on the Rent Commencement Date anniversary and continuing through midnight on the Expiration Date.
- B. Landlord may require Tenant to pay Base Rent on a quarterly basis rather than monthly if Tenant fails to pay Base Rent within ten (10) days of the Due Date for two (2) consecutive months. The quarter will commence on the first day of the month following the month that Landlord notifies Tenant in writing of this election.

- 4.3 Percentage Rent Payments. To the extent required in the applicable Attachment A, Tenant shall pay Percentage Rent to Landlord on an annual basis. Percentage Rent shall be paid for each Calendar Year (defined as the period from January 1 to December 31). Percentage Rent payments shall be due without offset, notice, or demand no later than January 21<sup>st</sup> following the end of such Calendar Year. Percentage Rent shall be payable regardless of whether or not this Lease begins at the beginning of a Calendar Year; provided, that upon the expiration or earlier termination of this Master Lease, Tenant shall pay any Percentage Rent due as of the effective date of such expiration or earlier termination.
- 4.4 Common Area Maintenance and Utility Reimbursement Fees. To the extent required in the applicable Attachment A, Tenant shall pay, as additional Rent, the Common Area Maintenance Fee and the Utility Reimbursement Fee to Landlord without offset, notice, or demand, on a monthly basis by the Due Date, to be paid with Tenant's payment of Base Rent.
- 4.5 Leased Premises Improvement Charge.
- A. If the Leased Premises for which an Attachment A is signed and attached to the Master Lease by Landlord and Tenant is located in a newly constructed Store (including any Attachment A that is signed and attached to the Master Lease by Landlord and Tenant upon a Store Relocation), Tenant shall pay Landlord the Leased Premises Improvement Charge as described in the applicable Attachment A. Tenant shall submit the Leased Premises Improvement Charge along with payment of the first month's Base Rent.
- B. No Leased Premises Improvement Charge will be assessed against Tenant for a Leased Premises in an existing Store or for a Leased Premises permanently or temporarily relocated in connection with Store Renovations.
- 4.6 Key Money. Tenant shall pay Landlord Key Money as described in the applicable Attachment A. Tenant shall submit the Key Money along with payment of the first month's Base Rent.
- 4.7 Interest on Late Payments.
- A. Tenant shall pay to Landlord interest on any balance of Rent unpaid more than ten (10) days following the Due Date at the prorated rate, based on a 30-day month, of the lesser of:
- (1) Five percent per annum, or
  - (2) The maximum amount allowed by law.
- B. Any interest due under this provision is additional Rent, and Tenant shall pay it in full no later than the day on which it pays the unpaid balance of Rent unless demanded earlier by Landlord. Interest will not accrue on any unpaid balance of Rent if:
- (1) The unpaid balance is due to an error or problem with the automatic debit, if Tenant is paying Rent through an automated clearinghouse account, and

(2) The error or problem was not due to the intentional or negligent act of Tenant.

#### 4.8 Security Deposit.

A. Tenant shall deliver to Landlord, no later than ten (10) days following Tenant signing the applicable Attachment A, an amount equal to the sum designated in the applicable Attachment A, as security for the faithful performance and observance of the terms and conditions of this Master Lease by Tenant and its agents, employees, and representatives (the "Security").

B. Tenant may provide Security in the form of a security deposit or a duly executed surety bond from a reputable company satisfactory to Landlord and in full force and effect when delivered to Landlord.

C. Landlord may apply, retain, or use (at its sole option) the whole or any part of the Security to the extent required for payment of:

(1) Rent;

(2) Other sums that Tenant is obligated to pay Landlord under this Master Lease;

(3) Sums that Landlord may expend or may be required to expend by reason of Tenant's breach of this Master Lease;

(4) Loss or damage that Landlord suffers by reason of Tenant's breach of this Master Lease including, but not limited to, any damages incurred by Landlord or deficiency resulting from the re-letting of the Leased Premises, whether such damages or deficiency accrues before or after summary proceedings or other re-entry by Landlord; or

(5) Costs Landlord incurs in connection with the cleaning or repair of the Leased Premises after the expiration or earlier termination of this Master Lease as to the applicable Leased Premises.

D. Landlord is not obligated to apply, retain, or use the Security, and any payment by the Security in no way relieves Tenant of its obligations under this Master Lease to pay Rent or other charges.

E. Landlord's right to bring an action or special proceeding to recover damages, or otherwise obtain possession of the applicable Leased Premises, before or after Landlord's delivery of notice to Tenant of the termination of this Master Lease as to the applicable Leased Premises for non-payment of Rent, or for any other reason, is not effected because Landlord holds the Security.

F. The Security does not limit Landlord's available rights and remedies under this Master Lease, at law, or in equity nor is it a payment of liquidated damages.

G. Tenant, no more than fifteen (15) days following Landlord's notice to Tenant, shall replace the Security when payments by the Security equal or exceed the sum of the security deposit. Failure to timely replace the Security is a material breach of this Master Lease.

H. Except as required by applicable law, Landlord is not required to keep security deposits separate from Landlord's own funds and may commingle security deposits with its own funds.

I. If Tenant fully and faithfully complies with all the terms and conditions of this Master Lease, Landlord will return to Tenant any part of the security deposit that Landlord does not apply, retain, or use in accordance with this Section no later than thirty (30) days following Tenant fully discharging all of its obligations under this Master Lease, unless applicable law requires a shorter or extended time.

#### 4.9 Taxes.

A. Landlord shall initially pay all General Taxes levied, during each fiscal tax year, against the Store, the Common Area, or both, subject to Tenant's reimbursement obligations set forth below. "General Taxes" mean all general real estate taxes, general and special assessments, parking surcharges, fees, and other governmental charges and any costs Landlord incurs contesting any of the above.

B. In addition to Tenant's reimbursement obligations set forth below and any other obligations of Tenant under this Master Lease, Tenant shall pay all taxes and assessments:

(1) Levied against any improvements located within or upon any Leased Premises, and any of Tenant's inventory, personal property, and Trade Fixtures;

(2) Assessed, imposed, or levied against Landlord in relation to either Landlord's interest in this Master Lease or the Rent or other charges required under this Master Lease including, but not limited to, increases or additional, special, regular, unforeseen, foreseen, extraordinary, or ordinary, taxes and assessments, whether occurring wholly or partially during the Lease Term of the specific Leased Premises from which the taxes or assessments arise;

(3) For increases, that are billed or assessed during the Lease Term that are attributable to Tenant's Improvements or occupancy of the Leased Premises; and

(4) Imposed against Landlord because of Landlord's interest in this Master Lease as a substitute, or in lieu of, in whole or in part, for any General taxes or other real estate tax or assessment.

C. Tenant shall reimburse Landlord, upon demand, for Tenant's Pro Rata Share of General Taxes assessed or levied during the Lease Term, as prorated to account for any period of partial occupancy of the applicable Leased Premises, and for any other tax,

assessment, or excise that was imposed, assessed, or levied against Landlord that Landlord paid but for which Tenant is primarily liable under this Master Lease.

- 4.10 Insurance Reimbursement Fee. Tenant shall pay, as additional Rent, the Insurance Reimbursement Fee to Landlord without offset, notice, or demand on a monthly basis by the Due Date, to be paid with Tenant's payment of Base Rent.

Article V  
Utilities

- 5.1 Utilities. Except as otherwise provided in this Master Lease or the applicable Attachment A, Landlord shall pay for all public utilities furnished to the Leased Premises and shall reasonably cool, heat, and light and provide water and sanitary sewerage services to the building in which the Leased Premises is located. Landlord is not liable for any interruption whatsoever to the public utilities, the lighting, the cooling, the heating, the water, or the sanitary sewerage services if any of the preceding are interrupted:

A. Due to equipment failure, fire, accident, strike, acts of God, or other causes beyond the reasonable control of Landlord; or

B. In connection with Store Renovations or to repair the Store or the Leased Premises.

- 5.2 Telephone Service. Tenant shall pay for telephone service in the Leased Premises. *The use of a cordless phone within a Leased Premises is strictly prohibited.*

Article VI  
Use and Operation

- 6.1 Use. Tenant shall use the Leased Premises as designated in Paragraph I of Appendix-1, Permitted Uses, subject to applicable legal requirements, and for no other purpose without the prior, written consent of Landlord.

- 6.2 Continuous Operation.

A. Tenant, other than as expressly permitted by this Master Lease, and during the applicable Lease Term, shall operate the applicable Leased Premises continuously during the Hours of Operation designated in Appendix-1 in accordance with the Permitted Uses designated in Appendix-1 and the terms and provisions of this Master Lease.

B. Tenant, other than as expressly permitted by this Master Lease, shall not vacate the applicable Leased Premises during the applicable Lease Term or cease operations in the applicable Leased Premises and shall conduct its business, at a minimum, in an efficient, first-rate, and reputable manner.

C. Other than closing the Leased Premises to repair, update, and upgrade the Trade Fixtures, the Improvements, and the Leased Premises in accordance with Section 7.3B below, Tenant may close the applicable Leased Premises for repair or renovation only

with the prior, written consent of Landlord, which Landlord may not unreasonably withhold, condition or delay.

D. Failure to comply with this provision or any representation by Tenant that during the applicable Lease Term the Tenant, or one of its Sublessees, will not comply with this provision or will vacate the applicable Leased Premises materially breaches this Master Lease.

6.3 Hours of Operation. Tenant shall post its Hours of Operation in a conspicuous location within the Leased Premises, subject to and in accordance with the requirements set forth in Section 2.6 above.

6.4 Trade Name. During the term of this Master Lease, Tenant shall conduct its business under the name designated as Tenant's Trade Name in Appendix-1 and under no other name without the prior, written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

A. Tenant acknowledges that Landlord relied on Tenant's business reputation and associated trade name as a significant material inducement in Landlord's decision to execute this Master Lease, and therefore, Tenant hereby warrants that Tenant has the right to use the trade name and all logos, trade dress, slogans, and all other identifying marks used by Tenant at the Leased Premises.

B. Failure to comply with this Section 6.4 is a material breach of this Master Lease.

6.5 Customer Service.

A. Tenant shall operate the Leased Premises in conformity with Landlord's reputation as the operator of discount retail stores dedicated to customer satisfaction and prompt quality customer service featuring a broad assortment of quality merchandise at low, competitive prices.

B. Tenant, at its sole cost and expense, shall post, in a conspicuous location that customers can see when the Leased Premises is open and when the Leased Premises is closed, a telephone number and an address for customers to contact. The telephone number must be either toll free or a number local to the applicable Leased Premises.

6.6 Window Display Lights. Tenant shall keep, during the Hours of Operation, any display windows in the Leased Premises neat and attractive.

6.7 Mail & Deliveries. Landlord does not guaranty any mail or deliveries to the Leased Premises and recommends Tenant arrange to receive mail or deliveries at an alternate location. Any mail or deliveries to and from the Leased Premises must be done only at such times and in the areas and through the entrances designated for such purpose by Landlord. Any mail or delivery left with the Store is done at the Tenant's sole risk. All property kept, stored, or maintained on the Leased Premises by Tenant is at Tenant's sole risk.

6.8 Tenant's Advertising, Promotion, and Media Inquiries.

A. Tenant may use Landlord's name only to the extent Landlord's Leasing Operations Department approves and only as a location reference.

B. Tenant may not promote its services within the Store using Landlord's in-store public address system.

C. Tenant may not post any Signs outside of the Leased Premises, except as provided in Section 2.6B above, or post any handmade signs inside or outside of the Leased Premises.

D. Tenant's promotions related to the Leased Premises must be conducted in a professional manner by trained individuals.

E. Tenant may not release or cause to be released any statement to the press or otherwise containing Landlord's name or representing any relationship whatsoever to Landlord, without the prior, written approval of the Wal-Mart Leasing Operations Department.

F. Tenant agrees that it will not, within the Leased Premises or anywhere else in the Store, advertise, market, or promote any Competing Business. For purposes of this paragraph, "Competing Business" means any retail business involved in the sale of any products or services sold from within the Store or by any affiliate, parent company, or subsidiary of Landlord.

6.9 Restrictive Covenants. Tenant shall comply with and observe any easement, covenant, or restriction that affects or applies to the Leased Premises and the Common Area.

6.10 Restrictions on Tenant's Activities. In addition to any easement, covenant, or restriction that affects or applies to the Leased Premises or the Common Area, Tenant, and its Sublessees, shall not:

A. Use the sidewalk adjacent to or any other space outside the Leased Premises for display, sale, or any other similar undertaking.

B. Use a loudspeaker system that may be heard from outside the Leased Premises; place or permit any radio, television, loudspeaker, or amplifier on the roof, inside the Leased Premises, or anywhere that the radio, television, loudspeaker, or amplifier can be seen or heard from outside of the Leased Premises; or solicit or distribute any handbills or other advertising in the parking lot, Store, or Common Areas, unless otherwise protected by law.

C. Use the plumbing facilities of the Leased Premises or the Store for any purpose other than that for which they were constructed. Neither Tenant nor its Sublessees, nor the invitees of either Tenant or its Sublessees, may use the plumbing facilities of the Leased Premises to dispose of any foreign substances. The expense of any breakage, stoppage, or damage resulting from a breach of this paragraph will be born by Tenant.



D. Place on any floor a load that exceeds the load per square foot that the floor was designed to carry. Tenant may only install, operate, and maintain heavy equipment in the Leased Premises if installed in such manner as to achieve a proper distribution of weight.

E. Use any forklift truck, tow truck, or any other machine or equipment in the Store, in the Common Areas, or on any of the underlying ground, unless necessary to complete Tenant's obligations under Section 2.4 or unless otherwise agreed to in Appendix-1.

F. Use the Leased Premises to conduct illegal business or for illegal purposes or for any purpose that may increase the premium cost of or invalidate any insurance policy carried on the Leased Premises, Common Areas, or the Store. If insurance premiums for insurance policies carried on the Leased Premises, Common Areas, or the Store increase in connection with Tenant's use of the Leased Premises, Tenant will reimburse Landlord for the increase.

G. Unreasonably interfere with Landlord's business or the business of another tenant of Landlord or act in such a way that reasonably may be expected to injure Landlord's business relationship including, but not limited to, acting in any way that diminishes the access to or the visibility of any portion of the Store or any other tenant's premises or that impedes the free circulation of customer traffic within the Store.

H. Receive, retain, or store in the Leased Premises any "Controlled Substances" except for any Controlled Substances included in an emergency medical kit. For the purposes of this Master Lease, "controlled substances" means materials containing any quantity of a substance with a stimulant, depressant or hallucinogenic effect on the higher functions of the central nervous system, and having the tendency to promote abuse or physiological or psychological dependence, as designated in state and federal controlled substance schedules including, but not limited to, those listed in Schedules I through V of the Controlled Substances Act, 21 U.S.C. §812, as may be amended. Failure to comply with this paragraph is a material breach.

I. Within the Leased Premises, receive, retain, store, or use any firearm, tear gas, mace, pepper spray, dye pack, or any item similar to a firearm, tear gas, or dye pack.

6.11 Encumbrances and Liens. Tenant may not cause any encumbrance to attach to or upon the Leased Premises, the Store, the Common Area, the land underlying any of the foregoing, or Tenant's interest in this Master Lease because of any act or omission of Tenant, its contractors, agents, employees, or representatives. Failure to discharge or bond/insure over any encumbrance within fifteen (15) business days following its filing is a material breach. In addition to any right or remedy Landlord may have for the material breach, Landlord may bond or pay the encumbrance for Tenant's account without inquiring into the validity of the encumbrance. If Landlord elects to pay the encumbrance, Tenant will reimburse Landlord, upon demand by Landlord, the amount Landlord paid, plus an additional ten percent (10%) administrative fee, plus interest. Interest will accrue at the lesser of one and five percent (5%) per annum or the maximum amount allowed by law beginning on the day Landlord bonds or pays the encumbrance

and continuing until Tenant reimburses Landlord the entire amount Landlord paid, plus the administrative fee and any interest accrued.

- 6.12 Performance Covenants. Commencing on the second anniversary of the Rent Commencement Date and on each anniversary of the Rent Commencement Date thereafter during the Lease Term, Tenant shall satisfy the performance covenants set forth in the applicable Attachment A for each Leased Premises subject to this Master Lease (the "Performance Covenants"). Tenant's failure to satisfy the Performance Covenants with respect to a particular Leased Premises for any calendar year shall constitute a material breach of this Master Lease. In such event, Landlord will have all rights and remedies available to it under Article XVII of this Master Lease, including, without limitation, the right to terminate this Master Lease pursuant to Section 17.2 below; provided, that notwithstanding anything herein to the contrary, in the event Landlord elects to terminate this Master Lease as to such Leased Premises, such termination (a) shall apply only as to such Leased Premises and not to this Master Lease in its entirety, and (b) shall occur upon sixty (60) days prior written notice to Tenant unless Landlord elects to wait to terminate this Master Lease until after it re-lets the Leased Premises in accordance with Section 17.2.

Article VII  
Repairs & Maintenance

7.1 Repairs by Landlord.

A. Subject to the provisions of Section 11.1 (Casualty) and Article XII (Condemnation), Landlord shall maintain the Store and Leased Premises in good order and make all necessary repairs in the Leased Premises to the foundation, gutter, spouts, exterior walls, interior load-bearing walls, door, door closure devices, exterior openings, gates, and gate closure devices and to the roof and HVAC, except as provided in Section 7.2 below. Tenant shall notify Wal-Mart Maintenance of any necessary or requested repairs by calling the Wal-Mart Maintenance Hotline at (479) 273-4747. Tenant must have the work order number provided by the Wal-Mart Maintenance Hotline at the time the repair is reported in order to check on the status of the repair.

B. Tenant shall reimburse Landlord for any repairs necessitated by the intentional acts or negligence of Tenant or Sublessee or the agents, customer, employee, or representative of either. Any reimbursement required in the preceding sentence must be made no later than thirty (30) calendar days after Landlord's written demand for reimbursement from Tenant.

C. Landlord does not breach its obligations under Section 7.1A above until a reasonable amount of time passes after Tenant notifies Wal-Mart Maintenance, according to Section 7.1A, of the needed repair, except in the case of an emergency which will require Landlord to commence repairs within 24 hours of such Tenant notification to Wal-Mart Maintenance. Rent will not abate during this time or while any repairs are being made, and Landlord will not be liable to Tenant or Sublessee due to loss or

interruption of Tenant's business because of the prosecution of the repair except in the case of Landlord's gross negligence or intentional misconduct.

D. Notwithstanding the foregoing, in the event of an emergency which threatens to damage any of Tenant's Improvements or Trade Fixtures or interrupts Tenant's ability to operate its business in the Leased Premises, Tenant shall notify Wal-Mart maintenance immediately and, upon the consent of Wal-Mart Maintenance, Tenant will have the right to make immediate repairs. In such case, Landlord will reimburse Tenant for the reasonable cost of such repairs within thirty (30) days of Landlord's receipt of Tenant's written request for reimbursement, along with invoices and such other supporting documentation as Landlord may reasonably require.

## 7.2 Tenant's Repairs, Maintenance, Handling Hazardous Substances.

A. Except those items to be maintained by Landlord pursuant to the terms of this Master Lease, Tenant, at its sole cost and expense, shall maintain the Leased Premises in compliance with applicable law and in good order and condition, ordinary wear and tear excepted. Tenant shall effect, at Tenant's sole cost and expense and according to applicable law, all repairs to the Leased Premises (except for those specifically enumerated in Section 7.1 above) that are commercially necessary or desirable to maintain the Leased Premises in a safe, dry, and tenantable condition including, without limitation, repairs to:

- (1) Any portion of the pipes, lines, ducts, wires, or conduits, used solely by Tenant;
- (2) Plate glass, windows, door frames, and special store fronts that serve Tenant solely;
- (3) Molding, locks and hardware, lighting, plumbing, Trade Fixtures, Signs, and interior painting and treatment; and
- (4) Any Improvements or Trade Fixtures installed in the Leased Premises, including any rooftop heating, ventilation, or air-conditioning unit or other rooftop equipment. Any repairs to the rooftop heating, ventilating, and air-conditioning unit or other rooftop equipment must be made by a Landlord-approved contractor.

B. Tenant, at no expense to Landlord, shall handle, manage, store, transport, and dispose of all Hazardous Substances created by Tenant, its Sublessees, agents, employees or representatives in any process, action, or inaction in connection with the Leased Premises and in accordance with all applicable Federal, State and local laws and regulations. Tenant shall not use any of Landlord's property or equipment in using, handling, managing, storing, transporting, and disposing of Hazardous Substances. Evidence of Tenant's compliance with all applicable Federal, State and local laws concerning the use, handling, management, storage, transportation, and disposal of Hazardous Substances must be provided to Landlord upon Landlord's request.

C. Tenant, at no expense to Landlord, shall maintain the Leased Premises in a clean and sanitary condition, free from debris or offensive odor, and in compliance with all laws affecting the Leased Premises, Tenant's use of the Leased Premises, or Tenant's business.

(1) Tenant shall not allow the accumulation or burning of any rubbish or garbage in, on, or about the Leased Premises and shall keep all entrances, doors, or loading areas in the Leased Premises or immediately adjoining the Leased Premises free from trash, litter, or other obstruction.

(2) Tenant shall bear the expense of garbage and rubbish collection and disposal. If Landlord's Leasing Operations Department permits Tenant to use any part of the Store (other than the Leased Premises), Common Area, or land underlying the foregoing to store garbage and refuse generated by Tenant's use of the Leased Premises, Tenant and its Sublessees, at the expense of Tenant or its Sublessee, will keep all such garbage and refuse in the location designated by Landlord and in the kind of container, including the use of interior refrigerated garbage containers and compactors, Landlord specifies in its commercially reasonable opinion.

(3) Tenant will maintain air pressure in the Leased Premises necessary to keep offensive odors from emanating from the Leased Premises.

(4) Any odor-producing function of Tenant's operations must be mechanically vented to the exterior of the Store and the Leased Premises to eliminate the dissipation of such odors into the Store or into the interior or exterior of any other tenant's space. Exhaust hoods may not project above the roof deck higher than that allowed by local governmental authorities or code requirements.

(5) At Landlord's written request, Tenant will install any equipment or procedures necessary to comply with Section 7.2C(3) and Section 7.2C(4). If Tenant fails to comply with Landlord's request, within twenty (20) days after receiving notice, Landlord may take remedial action for Tenant, and Tenant will pay, as additional Rent, the cost of such remedial action plus an administrative charge of ten percent (10%) of the cost thereof.

D. If Tenant fails to commence, and thereafter pursue diligently any repairs required by this Section 7.2 within ten (10) days of receiving notice from Landlord of the repair, Landlord may repair the Leased Premises as necessary to maintain it in a good, clean, safe, dry, and tenantable condition. If Landlord makes such repair, Tenant will reimburse Landlord for its costs, plus an additional ten percent (10%) administrative fee when Tenant pays the next month's Rent.

### 7.3 Store Relocation, Renovation and Closing.

A. Landlord, from time to time, may relocate the Store to another physical address (a "Store Relocation"). In the event of a Store Relocation, Landlord, in its reasonable discretion, may terminate this Master Lease and related Attachment A as to the applicable

Leased Premises. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five years, not to exceed \$50,000 (the "Unamortized Improvement Costs"). Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises. Landlord and Tenant may mutually agree to enter into a new Attachment A for the new location of the Store or any other Store. If Landlord and Tenant enter into a new Attachment A for the new location of the Store or any other Store, Tenant will bear all costs and expenses incurred in relocating to the new location of the Store or to any other Store. Tenant will also repair, update, and upgrade all Trade Fixtures and Improvements to the Leased Premises and ready the newly located Leased Premises to be open for business to the public for the Store's Grand Opening as required by this Master Lease. Landlord must first approve all repairs, updates, and upgrades to the Leased Premises, such approval not to be unreasonably withheld.

B. Landlord, from time to time, may remodel, re-arrange, renovate, or expand (collectively and individually "Store Renovations") the Store, without relocating the Store to another physical address. During Store Renovations, Tenant will repair, update, and upgrade the Trade Fixtures, the Improvements and the Leased Premises unless Tenant repaired, updated, and upgraded the Trade Fixtures, the Improvements and the Leased Premises within the three (3) consecutive preceding years. All repairs, updates, and upgrades Tenant contemplates must be previously approved by Landlord, which approval will not be unreasonably withheld, conditioned or delayed.

(1) In connection with any Store Renovations, Landlord may either temporarily or permanently relocate Tenant to another location within the Store that is of like size and configuration as the Leased Premises and is in a reasonable condition from which Tenant may operate if Landlord, in its commercially reasonable judgment, determines the relocation necessary to complete Store Renovations. Landlord will bear the cost of moving Tenant's Trade Fixtures in the event of a temporary relocation, but Landlord is not responsible for any expense associated with Tenant's repairs, updates, and upgrades of the relocated Leased Premises, whether the relocation is temporary or permanent. If the relocation is of a permanent nature and Tenant reasonably determines that the new location will materially impair its operations in the applicable Leased Premises or is not of like size and configuration as the original Leased Premises, Tenant may terminate this Master Lease as to the applicable Leased Premises by providing written notice to Landlord. If the relocation is temporary and Tenant reasonably determines that the new location of the Leased Premises will materially impair its business or that the Store Renovations are materially impairing its operations in the Leased Premises, Tenant may, with Landlord's written consent, not to be unreasonably withheld, conditioned or delayed, close the applicable Leased Premises until Landlord and Tenant agree that the Store Renovations no longer impair the operations of the applicable Leased Premises.

(2) If, in connection with the Store Renovations, Landlord closes the Store for more than three (3) consecutive days, Tenant may, with Landlord's written consent, not to be unreasonably withheld, conditioned or delayed, either close the applicable Leased Premises while the Store is closed in connection with the Store Renovations and conduct the repairs, updates, and upgrades of the Leased Premises as required by this Section 7.3B or terminate this Master Lease as to the applicable Leased Premises.

C. If the Leased Premises closes in accordance with this Section 7.3, Rent due during the time in which the Leased Premises is closed will abate. The Leased Premises must re-open once the Store Renovations and the operations of the Leased Premises no longer materially impair each other, as determined by mutual agreement of the parties.

D. If a Store in which the applicable Leased Premises is located permanently ceases to be open for business to the public, and not as a part of a relocation as contemplated by Section 7.3A above (a "Store Closing"), this Master Lease as to the applicable Leased Premises will terminate on a date mutually agreed to by Landlord and Tenant, but at no time may such date be less than thirty (30) days prior to the Store Closing. In such event, Landlord will reimburse Tenant for the Unamortized Improvement Costs and Landlord and Tenant will each be released from any further obligations under this Master Lease and will each waive any rights it may have under this Master Lease. Despite anything to the contrary elsewhere in this Master Lease, any Claim of each and every kind and nature whatsoever (including, but not limited to, liability as to any actions by third parties for injuries to persons or damage to property), actual or potential, past and present, known or unknown, arising out of or based upon, directly or indirectly, the Master Lease, statute, government regulation or any rights or responsibilities accruing therefrom, having accrued before the termination date, whether or not yet asserted, survives the termination of the Master Lease.

## Article VIII

### Compliance with Law and Other Requirements

8.1 Rules and Regulations. Tenant shall observe all rules and regulations established from time to time by Landlord upon notice to Tenant, through publication in the Landlord/Tenant Handbook or otherwise, including, but not limited to:

A. Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, should remove immediately from the Store any merchandise purchased from Landlord.

(1) Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, may not bring into the Leased Premises any merchandise purchased from Landlord unless the merchandise is purchased for use by Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, in the operation of its business in the Leased Premises or unless the merchandise is purchased for immediate consumption by Tenant, or its Sublessee, or any agent, employee, or representative of either Tenant or Sublessee.

(2) Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, must keep a receipt for the merchandise purchased with the merchandise at all times while the merchandise is in either the Leased Premises or the Store.

(3) No merchandise for which Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee, has not paid may be removed from the Store or brought into the Leased Premises.

(4) Any purchase by Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, is subject to search according to Landlord's security procedures applicable to other customers of Landlord. Anyone removing, or involved in the removal of, merchandise, either from the Store or into the Leased Premises, without first paying for the merchandise may be evicted from the Store or all of Landlord's property, may be treated as a shoplifter, or both. Shoplifters may be subject to prosecution.

B. Each of Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, shall conduct him or herself while in the Store or in the Leased Premises in a professional and courteous manner, appropriately attired, trained, and groomed, and in accordance with commercially reasonable standards in Tenant's industry.

C. Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, shall abide by Landlord's procedures in responding to media inquiries as such inquiries relate to the Leased Premises, Landlord, or any relationship between Tenant and Landlord.

## 8.2 Compliance.

A. Tenant, in its use, occupancy and operation of the Leased Premises, shall comply with all federal, state, and local laws, rules, orders, directives, and regulations.

B. Landlord has absolutely no responsibility, obligation, or liability for Tenant's hiring and other employment practices. Tenant warrants and represents that it has a policy to:

- (1) Comply in all respects with all immigration laws and regulations;
- (2) Properly maintain all records required by the United States Citizenship and Immigration Services (the "USCIS") including, without limitation, the completion and maintenance of the Form I-9 for each party's employees;
- (3) Respond in a timely fashion to any inspection requests related to such I-9 Forms;
- (4) Cooperate fully in all respects with any audit, inquiry, inspection, or investigation the USCIS may conduct of such party or any of Tenant's employees;

- (5) Conduct annual audit of the I-9 Forms for its employees;
- (6) Promptly correct any defects or deficiencies the audit reveals; and
- (7) Require all subcontractors performing any work for Tenant to comply with the covenants set forth in this Section 8.2B.

C. Tenant shall comply with the provisions of the Americans with Disabilities Act (“ADA”) as it relates to its operation of the Leased Premises.

(1) If, after Landlord delivers to Tenant the applicable Leased Premises, the presence of any ADA violation on the applicable Leased Premises requires remedial work on the Leased Premises and such ADA violation was not caused by Landlord’s actions or failure to act as required with respect to Store (other than the Leased Premises), Tenant will promptly take all actions at its sole expense as are required by any federal, state, or local government agency or political subdivision to comply with the ADA; provided that Landlord’s consent to such actions is first obtained, which consent Landlord may not unreasonably withhold, condition or delay.

(2) In addition to Tenant’s obligations under Article XIII, Tenant shall indemnify, defend and hold harmless the Indemnitees from any Claim including, without limitation, diminution in value of the Leased Premises, damages for the loss or restriction of use of rentable or usable space or of any amenity of the Leased Premises, damages arising from any adverse impact on marketing of space of the Leased Premises, and sums paid in settlement of claims, attorney’s fees, consultation fees and expert fees arising during or after the applicable Lease Term as a result of such violation. Tenant’s obligations in the preceding sentence include, without limitation, costs incurred in connection with any investigation of site conditions or any remedial work required by any federal, state, or local government agency or political subdivision because of any ADA violation present on or about the Leased Premises not caused by Landlord’s actions or failure to act as required with respect to the Store (other than the Leased Premises).

(3) If, after Landlord delivers to Tenant the applicable Leased Premises, the presence of any ADA violation exists in the Store (other than the Leased Premises) which requires remedial work on the Leased Premises, Landlord, at its sole cost and expense, will take all necessary actions required by any federal, state or local government agency or political subdivision to comply with the ADA.

D. Tenant represents and warrants that neither it nor its Sublessees are:

(1) A person or entity designated by the U.S. government on the list of the Specially Designated Nationals and Blocked Persons (the “SDN List”), as maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) at <http://www.ustreas.gov/offices/enforcement/ofac/sdn>, with which a U.S. person or entity cannot deal or otherwise engage in business transactions;



(2) A person or entity who is otherwise the target of U.S. economic sanctions and trade embargoes enforced and administered by OFAC, such that a U.S. person or entity cannot deal or otherwise engage in business transactions with such Tenant or its Sublessees;

(3) Either wholly or partly owned or wholly or partly controlled by any person or entity on the SDN List, including, without limitation, by virtue of such person being a director or owning voting shares or interests in an entity on the SDN List;

(4) A person or entity acting, directly or indirectly, for or on behalf of any person or entity on the SDN List; or

(5) A person or entity acting, directly or indirectly, for or on behalf of a foreign government that is the target of the OFAC sanctions regulations such that the entry into this Master Lease would be prohibited under U.S. law.

E. Tenant shall inquire diligently into and screen the qualifications of each employee, agent, or representative operating out of the Leased Premises, and no one that may pose a reasonably ascertainable risk to the safety or property of Wal-Mart or its Associates, customers, or business invitees is permitted on Wal-Mart property. For purposes of this paragraph, “inquire diligently into and screen” means conducting a criminal background check in accordance with federal and state law, properly checking references, and using such other methods to determine qualifications that a reasonable and prudent employer might utilize under the circumstances. Also, “risk” means any propensity to engage in violence, sex crimes, fraud, theft, vandalism, or any other conduct likely to result in harm to a person or property. Failure to comply with this provision constitutes a material breach of this Master Lease.

F. Tenant shall maintain the warranties and representations Tenant made under this Master Lease, all of which are remade and reaffirmed by Tenant when signing each new Attachment A, in full force and effect throughout the term of this Master Lease.

G. Any failure by Tenant to comply with its obligations under this Section 8.2 is a material breach.

8.3 Landlord’s Right of Removal. Landlord, in its sole judgment and discretion, may deny entry to or remove from its premises any Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee, who violates any of Landlord’s rules or regulations.

## Article IX Right to Access & Common Areas

9.1 Landlord’s Right to Access. Landlord may enter the Leased Premises:

A. Upon reasonable notice to Tenant (except in the case of emergency, in which case no notice will be required) to either inspect the Leased Premises, enforce any of

Landlord's rules and regulations or enforce the terms and conditions of this Master Lease;

B. Upon reasonable notice to Tenant, either to effect repairs it is obligated to perform or to add, alter, improve, repair, or otherwise construct or maintain any part of the Store adjacent to the Leased Premises; and

C. With twenty four (24) hours' advance notice to Tenant to show the Leased Premises to a prospective lender, lessee, or purchaser.

9.2 "For Rent" or "For Lease." Landlord may post "For Rent" or "For Lease" signs on the Leased Premises during the last ninety (90) days of the Leased Term if, in accordance with this Master Lease, Landlord and Tenant do not extend the Lease Term.

9.3 Tenant's Right to Access.

A. Tenant, its Sublessee, and the agent, customer, employee, or representative of each, has a limited right, during the Hours of Operation listed in Appendix-1 and immediately before and immediately after the Hours of Operation, to enter upon the Common Areas of the Store in order to conduct business in the Leased Premises.

B. Except as set forth in Article II and Article VII, Tenant has no rights or obligations related to the rooftop of the Leased Premises.

C. Tenant, with Landlord's prior consent, which will not be unreasonably withheld, conditioned or delayed, may enter Landlord's property for the limited purpose of servicing, maintaining, and otherwise performing its obligations in connection with this Master Lease at times the Store is not open to the public for business if Tenant, in no way, provides its services to the public during that time.

9.4 Parking. Tenant, its Sublessee, and the agents, employees, and representatives of each, while working in the Leased Premises, may park their motor vehicles in spaces designated by Landlord. Landlord may tow or cause to be towed, at the expense of the owner of the motor vehicle, any motor vehicle owned by Tenant, its Sublessee, or the agents, employees, and representatives of each that is parked in any area of Landlord's property other than the parking area designated. Landlord will not be liable to Tenant or its Sublessee or either of their agents, employees or representatives for any damage to or theft of their motor vehicles or any personal property contained in their motor vehicles.

9.5 Landlord's Liability. If Landlord enters the Leased Premises according to the provisions of this Master Lease, Landlord is not liable to Tenant for any loss, liability, or damages resulting from Landlord's entry except to the extent such losses, liabilities or damages arise from Landlord's gross negligence or willful misconduct. If Landlord enters the Leased Premises during the Hours of Operation, Landlord will use commercially reasonable efforts not to interfere with Tenant's business, and Landlord will not be liable to Tenant for any loss, including lost profits, for any resulting business interruption, except for losses, other than lost profits, to the extent such interruption arises from Landlord's gross negligence or willful misconduct.

- 9.6 Common Areas. Despite the preceding Sections, Landlord may close or prohibit the use of any Common Area, in part or in whole; may change the location or appearance of the Common Area; or may erect additional structures in the Common Area, provided such changes do not materially impact access to the Leased Premises.

Article X  
Transfer of Interest, Subordination, Attornment

- 10.1 Transfer of Tenant's Interest. During the term of this Master Lease, Tenant may not, without the prior written consent of Landlord, which Landlord may withhold in its sole discretion, take any of the following actions (individually and collectively, a "Transfer"):
- A. transfer, encumber, or pledge its interest in this Master Lease, either in its entirety or as to a particular Leased Premises, or an applicable Leased Premises, other than to an Affiliate;
  - B. permit any transfer of its interest in this Master Lease by operation of law other than a transfer by operation of law to an Affiliate;
  - C. permit any person or entity other than Tenant to use the Leased Premises; or
  - D. cause or permit Tenant's dissolution, merger, or consolidation, other than a merger.
  - E. transfer, at any time during the term of this Master Lease, more than an aggregate of fifty percent (50%) of Tenant's voting shares or more than fifty percent (50%) of the value of Tenant's unencumbered assets (as of the date of the transfer); or
  - F. transfer, at any time during the term of this Master Lease, any part or all of Tenant's shares of stock resulting in the majority owner(s) of said shares of stock as of the day Tenant signs this Master Lease no longer maintaining effective voting control of Tenant.
- 10.2 Effect of Unauthorized Transfer. Subject to the exceptions in Section 10.1, any Transfer or attempted Transfer without Landlord's prior written consent will be void and will not confer any rights upon any third person and will constitute a material breach of this Master Lease.
- 10.3 Requesting Landlord's Consent.
- A. Any request for Landlord's consent pursuant to this Article X must be in writing and include:
    - (1) The proposed effective date of the Transfer, which should not be less than forty-five (45) days nor more than one hundred eighty (180) days in advance of the notice;

(2) All of the terms, including the consideration, of the proposed Transfer, the name and address of the proposed transferee, and a copy of all documentation pertaining to the proposed Transfer; and

(3) The current audited financial statements of the proposed transferee or any other financial statements that would enable Landlord to determine the financial responsibility, character, and reputation of the proposed transferee.

B. Tenant shall provide any additional information Landlord reasonably requests in connection with the proposed Transfer.

#### 10.4 Effect of Consent.

A. If Landlord consents to any Transfer, that consent is not effective until and unless:

(1) Landlord receives a copy of the assignment effecting the Transfer, in a form approved by Landlord in its sole discretion; and

(2) The transferee delivers to Landlord a written agreement, in form and substance satisfactory to Landlord in its sole discretion, by which the transferee assumes all of the obligations and liabilities of Tenant under this Master Lease.

B. Any consent by Landlord to a Transfer does not constitute a waiver by Landlord of any prohibition against any future Transfers.

C. No Transfer relieves Tenant of any obligations under this Master Lease.

#### 10.5 Transfer Premium.

A. For the purposes of this provision, "Transfer Premium" means all Rent or other consideration payable by the Transferee in any monthly period that is in excess of the Rent payable by Tenant under this Master Lease in the same monthly period.

B. Tenant promptly, without notice or demand, shall pay Landlord fifty percent (50%) of any Transfer Premium Tenant receives in connection with a Transfer.

C. Tenant shall pay Landlord, in a form satisfactory to Landlord, any part of the Transfer Premium Tenant receives in a non-cash form.

D. In lieu of accepting any payment from Tenant of a Transfer Premium, Landlord may elect, with ninety (90) days' written notice, to increase the Rent due under this Master Lease as to the transferred Leased Premises by an amount equal to Landlord's share of the monthly amount of the Transfer Premium.

E. Landlord and its authorized representatives have the right to conduct an audit, relating to any Transfer Premium, of Tenant at Tenant's place of business during Tenant's regular work hours and with reasonable notice. If the audit establishes that Tenant underpaid Landlord Landlord's percentage of the Transfer Premium, Tenant,

within thirty (30) days following receipt of written demand, will pay the deficiency and Landlord's costs of such audit. If the deficiency is greater than five percent (5%), Landlord may terminate this Master Lease as to the transferred Leased Premises. If the audit establishes that Tenant overpaid Landlord Landlord's percentage of the Transfer Premium, Landlord, within thirty (30) days following receipt of written demand by Tenant, will pay the overage.

F. This provision does not apply to:

- (1) Any Transfer between Affiliates,
- (2) Payments made by a transferee for Tenant's customer deposits, or
- (3) Tenant's furniture, fixtures, and equipment.

10.6 Transfer of Landlord's Interest.

A. Landlord may transfer all or a part of its interest in the Store, the Common Areas, or the Leased Premises to a parent, subsidiary, or affiliated corporation of Landlord without prior consent or notice to Tenant.

B. If Landlord transfers its interest in this Master Lease as to a Leased Premises and the transferee assumes all of Landlord's future obligations under this Master Lease, Landlord will be released from any further obligations under this Master Lease as to the transferred interest from and after the date of such transfer. Tenant agrees to look solely to Landlord's transferee for performance of obligations thereafter arising under this Master Lease. Landlord will transfer to the transferee any Security given by Tenant according to Section 4.6, and Landlord will be discharged from any further obligation relating to the Security.

10.7 Subordination. Landlord may elect that this Master Lease, as to a particular Leased Premises, be subordinate to or paramount to the lien of any mortgage. Landlord's right to elect is self-operative, and no further instrument will be required. If Landlord requests, Tenant will do one or both of the following:

A. Confirm in writing and in a recordable form that this Master Lease, as to a particular Leased Premises, is subordinate to or paramount to (as Landlord elects) the lien of any mortgage; and

B. Execute an instrument making this Master Lease, as to the particular Leased Premises, subordinate or paramount (as Landlord may elect) to the lien of any mortgage, in a form as may be required by any applicable mortgagee.

10.8 Attornment. Tenant may not disaffirm any of its obligations under this Master Lease if Landlord transfers its interest in the Store or a particular Leased Premises to a successor. Landlord's successor and Tenant will attorn to and be bound by the terms, covenants, and conditions of this Master Lease as to the affected Leased Premises for the balance of the Lease Term.

- 10.9 Non-Disturbance. Notwithstanding anything in this Article X to the contrary, provided Tenant is not in default under this Master Lease following any applicable notice and cure period, Landlord shall not disturb Tenant's occupancy of the Leased Premises. In addition, Landlord shall use commercially reasonable efforts to obtain nondisturbance agreements from any future mortgagees of Landlord.
- 10.10 Sublease. Notwithstanding anything in this Lease to the contrary, Tenant may sublease a Leased Premises to a Sublessee pursuant to a Sublease and any such sublease shall not be considered a Transfer for purposes of this Lease.

Article XI  
Casualty

- 11.1 Fire or Other Casualty. Tenant shall promptly notify Landlord, in writing, of any damage caused to a Leased Premises by casualty.
- 11.2 Election to Rebuild.
- A. Landlord may elect to repair and restore structural damage to a Leased Premises damaged by casualty and shall notify Tenant of its election in writing within sixty (60) days after Landlord receives notice of the casualty damage.
- B. If Landlord does not elect to repair and restore structural damage to a Leased Premises damaged by casualty, this Master Lease as to the applicable Leased Premises will terminate.
- C. If Landlord elects to repair the structural damage to a Leased Premises damaged by casualty, Landlord, after notifying Tenant of its election, will diligently undertake the appropriate measures necessary to complete the repairs to the applicable Leased Premises in a commercially reasonable amount of time. Landlord will return the applicable Leased Premises to Tenant in substantially the same condition the applicable Leased Premises was in on the Delivery Date. Tenant will then complete the build-out of the applicable Leased Premises with commercially reasonable diligence and return the applicable Leased Premises to substantially the same condition the applicable Leased Premises was in immediately prior to the casualty.
- 11.3 Rent Abatement. If Landlord elects to repair the structural damage to a Leased Premises damaged by casualty, Landlord may abate Rent due on the applicable Leased Premises to the extent that the:
- A. Applicable Leased Premises is closed for repair, or
- B. Tenant's operations within the Leased Premises are impaired by the structural damage and subsequent repairs.

Article XII  
Condemnation & Eminent Domain

- 12.1 Total or Substantial Taking. If a Taking of a Leased Premises, or a Store in which exists a Leased Premises, occurs, this Master Lease as to the applicable Leased Premises will terminate automatically as of the date of the Taking. For purposes of this Master Lease, “Taking” means any government action that deprives, directly interferes with, or substantially disturbs the use and enjoyment of the Leased Premises, any of which may occur because of either the exercise of the power of eminent domain or condemnation or resulting from a purchase in lieu thereof.
- 12.2 Partial Taking. If a Taking of only a portion of the Leased Premises, or of a Store in which exists a Leased Premises, occurs, Landlord may either:
- A. Terminate this Master Lease, without liability, as to the applicable Leased Premises; or
- B. Reduce the Base Rent in proportion to the area of the Leased Premises affected by the Taking until such time that portion of the Store or the Leased Premises is restored.
- 12.3 Temporary Use. If a Taking of the Leased Premises occurs for temporary use, this Master Lease will continue in full force and effect as to the applicable Leased Premises. Tenant will continue to comply with its obligations under this Master Lease, and any appendix, amendment, or attachment hereto, to the extent compliance is possible because of the Taking for temporary use. If, during the temporary Taking, Tenant is unable, based on a commercially reasonable standard, to operate its business from the Leased Premises such that Tenant reasonably is unable to open the Leased Premises for business, Landlord will reduce Tenant’s Rent in proportion with the number of days the Leased Premises is closed during the temporary Taking.
- 12.4 Compensation. Except as provided below, any compensation arising out of the Taking of a Leased Premises belongs to and is the property of Landlord without any participation by Tenant. Tenant hereby assigns to Landlord any share of any compensation arising out of the Taking of a Leased Premises that may be awarded to Tenant and waives any rights it may have with respect to the loss of its leasehold estate; provided, however, that Tenant shall have the right to any compensation award relating specifically to the Improvements or Trade Fixtures installed by Tenant.

Article XIII  
Indemnity and Liability

- 13.1 Definitions. For the purposes of this Master Lease:
- A. “Claim” means any action, cause of action, claim, or any other assertion of a legal right; damages including, but not limited to, consequential, future, incidental, liquidated, special, and punitive damages; diminution in value; fines; judgments; liabilities; losses including, but not limited to, economic loss and lost profits; and regulatory actions, sanctions, or settlement payments.

- B. “Indemnitee” means:
- (1) Landlord, its subsidiaries, affiliates, officers, directors, employees, agents, and
  - (2) Any lessor of Landlord or other party to an agreement with Landlord related to Landlord’s purchase or lease or use of the Store or the underlying land, which Landlord has a contractual obligation to indemnify for Claims in connection with the Store or the Leased Premises.
- C. “Indemnified Claim” means a Claim for which Tenant is obligated to indemnify, defend, and hold harmless the Indemnitees according to Section 13.2 below.

13.2 Indemnification. Tenant shall indemnify, defend, and hold harmless the Indemnitees against any Claim, even if the Claim is groundless, fraudulent, false, or raised or asserted by a third party, including a government entity, in connection with or resulting from:

- A. Any actual or alleged breach of this Master Lease by Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee;
- B. Any actual or alleged negligence or willful misconduct by Tenant or Sublessees, or their respective agents, employees, representatives, subcontractors, or customers, at or related to the Leased Premises;
- C. An investigation of the Indemnitees concerning the alleged improper management, handling, storage, disposal, or transportation of Hazardous Substances, any of which Tenant is responsible for under this Master Lease and the actual or alleged improper use, handling, management, storage, transportation, and disposal of Hazardous Substances by Tenant, Sublessee, or any agent, employee, or representative of either Tenant or Sublessee; and
- D. Indemnitees’ actual or alleged passive negligence, secondary liability, vicarious liability, strict liability, or breach of a statutory or non-delegable duty, related, directly or indirectly, to any matter covered under Section 13.2 of this Master Lease.

13.3 Scope of Indemnity. Tenant’s obligations under this Article XIII:

- A. Are independent of, and not limited by, any of Tenant’s obligations under Article XIV below, even if damages or benefits are payable under worker’s compensation or other statutes or if Tenant breaches its obligations under Article XIV below.
- B. Survive the termination or expiration of this Master Lease until applicable law fully and finally bars all Claims against Tenant. ALL OBLIGATIONS UNDER THIS ARTICLE XIII WILL BE ENFORCED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW FOR THE BENEFIT OF THE INDEMNITEES. In the event that applicable law affects the validity or enforceability of this Article XIII, that applicable law will operate to amend this Article XIII to the minimum extent necessary to bring the



provisions of this Article XIII into conformity with the applicable law. This Article XIII, as modified, will continue in full force and effect.

C. Applies unless and until a final judicial decision, from which there is no further right to appeal, determined that the Indemnitees are not entitled to be indemnified, defended, and held harmless under this Master Lease.

13.4 Defense of Claim.

A. On receiving notice, from whatever source, of the Indemnified Claim, Tenant shall:

(1) Promptly notify Landlord of the assertion, filing, or service of any Indemnified Claim of which Tenant becomes aware; and

(2) Immediately take all appropriate actions necessary to protect and defend the Indemnitees regarding the Indemnified Claim.

B. Tenant shall cause the counsel selected by the Indemnitees to defend the Indemnitees with respect to the Indemnified Claim at Tenant's sole cost and expense, and to acknowledge receipt of, to accept, and to represent Indemnitees' interest regarding the Indemnified Claim in accordance with "Wal-Mart's Indemnity Counsel Guidelines."

C. If, in its sole discretion, the Indemnitees determine that a conflict of interest exists between the Indemnitees and the indemnifying counsel or that the indemnifying counsel is not pursuing a defense for the Indemnitees that is in the Indemnitees' best interests, the Indemnitees may request Tenant replace the indemnifying counsel.

(1) Tenant shall not unreasonably withhold its consent to replace the indemnifying counsel and will replace the indemnifying counsel timely or cause the indemnifying counsel to be replaced timely.

(2) If Tenant unreasonably withholds consent or the indemnifying counsel is not timely replaced after the Indemnitees requested, the Indemnitees may replace the indemnifying counsel, and Tenant will reimburse the Indemnitees any costs incurred by the Indemnitees in replacing the counsel.

13.5 Waiver. Tenant waives any right, at law or in equity, to indemnity or contribution from the Indemnitees.

13.6 Non-Liability of Landlord and Tenant.

A. Landlord will not be liable to Tenant or Sublessee, or any agent, employee, representative, or customer of Tenant or Sublessee, and Tenant will not be liable to Landlord, for any Claim relating to the negligence or willful misconduct of any of Landlord's customers, invitees, or other lessees or sublessees or any customers or invitees of Landlord's other lessees and sublessees.

B. Except to the extent that any of the following result from Landlord's gross negligence or willful misconduct, Landlord will not be liable to Tenant for any Claim relating to the condition of the Store, the Common Areas, or the Leased Premises in connection with disrepair or defect in any:

- (1) Structural element of the Leased Premises;
- (2) Trade Fixtures, Improvements, wiring, or any of Tenant's installations;
- (3) Backup of drains constructed or installed by Tenant; or
- (4) Gas, water, steam, electricity, grease, or oil, leaking, escaping, or flowing, from any equipment, pipes, drains, wiring, Trade Fixtures, or Improvements installed or maintained by Tenant,

13.7 Breach of Article XIII. Any failure by Tenant to comply with this Article XIII is a material breach of this Master Lease, which does not relieve Tenant of its obligations under this Article XIII.

#### Article XIV Insurance

14.1 Insurance Required. Tenant shall procure and maintain, at Tenant's own expense, the insurance policies described in the attached Appendix-2. All insurance policies required by this Master Lease must be obtained from an insurance company with a rating of A+ or better and a financial Size Category rating of VII or better as rated in the A.M. Best Key Rating Guide for Property and Casualty Insurance Companies ("Insurer"), unless self-insured as discussed in Section 14.3 below.

14.2 Requirements.

A. Tenant and its Sublessees bear the responsibility of insuring for fire and all risks, including risk of flood, earthquake, and terrorism, associated with the merchandise, Trade Fixtures, and Improvements related to the operation of the Leased Premises. At no time is Landlord liable for any Damage or Injury to Tenant's business property, Improvements, betterments, or Trade Fixtures or other property of Tenant within any of the Leased Premises due to fire or any other risk covered under a Causes of Loss – Special Form insurance policy or due to flood, earthquake, or terrorism.

B. Tenant shall submit to Landlord a Certificate of Insurance for each insurance policy required under this Article XIV and the attached Appendix-2 naming "Wal-Mart Stores, Inc., Attn: Asset Management, 2001 S.E. 10<sup>th</sup> Street, Bentonville, AR 72716-0550" as the Certificate Holder. Additionally, each Certificate of Insurance must:

- (1) Be submitted to Landlord at the address provided in the preceding sentence;
- (2) Show the name and address of the Insurer;

- (3) Show the policy number and date(s) of coverage for each policy procured by Tenant in satisfaction of its obligations under this Master Lease;
- (4) Include the name, address, telephone number, and signature of the authorized person providing the Certificate of Insurance;
- (5) Verify the insurance coverage required in this Article XIV and Appendix-2;
- (6) Where permitted by law, list as Additional Insureds Wal-Mart Stores, Inc., its Subsidiaries and its Affiliates, and the directors, officers, shareholders, employees, agents, and representatives, and the respective successors and assigns of each, and any party that Landlord has a contractual obligation to indemnify in relation to Tenant's use of the applicable Leased Premises;
- (7) Verify that Insurer waives subrogation in favor of Landlord and Landlord's affiliates and subsidiaries;
- (8) Verify the insurance policies are primary, non-contributory, and not in excess of any insurance the Additional Insured has available to it; and
- (9) Where permitted by law, provide coverage for punitive damages.

#### 14.3 Self-Insured.

A. Landlord may accept self-insurance in lieu of the insurance policies set forth in this Article XIV and the attached Appendix-2 if Tenant provides to Landlord:

- (1) A copy of the Certificate of Authority to Self-Insure its Worker's Compensation obligations issued by the state(s) in which the Leased Premises will be located and a copy of the state-issued letter approving self-insurance for automobile liability, if required under this Master Lease;
- (2) Proof that Tenant's net worth is at least ten (10) times the amount of Commercial General Liability insurance required by this Master Lease; and
- (3) A copy of Tenant's most recently audited annual financial statements, with no negative notes, or the most recent Dun & Bradstreet report.

B. If Landlord accepts self-insurance in lieu of the insurance policies set forth in this Article XIV and the attached Appendix-2, Tenant hereby agrees to the obligations of any endorsement or Certificate of Insurance required under Section 14.2 above and that may be required under any appendix, amendment, or attachment hereto. Such obligations become Tenant's obligations under this Master Lease.

14.4 Landlord Insurance. Landlord may elect, in its sole discretion, to carry fire and extended coverage insurance (the “Store Insurance”) on the Store for an amount providing coverage to include at least ninety percent (90%) of the replacement cost of the Leased Premises (excluding Tenant’s merchandise, Trade Fixtures, and Improvements). In the event Landlord elects to carry such insurance, Landlord shall initially pay any Store Insurance premiums incurred during the Lease Term, subject to Tenant’s obligation to pay Landlord the Insurance Reimbursement Fee.

14.5 Mutual Waiver of Subrogation. Landlord and Tenant each hereby release the other from all liability or responsibility to the other or to any other party claiming through or under them by way of subrogation or otherwise or for any loss or damage to property caused by casualty that is customarily insured under a Causes of Loss – Special Form insurance policy or that is due to flood, earthquake, or terrorism. This mutual waiver applies only to Damage or Injury to Tenant’s business property, Improvements, betterments, or Trade Fixtures within any of the Leased Premises occurring during the time when Tenant’s business property, Improvements, betterments, or Trade Fixtures within any of the Leased Premises are covered under a Causes of Loss – Special Form insurance policy or are due to flood, earthquake, or terrorism for which Tenant has insurance coverage.

14.6 Breach. Failure to procure and maintain the insurance required under this Article XIV and the attached Appendix-2 constitutes a material breach of this Master Lease. Tenant shall indemnify, defend, and hold harmless the Indemnitee against Indemnified Claim that the required insurance would have covered but for Tenant’s breach.

14.7 Insurance Obligation is in Addition to Other Obligations. Tenant’s obligations under this Article XIV and the attached Appendix-2 are in addition to, not in lieu of, Tenant’s other obligations, including Tenant’s obligations under Article XIII, to Landlord under this Master Lease.

#### Article XV Confidentiality

15.1 The terms and provisions of this Master Lease affect present and future negotiations Landlord or Tenant may have with another party. As such, Landlord and Tenant, and the agents, employees, representatives, and Sublessee of each, shall each keep the same confidential, disclosing only such information as is required by law or by mutual, written agreement between Landlord and Tenant.

15.2 Neither Landlord nor Tenant shall disclose any information that the other may mark as confidential or proprietary including, but not limited to, lists of available rental space and marketing plans, schedules, sales figures, sales projections, financial statements or other financial information that Landlord or Tenant may make available or known to the other party, disclosing only such information as is required by law or by mutual, written agreement between Landlord and Tenant.

15.3 Failure to comply with this Article XV is a material breach of this Master Lease.

Article XVI  
Covenant of Quiet Enjoyment

- 16.1 Landlord covenants that Tenant peaceably and quietly may enjoy the Leased Premises in accordance with, and subject to, the terms of this Master Lease and without any interruption or disturbance from Landlord, provided Tenant:
- A. Pays Rent and all other charges provided for in this Master Lease and any appendix, amendment, or attachment hereto,
  - B. Performs all of its obligations provided for under this Master Lease, and
  - C. Observes all of the other provisions of this Master Lease.

Article XVII  
Default, Termination, Surrender, Tenant's Liability, Right of Reentry  
Tenant's Waivers, Landlord's Right to Perform, Cumulative Rights

- 17.1 Default. Each of the following events constitutes a Default of this Master Lease:
- A. Tenant files for Insolvency or is adjudicated Insolvent. For the purposes of this Master Lease, "Insolvency" means any petition filed by Tenant in bankruptcy, for reorganization or arrangement, or for appointment of a receiver or trustee; Tenant acquiescing to a petition for bankruptcy, reorganization, arrangement, or the appointment of a receiver or trustee by a creditor; or any assignment by Tenant for the benefit of a creditor.
  - B. A petition for Insolvency is filed against Tenant, to which Tenant does not acquiesce, and that, within sixty (60) days following the filing, is not dismissed, discontinued, or vacated.
  - C. Tenant's interest in this Master Lease, in its entirety or as to a particular Leased Premises is assigned by operation of law, except to the extent permitted under Article X hereof.
  - D. Tenant fails to pay any installment of Rent or any other charge to which Tenant is obligated by this Master Lease to pay when due and payable, and the failure to pay continues for more than ten (10) days after the date due and such failure occurs two (2) or more times in a twelve (12) month period.
  - E. Tenant breaches any material obligation or covenant under this Master Lease.
  - F. Tenant breaches any non-material obligation or covenant under this Master Lease more than two (2) times in any twelve (12) month period, and each breach remains uncured thirty (30) days after Tenant receives written or verbal notice of the breach from Landlord.

G. After the Rent Commencement Date, Tenant fails to open the applicable Leased Premises according to the Hours of Operation designated in Appendix-1 more than two (2) times in any twelve (12) month period without Landlord's prior, written approval or as otherwise allowed under this Master Lease.

17.2 Termination for Default. Landlord may terminate this Master Lease, in its entirety or as to a particular Leased Premises, without any liability, if Tenant Defaults, as defined in Section 17.1 above, or elsewhere in this Master Lease, upon ten (10) days prior written notice to Tenant. However, Landlord may wait to terminate this Master Lease, in its entirety or as to a particular Leased Premises, until after it re-lets the Leased Premises in accordance with this Article, and in such event Tenant shall pay Landlord all sums due Landlord under this Master Lease up through the date of such termination.

17.3 Surrender at Termination or Expiration. Upon the expiration or earlier termination of this Master Lease as to the applicable Leased Premises, for whatever reason, Tenant shall immediately remove all property, Trade Fixtures, and Improvements from the Leased Premises, surrender and quit the Leased Premises and either:

A. Return the Leased Premises to the reasonably same condition in which Tenant received the Leased Premises on the Delivery Date, subject to normal wear and tear, or

B. In lieu of returning the Leased Premises to the condition described above, pay Landlord eight thousand dollars (\$8,000).

17.4 Landlord's Right of Reentry. If Tenant fails to surrender the applicable Leased Premises in accordance with this Article, Landlord, its agents, employees, or representatives, without prejudice to any right or remedy available to Landlord under this Master Lease, at law, or in equity and subject to applicable law, may:

A. Re-enter and repossess the applicable Leased Premises and do one or more of the following:

(1) Dispose of any property, Trade Fixtures, or Improvements remaining therein.

(2) Re-let the Leased Premises, and if Landlord re-lets the Leased Premises for Rent and other charges equal to or greater than the Rent and other charges for which Tenant remains liable, Tenant will be released from further liability under this Master Lease.

(3) Use all or a portion of the Leased Premises, in which case the fair market value of the applicable Leased Premises, or the portion of that Leased Premises used, will be used in calculating Tenant's liability described in Section 17.5 below. If the fair market value equals or is greater than the Rent and other charges for which Tenant remains liable, Tenant will be released from further liability under this Master Lease.

(4) Demand full and final settlement, whereupon Tenant shall pay Landlord the present value of the total of all future Rent that would come due under this Master Lease but for the termination of this Master Lease, plus other charges that may apply under this Master Lease, less the fair market value of the particular Leased Premises. Present value will be calculated at eight percent (8%).

B. Continue this Master Lease in full force and continue to look to Tenant to perform all Tenant's obligations under this Master Lease, but Landlord may pursue Tenant for damages incurred or equitable relief or both.

17.5 Survival of Tenant's Liability. Upon termination of this Master Lease, in its entirety or as to a particular Leased Premises and without prejudice to any right or remedy available to Landlord under this Master Lease, at law, or in equity and subject to applicable law, Tenant shall remain liable for:

A. Unpaid Rent and other charges;

B. Damages for its failure to perform other obligations;

C. Expenses Landlord incurs in the course of evicting Tenant and re-entering the Leased Premises, including reasonable attorneys fees and court costs; and

D. Unless Tenant surrenders the Leased Premises in accordance with this Article, any cost incurred by Landlord in returning the Leased Premises to the same condition in which Tenant received the Leased Premises on the Delivery Date, less any revenue received by Landlord by re-letting the Leased Premises, less any claim Landlord successfully makes against the Security required pursuant to Section 4.6.

17.6 Tenant's Waivers. Landlord and Tenant waive any right to trial by jury on all issues in all litigation between Landlord and Tenant arising from or relating to this Master Lease, and Tenant, additionally, waives any:

A. Right to withhold or reduce Tenant's required payments of Rent and other charges for which Tenant is obligated under this Master Lease;

B. Statutory requirements of prior, written notice before filing for eviction or for any damages suit for non-payment of Rent;

C. Claim for damages against Landlord resulting from Landlord's re-entry, except for damages arising from Landlord's gross negligence or willful misconduct;

D. **Rights to bring any counterclaim, proceeding, or other cause of action in relation to dispossession, other than compulsory counterclaims;** and

E. To the extent legally permissible, for itself and all persons claiming by, through, or under it, any right of redemption or for the restoration of the operation of this Master Lease under any present or future law in case Tenant is dispossessed for any cause or in case Landlord obtains possession of the Leased Premises as herein provided.

17.7 Landlord's Right to Perform for Account of Tenant.

A. If Tenant Defaults under this Master Lease, Landlord may cure the Default at any time for the account of and at the expense of Tenant, and Tenant will reimburse Landlord for any amount, including reasonable attorneys fees and interest, expended in connection therewith.

B. If either party seeks enforcement of this Master Lease by litigation and prevails, the non-prevailing party will reimburse the prevailing party for its reasonable attorneys' fees and disbursements reasonably incurred in connection with the litigation.

C. In addition to all other obligations under this Master Lease, Tenant shall pay interest to Landlord, at the maximum lawful rate, on the amount specified in Sections 17.7A and 17.7B, from the date Landlord incurs the expense until the day reimbursed.

17.8 Cumulative Rights.

A. Landlord's and Tenant's rights and remedies set forth in this Master Lease are cumulative and in addition to any other right and remedy now and hereafter available to Landlord or Tenant by this Master Lease, at law or in equity. Either party may exercise its rights and remedies at any time, in any order, to any extent, and as often as such party deems advisable.

B. A single or partial exercise of a right or remedy will not preclude a further exercise of that or another right or remedy.

C. No action, inaction, delay, or omission by either party in exercising a right or remedy exhausts or impairs the same or constitutes a waiver of, or acquiescence to, a breach of this Master Lease or Default.

D. If either party waives a breach of this Master Lease or a Default, that waiver does not extend to or affect any other breach of this Master Lease or any other Default, nor will it impair any right or remedy with respect thereto.

E. Acceptance by Landlord of Rent after Landlord notifies Tenant of termination does not waive Landlord's right to terminate or pursue any other right and remedy available to Landlord under this Master Lease, at law, or in equity.

17.9 Landlord's Default.

A. Landlord's failure to perform any of its obligations under this Master Lease may constitute a default of this Master Lease, in its entirety or as to the particular Leased Premises affected by Landlord's failure to perform, if Tenant notifies Landlord, in writing, of Landlord's failure to perform, and Landlord fails to cure the failure to perform within at least thirty (30) days after Landlord receives Tenant's notice, or such longer period of time as may reasonably be necessary to cure the type of alleged breach under the circumstances, provided that Landlord commences to cure within the initial thirty



(30) day period and thereafter diligently pursues completion of such cure. Notice required under this Section must include a description of the particular facts and circumstances alleged giving rise to the alleged breach and the date of commencement of the alleged breach.

B. If Landlord defaults on this Master Lease, Tenant, in addition to any other rights or remedies to which it is entitled at law or in equity, may:

(1) Treat this Master Lease as still in full force and effect continuing to look to Landlord to perform its obligations under this Master Lease but seek damages or equitable relief, or both; or

(2) Terminate this Master Lease, in its entirety or as to the applicable Leased Premises, with thirty (30) days' written notice stating the date on which Tenant will vacate the Leased Premises. If Tenant fails to timely vacate the Leased Premises, Tenant's notice of termination will be deemed to be void; the Master Lease, in its entirety or as to the applicable Leased Premises, will continue in full force and effect and Landlord will be deemed to have cured any alleged breach.

C. Regardless of which remedy Tenant pursues, LANDLORD'S LIABILITY FOR DEFAULT UNDER THIS MASTER LEASE, AT LAW OR IN EQUITY, WILL NOT EXCEED AN AMOUNT EQUAL TO ONE (1) YEAR'S RENT PAID BY TENANT FOR THE LOCATION IN WHICH LANDLORD WAS FOUND IN DEFAULT.

17.10 Force Majeure. If a force majeure occurs, the time that the force majeure delays performance by either Landlord or Tenant will be excluded from the computation of time within which Landlord, Tenant, or both, must perform under this Master Lease. For purposes of this Master Lease, a force majeure is a strike, riot, act of God, shortage of material, war, governmental law, regulation, or restriction, or any other cause of any kind that is beyond the reasonable control of the party owing performance.

#### Article XVIII

#### Holding Over & Estoppel Certificates

18.1 Holding Over. If Tenant remains in possession of the Leased Premises after the expiration of the Lease Term without a new Attachment A or Master Lease executed by both Landlord and Tenant, Tenant will be a "Holdover Tenant." As a Holdover Tenant, Tenant will occupy the Leased Premises on a month-to-month basis with a monthly rental rate equal to the Rent and other charges applicable at the time of the expiration of the Master Lease plus 50% of the sum of such amounts. Further, Tenant will be subject to all conditions, provisions, and obligations of this Master Lease as far as the same are applicable to a month-to-month tenancy.

18.2 Estoppel Certificates. Tenant, within ten (10) days of Landlord's request, shall deliver to Landlord an executed, written statement addressed to the party designated in Landlord's request and identifying Tenant and this Master Lease and certifying and confirming, in addition to any information or confirmation Landlord may reasonably require, the following:

- A. That this Master Lease is either unmodified since its execution and in full force and effect, or modified since its execution but still in full force and effect as modified;
  - B. That Landlord either is not in default of any of its obligations under this Master Lease or is in default, specifying the default;
  - C. Tenant's obligations and restrictions concerning subordination and attornment; and
  - D. The Lease Term, Rent Commencement Date, and Expiration Date as to the Leased Premises for which the estoppel certificate applies.
- 18.3 Agent-in-Fact. Tenant's failure to provide an estoppel certificate materially complying with Section 18.2 above is a material breach of this Master Lease through which, in addition to any other right or remedy Landlord may have under this Master Lease, at law, or in equity, ***Landlord is hereby irrevocably appointed and authorized as the agent and attorney-in-fact of Tenant to execute and deliver any such written statement on Tenant's behalf if Tenant fails to do so within seven (7) days after receiving a written request from Landlord.***

Article XIX  
Interpretation, Notices, & Miscellaneous

- 19.1 Severability. If a court of proper jurisdiction determines that any provision of this Master Lease, or any application of the provision, is invalid or unenforceable, the remainder of this Master Lease, or the applications of the provision that are not invalid or unenforceable, will remain in full force and effect to the fullest extent permitted by law.
- 19.2 Captions. The captions and headings used throughout this Master Lease are for convenience of reference only and do not affect the interpretation of this Master Lease.
- 19.3 Merger. This Master Lease, together with any Attachment A, exhibit, addendum, amendment, or any other document attached to and incorporated into this Master Lease, constitutes the entire agreement between Landlord and Tenant, a complete allocation of risks between them, and a complete and exclusive statement of the terms and conditions of this Master Lease. This Master Lease is merged into by and supersedes all prior written or oral agreements, leases, licenses, negotiations, dealings, and understandings, unless specifically provided otherwise in Appendix-1. Except for changes to the Delivery Window and Delivery Date designated in the applicable Attachment A, no amendment or other modification of this Master Lease will be valid or binding on either Landlord or Tenant unless it is reduced to writing and signed by both Landlord and Tenant.
- 19.4 Survival. The following provisions of this Master Lease survive the termination, for whatever reason, of this Master Lease: Article XIII, Article XIV, Article XV, Article XVII, Section 2.4, Section 18.1, and Appendix-2.

- 19.5 Third Party Beneficiaries. Nothing in this Master Lease confers, or intends to confer, any rights upon any person or entity not a party to this Master Lease, except for the Indemnitees identified in Section 13.1B above.
- 19.6 Benefit & Binding Effect. The terms, provisions, and covenants contained in this Master Lease apply to, inure to the benefit of, and are binding on Landlord and Tenant and their respective heirs, successors, and assignees.
- 19.7 Fiduciary Relationship. This Master Lease does not create a fiduciary relationship between Landlord and Tenant. Any expenditures, investments, or commitments either party makes in reliance on any present or future business or lease with the other party is done at such party's own risk and without any obligation whatsoever from the other party.
- 19.8 No Obligation. Landlord has no obligation to offer, nor does the course of performance under this Master Lease create any obligation on Landlord to offer, any number of locations for lease to Tenant. Any locations offered for lease to Tenant in accordance with this Master Lease are in the sole and absolute discretion of Landlord. Landlord, in its sole discretion and at any time, may cease offering locations to Tenant, and this Master Lease will continue in full force and effect solely with regard to those Leased Premises for which both Landlord and Tenant have signed an Attachment A. Landlord may lease locations that Landlord might otherwise offer to Tenant under this Master Lease to any party that Landlord chooses including, without limitation, Tenant's competitors. Tenant recognizes and agrees that this Master Lease creates no exclusive rights in Tenant's favor.
- 19.9 Independent Contractors. Nothing contained in this Master Lease creates a partnership, joint venture, principal/agent relationship, or any other relationship other than that of landlord/tenant between Landlord and Tenant.
- 19.10 Notice. Any notice required by this Master Lease must be in writing and delivered either by hand; by commercial courier; or by placing notice in the U.S. mail, certified mail, return receipt requested, properly addressed and with sufficient postage.
- A. Notice is deemed received on:
- (1) Delivery if by hand;
  - (2) One (1) business day (Monday through Friday) after deposit with the commercial courier, provided deposit is done timely so as to effect next business day delivery, if by commercial courier; or
  - (3) Three (3) business days after placing the notice in the U.S. mail, properly addressed and with sufficient postage for certified mail, return receipt requested.
- B. Notice intended for Tenant must be sent to the address provided in Appendix-1.

C. Notice intended for Landlord must be sent to: Wal-Mart Stores, Inc., Asset Management, 2001 SE 10<sup>th</sup> Street, Bentonville, AR 72716-0550, with a copy to: Wal-Mart Stores, Inc., Wal-Mart Stores Division – Legal, Office of the General Counsel, 702 SW 8<sup>th</sup> Street, Bentonville, AR 72716-0185.

- 19.11 Governing Law. This Master Lease, and any property or tort disputes between Landlord and Tenant, will be construed and enforced in accordance with the laws of the State of Arkansas, without regard to the internal law of Arkansas regarding conflicts of law. Neither Landlord nor Tenant may raise in connection therewith, and hereby waive, any defenses based on venue, inconvenience of forum, or lack of personal jurisdiction, in any action or suit brought in accordance with the foregoing.
- 19.12 Jurisdiction and Venue. For any suit, action, or legal proceeding, arising from this Master Lease or from any property or tort dispute between Landlord and Tenant, Landlord and Tenant consent and submit to the exclusive jurisdiction and venue of the state courts of Arkansas situated in Benton County, Arkansas or the federal courts situated in the Western District of Arkansas. **Landlord and Tenant acknowledge that they have read and understand this clause and willingly agree to its terms.**
- 19.13 Attorney's Fees. Except as otherwise provided in this Master Lease, if either party commences an action in a court of law against the other party to enforce the terms of this Master Lease, to declare rights under this Master Lease, or for any other reason related to this Master Lease, each party will pay its own attorney's fees and costs incurred as a result of that action.
- 19.14 Broker's Fees. Tenant represents and warrants that it has not consulted or negotiated with any broker or finder with regard to the Leased Premises. Tenant covenants and agrees to indemnify and hold harmless Landlord from any claims for fees or commissions from anyone with whom Tenant has consulted or negotiated with regard to the Leased Premises.

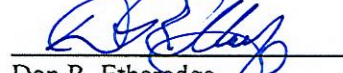
*[signature page to follow]*

Signed:

Witness:

  
\_\_\_\_\_

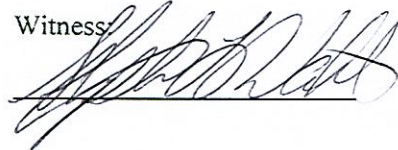
Landlord:

  
\_\_\_\_\_

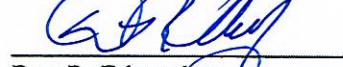
Don R. Etheredge  
Wal-Mart Stores, Inc.

4-18-09  
Date

Witness:

  
\_\_\_\_\_

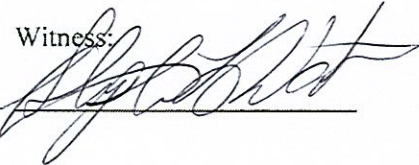
Landlord:

  
\_\_\_\_\_


Don R. Etheredge  
Wal-Mart Stores East, LP

4-18-09  
Date

Witness:

  
\_\_\_\_\_

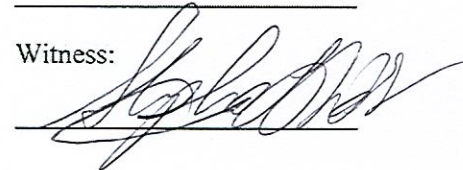
Landlord:

  
\_\_\_\_\_


Don R. Etheredge  
Wal-Mart Stores Texas, LLC

4-18-09  
Date

Witness:

  
\_\_\_\_\_


Landlord:

  
\_\_\_\_\_

Don R. Etheredge  
Wal-Mart Louisiana, LLC

4-18-09  
Date

Landlord:

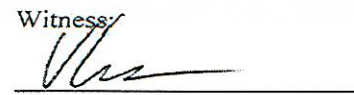
  
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Don R. Etheredge  
Wal-Mart Stores Arkansas, LLC

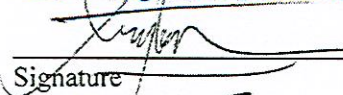
4-18-09  
Date

Signed:

Witness:

  
\_\_\_\_\_

Tenant: Regal Nails, Salon and Spa, LLC

  
\_\_\_\_\_

Signature  
Quy T. Ton  
Printed Name

4/9/09  
Date

  
\_\_\_\_\_

Manager  
Title

Tenant:



## Appendix-1

### Basic Lease Terms

The following terms and conditions supplement the terms and conditions set forth in the body of the Master Lease, to which this Appendix-1 attaches to and into which this Appendix-1 incorporates. All capitalized terms used in this Appendix-1 have the meanings set forth in the Master Lease unless otherwise specifically stated in this Appendix-1.

#### 1. Permitted Use of Leased Premises.

a. During the Lease Term of the applicable Leased Premises, Tenant shall use the applicable Leased Premises for the purpose of operating a full service nail salon offering manicures, pedicures and the sale of professional nail care products (the "Permitted Use"). Tenant shall operate in a diligent and businesslike manner in conformity with Tenant's standards and policies. During the Lease Term of the applicable Leased Premises, Tenant shall not offer facial or body waxing services and shall not offer or provide any additional services or products in the Leased Premises, or change the use of the Leased Premises unless previously approved by Landlord, in its sole discretion.

b. Commencing on the actual Rent Commencement Date and continuing until expiration or termination of the Master Lease in its entirety or as to the applicable Leased Premises and provided that Tenant is not in Default (as defined in the Master Lease) as to the applicable Leased Premises, Landlord may not lease to a tenant, other than Tenant, space located inside of the applicable Store for the Permitted Use. Tenant's rights under this paragraph 1.b. shall be null and void, and Tenant will lose all rights herein, if Tenant ceases to use the applicable Leased Premises for the Permitted Use, if Tenant Defaults as to the applicable Leased Premises, or if Tenant Transfers the Master Lease, either in its entirety or as to an applicable Leased Premises, or its rights or interests in the Master Lease or sublets all or any portion of any Leased Premises, other than as permitted under the Master Lease. Notwithstanding anything herein to the contrary, the following actions shall not constitute a breach by Landlord of this paragraph 1.c:

(1) Sales by Landlord, any of Landlord's affiliates, subsidiaries, officers, directors, employees, agents, and sales by any other tenant in the Store whose leases pre-date the Master Lease;

(2) ; and

(3) .

d. If Landlord breaches paragraph 1.c. of this Appendix-1, this paragraph 1.d. shall govern Tenant's sole remedy at law or in equity, and in no event will Landlord be liable to Tenant for any damages even if actual, compensatory, or consequential.

(1) Tenant, within thirty (30) days following Tenant's receipt of any facts giving rise to the alleged breach, shall notify Landlord, in writing, of the alleged breach describing with particularity the facts and circumstances giving rise to the alleged breach and the date of commencement of the alleged breach.

(2) If Landlord fails to cure the alleged breach within at least ninety (90) days following Landlord's receipt of notice, Tenant may terminate the Master Lease as to the applicable Leased Premises with at least sixty (60) days written notice, stating the date on which Tenant will vacate the Leased Premises, to Landlord. If Tenant fails to timely vacate the applicable Leased Premises, Tenant's notice of termination will be deemed void; the Master Lease as to the applicable Leased Premises will continue in full force and effect, and Landlord will be deemed to have cured any alleged breach of paragraph 1.c. of this Appendix-1. Tenant waives any right it may have available to it at law or in equity for any

Tenant: 

Claim (as defined in the Master Lease) resulting from Landlord's alleged breach of paragraph 1.c. of this Appendix-1.

2. Leased Premises Specifications.

a. Tenant may submit change orders up to one hundred eighty (180) days prior to the applicable Delivery Date.

(1) Landlord will use reasonable efforts to comply with change orders received by Landlord more than one hundred eighty (180) days prior to the applicable Delivery Date. Landlord, in its sole discretion, may comply with any change orders Landlord receives from Tenant one hundred eighty (180) days or less in advance of the applicable Delivery Date.

(2) Tenant, upon execution of the applicable Attachment A, will identify to Landlord the name, title, and contact information of the individual Tenant authorizes to effect change orders for the applicable Leased Premises. Tenant may not modify this designation without written notice to Landlord at least ten (10) days prior to the date on which Tenant desires the change to be effective.

(3) Tenant shall pay any cost and expense resulting from Tenant's change order(s) including, but not limited to, construction costs, architectural fees, engineering fees, and legal fees.

3. Hours of Operation. Tenant shall operate the Leased Premises:

a. Monday through Friday: 10 hours, opening no later than 10:00 a.m.;

b. Saturday: 10 hours, opening no later than 10:00 a.m.;

c. Sunday: 5 hours, opening no later than 1:00 p.m.; and

d. Such additional hours during holiday season or special promotions as Landlord may determine on reasonable prior notice.

4. Trade Name(s): Regal Nails, Salon and Spa, LLC

5. Address of Tenant. All notices required to be sent to Tenant under this Master Lease must be sent to:

Name of Tenant:	Regal Nails, Salon and Spa, LLC
Attention:	Quy T. Ton
Title:	Manager
Address:	5150 Florida Blvd. Baton Rouge, LA 70806
Telephone Number:	225-906-0571
Facsimile Number:	1-800-422-4608
Email Address:	charlie@regalnails.com
With Copy To:	loan@regalnails.com van@regalnails.com

Tenant: 

6. Advisements. Notwithstanding anything in the Master Lease to the contrary, Landlord shall not be liable to Tenant for any loss of business or loss of inventory resulting from any interruption whatsoever to the public utilities Landlord provides to the applicable Leased Premises pursuant to the Master Lease, provided such interruption was beyond Landlord's control.

7. Representations and Warranties. Tenant represents and warrants that the foundation of its business is the adherence by Tenant, and any franchisee, agent, employee, or Sublessee of Tenant, to standards and policies established by Tenant to provide uniformed operation of its business. Tenant covenants that the Leased Premises leased by Tenant in accordance with the Master Lease will diligently be operated in a businesslike manner in conformity with the standards and policies referenced in the preceding sentence.

8. Tenant's Disclosures and Reports.

a. Tenant shall provide Landlord, on a monthly basis submitted with Tenant's Rent, a list of the Leased Premises identified by Landlord's Store number, physical address, and (if Tenant leases more than one Leased Premises in a single Store) the specific floor location; the date on which opened each Leased Premises listed; whether the Leased Premises is operated by Tenant or by a Sublessee and, if operated by a Sublessee, the name, local and regional business address and phone number of that Sublessee; the phone number to each Leased Premises listed; and, if different from the Hours of Operation required in paragraph 3 of this Appendix-1, the Hours of Operation for each Leased Premises listed.

b. If Tenant is obligated to pay Landlord Percentage Rent, as designated in each applicable Attachment A to the Master Lease, Tenant will daily submit to Landlord's Cash Office, in each Store in which Tenant operates out of a Leased Premises, daily sales data for the applicable Leased Premises. By the fifth (5<sup>th</sup>) calendar day of the following month, Tenant shall submit to Landlord a spreadsheet listing sales from the preceding month for each Leased Premises leased under the Master Lease. Sales must be listed according to the applicable Leased Premises and broken down by daily sales (if possible). If Tenant cannot provide a break down of daily sales as required in the preceding sentence, Tenant will provide a break down of weekly sales, and if Tenant is unable to provide a breakdown of daily sales and weekly sales, Tenant will provide a break down of monthly sales. Upon receipt of this spreadsheet, Landlord will compile the daily sales data Tenant submitted over the course of that month and will calculate the aggregate Percentage Rent due from Tenant for all Leased Premises leased under the Master Lease.

c. If Tenant is obligated to pay Landlord Percentage Rent, as designated in each applicable Attachment A to the Master Lease, Tenant shall maintain, at its corporate headquarters or principal place of business and for at least twenty-four (24) months following the end of Landlord's fiscal year, full and accurate books of account and records from which Gross Sales (as defined in the applicable Attachment A) can be determined. Until the end of the twenty-four (24) month period in which Tenant is obligated to maintain its books of account and records, Landlord has the right to inspect and audit all books and records and other papers and files of Tenant or its Sublessees relating to Gross Sales. Any such inspection or audit will be conducted during Tenant's regular business hours, and, at the request of Landlord, Tenant and each Sublessee will produce the appropriate books and records and other papers and files relating to Gross Sales.

(1) If any audit conducted in accordance with this paragraph 8.c. finds evidence of under-reporting of Gross Sales by an amount equal to or greater than three and one-half percent (3.5%) of the total amount of Gross Sales reported, Tenant shall immediately pay to Landlord the amount under-reported, and Tenant shall bear all costs and expenses of the audit.



Tenant: 

(2) Additionally, Tenant shall pay Landlord as Percentage Rent an amount equal to fourteen percent (14%) of the total amount of Gross Sales under-reported.

(3) If any audit conducted in accordance with this paragraph 8.c. finds evidence of over-reporting of Gross Sales by an amount equal to or greater than three and one-half percent (3.5%) of the total amount of Gross Sales reported, Landlord shall immediately reimburse to Tenant the amount over-reported, but Tenant shall bear all costs and expenses of the audit.


9. Miscellaneous.

a. Tenant shall strictly comply with local, state, and national codes and current N.F.P.A. requirements, as periodically updated. Installation of fire extinguishers must be in accordance with applicable codes and requirements and must meet Landlord's insurance underwriter's requirements.

b. This Appendix-1 is attached to and incorporated into the Master Lease as part of the entire agreement between Landlord and Tenant, as set forth in the Master Lease. In the event of conflict between the Master Lease, any other document addressing the subject matters set forth in this Appendix-1 and/or this Appendix-1, the terms of this Appendix-1 control.

c. This Appendix-1 may be executed in one or more counterparts, all of which are one and the same and all of which become effective on the Effective Date. A facsimile or digital signature of any party is binding upon that party as if it were an original signature.

*[signature page to follow]*

Tenant: 

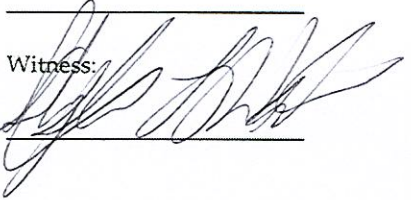
Signed:

Witness: 


Landlord:

  
Don R. Etheredge  
Wal-Mart Stores, Inc.

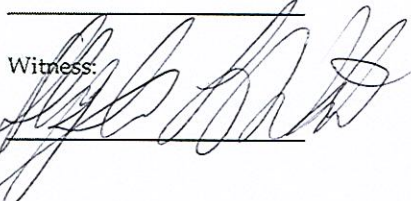
4-18-09  
Date

Witness: 


Landlord:

  
Don R. Etheredge  
Wal-Mart Stores East, LP

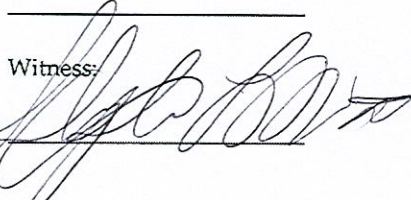
4-18-09  
Date

Witness: 


Landlord:

  
Don R. Etheredge  
Wal-Mart Stores Texas, LLC

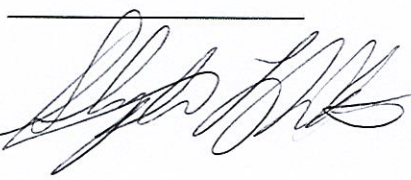
4-18-09  
Date

Witness: 


Landlord:

  
Don R. Etheredge  
Wal-Mart Louisiana, LLC

4-18-09  
Date

Witness: 

Landlord:

  
Don R. Etheredge  
Wal-Mart Stores Arkansas, LLC

4-18-09  
Date

Signed:

Witness: 



Tenants: Regal Nails, Salon and Spa, LLC

  
Signature

4/9/2009  
Date

Quy T. Ton  
Printed Name

Managers  
Title

## Appendix-2 - Insurance

The following terms and conditions supplement the terms and conditions set forth in the body of the Master Lease Agreement, to which this Appendix-2 attaches and into which this Appendix-2 incorporates.

Tenant shall procure and maintain, in accordance with the Master Lease, the "primary" insurance policies described below in accordance with the below conditions.

1. Worker's Compensation insurance with statutory limits, or if no statutory limits exist, with minimum limits of \$500,000 per occurrence, and Employer's Liability coverage with minimum limits of \$500,000, for each employee for bodily injury by accident and for each employee for bodily injury by disease. Tenant shall cause Insurer to issue an endorsement providing stopgap insurance in monopolistic states in which a Leased Premises under this Master Lease may be located.
2. Commercial General Liability insurance with a \$2,000,000 minimum limit per occurrence for each Leased Premises leased under the Master Lease or with per location aggregate limits for each Leased Premises leased under the Master Lease.
  - a. The Commercial General Liability policy required under this Paragraph 2 should contain neither exclusion for contractual liability assumed by Tenant in a lease nor any Absolute Pollution exclusion, unless these coverages are provided by a separate policy with minimum limits equal to the Commercial General Liability policy limits required by this Paragraph 2.
  - b. Any policy obtained to satisfy the obligations of this Paragraph 2 must list as Additional Insureds the parties described below in Paragraph 4.
  - c. Tenant shall submit to Landlord no later than thirty (30) days after the actual Rent Commencement Date, Certificates of Insurance and endorsements evidencing Tenant's compliance with this Paragraph 2.
3. Tenant may satisfy the minimum limits required in Paragraphs 1 and 2, above, by procuring and maintaining, in accordance with Article XIV of the Master Lease, Umbrella/Excess Liability insurance on an umbrella basis, in excess over, and no less broad than the primary liability coverage; with the same inception and expiration dates as the primary liability coverage it is in excess of; with minimum limits necessary to satisfy the required primary minimum limits; and which "drop down" for any exhausted aggregate limits of the primary liability coverage. Tenant shall cause Insurer to issue an endorsement to any policy Tenant procures in satisfaction of its obligations in this paragraph providing per location per occurrence limits or with per location aggregate limits for each Leased Premises leased under this Master Lease and listing as Additional Insured the parties described below in Paragraph 4.
4. Additional Insureds are Wal-Mart Stores, Inc., its Subsidiaries and its Affiliates, and the directors, officers, shareholders, employees, agents, and representatives, and the respective successors and assigns of each, and any party Landlord has a contractual obligation to indemnify for Claims in connection with the Store or the Leased Premises.
5. This Appendix-2 is attached to and incorporated into the Master Lease as part of the entire agreement between Landlord and Tenant, as set forth in the Master Lease. All capitalized terms used in this Appendix-2 have the meanings set forth in the Master Lease unless otherwise specifically stated in this Appendix-2. In the event of a conflict between the Master Lease and

Tenant: CF

any other document on the subject matters set forth in this Appendix-2 and this Appendix-2, the terms of this Appendix-2 control.

Signed:

Witness: [Signature] Landlord: [Signature] 4-18-09  
Attest: \_\_\_\_\_ Don R. Etheredge Date  
Wal-Mart Stores, Inc.

Witness: [Signature] Landlord: [Signature] 4-18-09  
Attest: \_\_\_\_\_ Don R. Etheredge Date  
Wal-Mart Stores East, LP

Witness: [Signature] Landlord: [Signature] 4-18-09  
Attest: \_\_\_\_\_ Don R. Etheredge Date  
Wal-Mart Stores Texas, LP

Witness: [Signature] Landlord: [Signature] 4-18-09  
Attest: \_\_\_\_\_ Don R. Etheredge Date  
Wal-Mart Louisiana, LLC

Witness: [Signature] Landlord: [Signature] 4-18-09  
Attest: \_\_\_\_\_ Don R. Etheredge Date  
Wal-Mart Stores Arkansas, LLC

Tenant: GT

Signed:

Witness:

[Signature]

Attest:

[Signature]

Tenants: Regal Nails, Salon and Spa, LLC

[Signature]  
Signature

4/9/09  
Date

Quay T Ton  
Printed Name

Manager  
Title

**FIRST AMENDMENT TO  
WAL-MART MASTER LEASE AGREEMENT**

THIS FIRST AMENDMENT TO WAL-MART MASTER LEASE AGREEMENT (this "First Amendment") is made and entered into by and between Wal-Mart Stores, Inc., Wal-Mart Stores East, LP, Wal-Mart Stores Arkansas, LLC, Wal-Mart Louisiana, LLC and Wal-Mart Stores Texas, LLC (collectively herein after "Landlord") and REGAL NAILS, SALON & SPA, LLC ("Tenant"). The effective date (the "Effective Date") of this First Amendment is the date on which this Amendment is last executed by a party hereto, as indicated on the signature pages of this Amendment.

**RECITALS**

WHEREAS, Landlord and Tenant entered into that certain Wal-Mart Master Lease Agreement, dated as of March 6, 2009 (the "Lease");

WHEREAS, the parties desire to modify the Lease in accordance with the terms and provisions of this First Amendment;

NOW, THEREFORE, in consideration of the premises and promises contained herein, and other good and valuable consideration, the receipt and sufficiency and validity of which are hereby acknowledged, the parties agree to amend the Lease as follows:

1. Section 7.3 of the Lease Agreement entitled "Store Relocation, Renovation and Closing" is hereby amended by adding the following language as section 7.3(B)(3):

**"(3) If, in connection with Store Renovations, Landlord determines (in its sole discretion) that there will not be space available for Tenant upon completion of the Store Renovations, Landlord, may terminate this Master Lease within 90 days written notice to the Tenant and related Attachment A as to the applicable Leased Premises. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five years, not to exceed \$100,000. Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises."**

2. All capitalized terms used but not otherwise defined in this First Amendment have the same meaning as provided in the Lease.

3. In the event of any conflict between the terms of this First Amendment and the terms of the Lease, the terms of this First Amendment shall govern and control.

4. This First Amendment may be executed in one or more counterparts, all of which are one and the same Amendment and all of which become effective on the effective date

mentioned above. A facsimile or digital signature of any party is binding upon that party as if it were an original signature.

5. This First Amendment shall be binding upon and shall inure to the benefit of their respective successors and assigns.

6. Except as expressly modified and amended by this First Amendment, all other terms, covenants, and conditions of the Lease shall continue and remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year written below.

Signed:

LANDLORD:

WAL-MART STORES, INC.

Name [Signature]

Title SR DR

Date 4-18-09

WAL-MART STORES EAST, LP

Name [Signature]

Title SR DR

Date 4-18-09

WAL-MART STORES ARKANSAS, LLC

Name [Signature]

Title SR DR

Date 4-18-09

WAL-MART LOUISIANA, LLC

Name [Signature]

Title SR DR

Date 4-18-09

WAL-MART STORES TEXAS, LLC

Name [Signature]

Title SR DR

Date 4-18-09

TENANT:

REGAL NAILS, SALON AND SPA, LLC

Name [Signature]

Title Manager

Date 4/15/09

**SECOND AMENDMENT TO  
WAL-MART MASTER LEASE AGREEMENT**

**THIS SECOND AMENDMENT TO WAL-MART MASTER LEASE AGREEMENT** (this "Second Amendment") is made and entered into by and between Wal-Mart Stores, Inc., Wal-Mart Stores East, LP, Wal-Mart Stores Arkansas, LLC, Wal-Mart Louisiana, LLC and Wal-Mart Stores Texas, LLC (collectively hereinafter "Landlord") and REGAL NAILS, SALON & SPA, LLC ("Tenant"). The effective date (the "Effective Date") of this Second Amendment is the date on which this Amendment is last executed by a party hereto, as indicated on the signature pages of this Amendment.

**RECITALS**

WHEREAS, Landlord and Tenant entered into that certain Wal-Mart Master Lease Agreement dated as of March 6, 2009, and that certain First Amendment to the Master Lease agreement dated April 18, 2009 collectively hereinafter the "Lease");

WHEREAS, the parties desire to modify the Lease in accordance with the terms and provisions of this Second Amendment;

NOW, THEREFORE, in consideration of the premises and promises contained herein, and other good and valuable consideration, the receipt and sufficiency and validity of which are hereby acknowledged, the parties agree to amend the Lease as follows:

1. Section 1 (a) of the Appendix 1 entitled "Permitted Use of Leased Premises" is hereby deleted and replaced with the following:

"(a). Tenant shall use the Leased Premises solely for the purpose of operating a full service nail salon offering manicures, pedicures, facial and body waxing (limited to areas of the face, hands and feet, specifically excluding bikini waxing) and the sale of professional nail products. Tenant may not sell additional products or offer additional services without Landlord's prior written approval, which may granted or withheld in Landlord's sole and absolute discretion. Tenant shall not use the Leased Premises, nor permit the Leased Premises to be used, in any manner that violates any law, statute, regulation or ordinance now or hereinafter in force and applicable to Tenant's business and/or the Leased Premises. "

2. All capitalized terms used but not otherwise defined in this Second Amendment have the same meaning as provided in the Lease.
3. In the event of any conflict between the terms of this Second Amendment and the terms of the Lease, the terms of this Second Amendment shall govern and control.



4. This Second Amendment may be executed in one or more counterparts, all of which are one and the same Amendment and all of which become effective on the effective date mentioned above. A facsimile or digital signature of any party is binding upon that party as if it were an original signature.

5. This Second Amendment shall be binding upon and shall inure to the benefit of their respective successors and assigns.

6. Except as expressly modified and amended by this Second Amendment, all other terms, covenants, and conditions of the Lease shall continue and remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the day and year written below.

Signed:

LANDLORD:

WAL-MART STORES INC.

Name [Signature]

Title SR DIRECTOR

Date 5/13/09

WAL-MART STORES EAST, LP

Name [Signature]

Title SR DIRECTOR

Date 5/19/09

WAL-MART STORES ARKANSAS, LLC

Name [Signature]

Title SR DIRECTOR

Date 5/19/09

WAL-MART LOUISIANA, LLC

Name [Signature]

Title SR DIRECTOR

Date 5/19/09

WAL-MART STORES TEXAS, LLC

Name [Signature]

Title SR DIRECTOR

Date 5/19/09

TENANT:

REGAL NAILS, SALON AND SPA, LLC

Name [Signature]

Title General Manager

Date 5/5/09

### Third Amendment to the Lease Agreement

Wal-Mart Stores, Inc. ("Landlord") and Regal Nails, Salon and Spa, LLC ("Tenant") enter into this Third Amendment effective this 2nd day of November, 2009 (the Third Amendment") modifying the Lease Agreement between Landlord and Tenant dated March 6, 2009 (the "Lease".)

Now therefore, in consideration of the mutual promises set forth below, the receipt and sufficiency of which the parties each acknowledge Landlord and Tenant agree to amend the Lease and all Subsequent Attachment A's as follows:

1. All references to the condition of the space in Section A-II "Delivery Window and Delivery Date" shall refer to the original condition the space was delivered to the tenant in the original Grand Opening of the space.
2. All capitalized terms used but not otherwise defined in this Third Amendment have the same meaning as provided in the Lease.
3. In the event of any conflict between the terms of this Third Amendment and the terms of the Lease and all Subsequent Attachment A's, the terms of this Third Amendment shall govern and control.
4. This Third Amendment may be executed in one or more counterparts, all of which are one and the same Amendment and all of which become effective on the effective date mentioned above. A facsimile or digital signature of any party is binding upon that party as if it were an original signature.
5. This Third Amendment shall be binding upon and shall inure to the benefit of their respective successors and assigns.
6. Except as expressly modified and amended by this Third Amendment, all other terms, covenants, and conditions of the Lease shall continue and remain in full force and effect.

Signed:

Signed:

LANDLORD:

WAL-MART STORES, INC.

Name [Signature]  
Title SR OR  
Date 12/22/09

WAL-MART STORES EAST, LP

Name [Signature]  
Title SR OR  
Date 12-22-09

WAL-MART STORES ARKANSAS, LLC

Name [Signature]  
Title SR OR  
Date 12-22-09

WAL-MART LOUISIANA, LLC

Name [Signature]  
Title SR OR  
Date 12-22-09

WAL-MART STORES TEXAS, LLC

Name [Signature]  
Title SR OR  
Date 12-22-09

TENANT:

REGAL NAILS SALON AND SPA, LLC

Name [Signature]  
Title General Manager / CEO  
Date 12/23/09

## FOURTH AMENDMENT TO THE MASTER LEASE AGREEMENT

This **FOURTH AMENDMENT TO THE MASTER LEASE AGREEMENT** ("Fourth Amendment") is made and entered into this 8 day of August, 2013, by and between **Wal-Mart Stores East, LP**, individually and only as to Stores owned, leased, or operated in AL, CT, DC, DE, FL, GA, IN, KY, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, VT, VA, WI, WV; **Wal-Mart Stores, Inc.**, individually and only as to Stores owned or leased in AK, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA, WY; **Wal-Mart Louisiana, LLC**, individually and only as to Stores owned or leased in Louisiana; **Wal-Mart Stores Texas, LLC**, individually and only as to Stores owned or leased in Texas; and **Wal-Mart Stores Arkansas, LLC**, individually and only as to Stores owned or leased in Arkansas (each referred to as "Landlord") and **Regal Nails, Salon and Spa, LLC** ("Tenant").

**WHEREAS**, Landlord and Tenant entered into that certain Master Lease Agreement dated March 6, 2009; that certain First Amendment dated April 18, 2009; that certain Second Amendment dated May 5, 2009 and that certain Third Amendment dated November 2, 2009 (the "Lease"),

**WHEREAS**, the parties are now desirous of making certain amendments, changes, and alterations to the Lease in order to more accurately reflect their intents and wishes;

**NOW THEREFORE**, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Section 17.3 Surrender at Termination or Expiration of the Master Lease Agreement is amended by adding the following after subsection (B) and immediately preceding Section 17.4:

Notwithstanding the foregoing, if Landlord terminates the Master Lease in its entirety or to a particular Leased Premises because Tenant Defaults, Tenant shall have thirty (30) days to return the applicable Leased Premises to White-Box condition.

2. All capitalized terms used but not otherwise defined in this Fourth Amendment have the same meaning as provided in the Lease.
3. This Fourth Amendment may be executed in a number of counterparts, and each counterpart signature, when taken with the other counterpart signatures, is treated as if executed upon one original of this Fourth Amendment. A facsimile or digital signature of any party to this Fourth Amendment is binding upon that party as if it were an original.
4. This Fourth Amendment shall be binding upon and shall inure to the benefit of their respective successors and assigns.
5. Except as expressly modified and amended by this Fourth Amendment, all other terms, covenants, and conditions of the Lease shall continue and remain in full force and effect. In the event of any conflict between the terms of this Fourth Amendment and the terms of the Lease, the terms of this Fourth Amendment shall govern and control.

**IN WITNESS WHEREOF**, Landlord and Tenant have caused this Fourth Amendment to be duly executed as of the date first above written.

(signatures on next page)

**Signed:**

Landlord: **WAL-MART STORES EAST, LP**

  
\_\_\_\_\_  
Don R. Etheredge  
Senior Director

8/8/13  
Date

Landlord: **WAL-MART STORES, INC.**

  
\_\_\_\_\_  
Don R. Etheredge  
Senior Director

8/8/13  
Date

Landlord: **WAL-MART LOUISIANA, LLC**

  
\_\_\_\_\_  
Don R. Etheredge  
Senior Director


8/8/13  
Date

Landlord: **WAL-MART STORES TEXAS, LLC**

  
\_\_\_\_\_  
Don R. Etheredge  
Senior Director

8/8/13  
Date

Landlord: **WAL-MART STORES ARKANSAS, LLC**

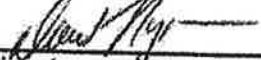
  
\_\_\_\_\_  
Don R. Etheredge  
Senior Director

8/8/13  
Date

**Signed:**

Tenant:

**REGAL NAILS, SALON AND SPA, LLC**

  
\_\_\_\_\_  
Signature

8/6/13  
Date

David Nguyen  
Printed Name

President  
Title

## FIFTH AMENDMENT TO THE MASTER LEASE AGREEMENT

This **FIFTH AMENDMENT TO THE MASTER LEASE AGREEMENT** ("Fifth Amendment") is made and entered into this 28 day of February, 2014, by and between **Wal-Mart Stores East, LP**, individually and only as to Stores owned, leased, or operated in AL, CT, DC, DE, FL, GA, IN, KY, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, VT, VA, WI, WV; **Wal-Mart Stores, Inc.**, individually and only as to Stores owned or leased in AK, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA, WY; **Wal-Mart Louisiana, LLC**, individually and only as to Stores owned or leased in Louisiana; **Wal-Mart Stores Texas, LLC**, individually and only as to Stores owned or leased in Texas; and **Wal-Mart Stores Arkansas, LLC**, individually and only as to Stores owned or leased in Arkansas (each referred to as "Landlord") and **Regal Nails, Salon and Spa, LLC** ("Tenant").

**WHEREAS**, Landlord and Tenant entered into that certain Master Lease Agreement dated March 6, 2009; that certain First Amendment dated April 18, 2009; that certain Second Amendment dated May 5, 2009; that certain Third Amendment dated November 2, 2009 and that certain Fourth Amendment dated August 8, 2013 (the "Lease"),

**WHEREAS**, the parties are now desirous of making certain amendments, changes, and alterations to the Lease in order to more accurately reflect their intents and wishes;

**NOW THEREFORE**, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Section 1.1 Definitions of the Master Lease Agreement is amended by adding the following:

**JJ.** "Buyout Fee" means the amount, if any, set forth as in the applicable Attachment A that Landlord shall pay to Tenant to terminate the applicable Attachment A in accordance with the terms as set forth in the applicable Attachment A.

**IN WITNESS WHEREOF**, Landlord and Tenant have caused this Fifth Amendment to be duly executed as of the date first above written.

(signatures on next page)

**Signed:**

Landlord: **WAL-MART STORES EAST, LP**

  
\_\_\_\_\_  
Don R. Etheredge                      3/31/14  
Senior Director                      Date

Landlord: **WAL-MART STORES, INC.**

  
\_\_\_\_\_  
Don R. Etheredge                      3/31/14  
Senior Director                      Date

Landlord: **WAL-MART LOUISIANA, LLC**

  
\_\_\_\_\_  
Don R. Etheredge                      3/31/14  
Senior Director                      Date

Landlord: **WAL-MART STORES TEXAS, LLC**

  
\_\_\_\_\_  
Don R. Etheredge                      3/31/14  
Senior Director                      Date




Landlord: **WAL-MART STORES ARKANSAS, LLC**

  
\_\_\_\_\_  
Don R. Etheredge                      3/31/14  
Senior Director                      Date

**Signed:**

Tenant:

**REGAL NAILS, SALON AND SPA, LLC**

  
\_\_\_\_\_  
Signature                      3/17/14                      Date  
  
\_\_\_\_\_  
Printed Name  
  
\_\_\_\_\_  
Title

SAMPLE

**ATTACHMENT A RENEWAL**

**Wal-Mart Stores East, LP** ("Landlord") and **REGAL NAILS, SALON & SPA, LLC** ("Tenant") entered into a Master Lease Agreement effective March 6, 2009 ("Master Lease") and previous Attachment A agreement(s) and now desire to extend the term of the Master Lease for the below-described Leased Premises subject to the terms and conditions of the Master Lease, to which this renewal Attachment A attaches and incorporates into upon full execution of this Attachment A by Landlord and Tenant (the "Effective Date"). All capitalized terms used in this Attachment A have the meanings set forth in the Master Lease unless otherwise specifically stated in this Attachment A.

**Article I  
LEASED PREMISES**

The Leased Premises consists of approximately \_\_\_\_\_ square feet of floor space in the Store commonly referred to by Landlord as Walmart # \_\_\_\_\_ in the City of \_\_\_\_\_ State of \_\_\_\_\_. The Leased Premises is further depicted on Exhibit A, attached hereto.

**Article II**

Intentionally omitted.

**Article III  
LEASE TERM, BUY-OUT CLAUSE, EXTENSION, EXPIRATION AND SURRENDER**

1. Lease Term. The Lease Term for the Leased Premises is hereby extended, commencing on \_\_\_\_\_ ("Renewal Term Commencement Date") and shall expire and this Attachment A shall terminate nine (9) months after the Renewal Term Commencement Date ("Expiration Date"), subject to the automatic extension given for a remodel, described below. No other extension options are available.
2. Automatic Extension/Remodel.
  - (a) If Tenant completes a remodel of the Leased Premises, the minimum scope of which is described below ("Remodel") no later than the Expiration Date, then the Lease Term of this Attachment A shall automatically be extended to the \_\_\_\_\_ anniversary of the Renewal Term Commencement Date. In order for this extension to be effective, Tenant must submit pictures of the completed Remodel to Landlord for written approval prior to the Expiration Date.
  - (b) The Remodel shall be undertaken by Tenant at its sole cost and expense subject to such conditions as Landlord may impose. At a minimum, the scope of work for the Remodel shall be to remodel the Leased Premises to the current Landlord approved proto-type ("Remodel Scope").
  - (c) Any scope of work in addition to the Remodel Scope must be previously approved by Landlord.



(d) If Tenant does not complete the Remodel prior to the Expiration Date, then the Attachment A shall terminate and Tenant shall deliver the space to Landlord as described below no later than fourteen (14) days after the Expiration Date.

3. Buy-Out Clause. Landlord may, without cause, terminate this Attachment A, with prior, written notice effective 180 days after Tenant receives such written notice. In the event this Attachment A terminates as a result of Landlord exercising the termination right granted in the preceding sentence and such termination occurs during the five (5) years of the Renewal Term Commencement Date and Tenant has performed the Remodel, Landlord shall reimburse Tenant for the unamortized portion of the cost of Tenant's Remodel improvements to the applicable Leased Premises, including fixtures, furniture, equipment and décor (but only if part of the Tenant's standard specifications), calculated on a straight-line depreciation basis over said Lease Term on a monthly basis, not to exceed seventy-five thousand dollars (\$75,000). Proof of such costs shall be provided within fifteen (15) days upon written request by Landlord. Additionally, Landlord shall pay Tenant for its estimated lost profits ("Lost Profit Payment"). The Lost Profit Payment will equal the product of (i) Tenant's previous twelve months of Gross Sales as previously reported to Walmart ("Tenant's PTM Gross Sales") as of the end of the calendar month immediately preceding the date of the termination notice and (ii) eight percent (8%) over the number of months (rounded up in the case of a partial month) remaining on the term of the Leased Premises. If Tenant did not report sales to Walmart during any of the previous twelve months, the Tenant's PTM Gross Sales will be calculated using an average of the sales that were reported. If no sales were reported, then Tenant will not receive any Lost Profit Payment under this section.

EXAMPLE

Where Tenant's PTM Gross Sales are \$157,000 and number of months remaining on the term is 8 months:

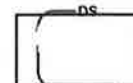
$\$157,000 \times 8\% = \$12,560$  (Monthly payment equals  $\$12,560/12 = \$1,046.67$ )

The monthly payment of \$1,046.67 for 8 months is \$8,373.33, which equals the Lost Profit Payment.

It is expressly understood and agreed by the parties that the amount specified by the parties is reasonable and Landlord shall not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises. This Section 3 shall not apply in case of a Store Closing as defined in Section 7.3D of the Master Lease.

If the Lease terminates as a result of Landlord exercising the buyout right defined above, Section 4 below shall not apply, and Tenant shall immediately remove all property, Signs and Trade Fixtures from the Leased Premises and quit and surrender the Leased Premises in "as is" condition.

4. Condition Upon Surrender or Termination. Upon the expiration or earlier termination of this Attachment A, for whatever reason, Tenant shall immediately remove all property and the Trade Fixtures from the Leased Premises. Additionally, Tenant shall surrender and quit the Leased Premises, and shall either:
- a. Surrender the Leased Premises in a Surrendered White Box condition as described on Exhibit B attached hereto; or



- b. In lieu of surrendering the Leased Premises to the Surrendered White Box condition, pay Landlord the sum of twenty-five thousand dollars and no/100 (\$25,000.00).

**Article IV**  
**RENT**

1. **Base Rent.** Commencing on the Renewal Term Commencement Date, Tenant shall pay Landlord monthly Base Rent in the amount of \$ \_\_\_\_\_, subject to applicable state Rent Tax, in accordance with the terms of the Master Lease. If the Remodel is completed so that the Expiration Date is extended, then Base Rent shall continue at this rate through April 30, 2023. Beginning on May 1, 2023, the Base Rent shall increase to \$ \_\_\_\_\_ in accordance with the terms of the Master Lease.
2. **Percentage Rent.** In addition to Base Rent, Tenant shall pay Landlord annual Percentage Rent in accordance with the terms of the Master Lease. Percentage Rent shall be an amount equal to the product of (i) total Gross Sales in and from each Leased Premises subject to this Master Lease during the particular Fiscal Year less the Natural Break Point, and (ii) the Percentage Rent Rate. If, for any Fiscal Year, such amount is zero or a negative number, Tenant shall not owe any Percentage Rent.

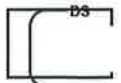
“Gross Sales” means the aggregate selling price of all merchandise sold or delivered at or from any part of the Leased Premises and the charges for all services sold or performed at or from any part of the Leased Premises or at any other location if the merchandise is taken from the Leased Premises or the order for services taken at the Leased Premises. In addition: (i) Gross Sales includes sales and charges for cash or credit, and credit sales shall be included in Gross Sales regardless of collections; (ii) Gross Sales excludes refunds made by Tenant to its customers for merchandise originally included in Gross Sales but returned to Tenant; exchanges of merchandise between stores of Tenant where such exchanges are made solely for the convenient operation of Tenant’s business; and the amount of any city, county, or state sales tax on sales paid to a taxing authority by Tenant, but not by any vendor of Tenant; and (iii) a sale shall be deemed to be made in the Leased Premises if the merchandise or services are ordered from the Leased Premises in person, via telephone, facsimile, internet, or other electronic means, or filled at the Leased Premises, or delivered from the Leased Premises.

“Natural Break Point” means the Base Rent divided by the Percentage Rent Rate.

“Percentage Rent Rate” means six and a half percent (6.5%).

**Article V**  
**HOURS OF OPERATION**

Tenant shall operate the Leased Premises for no less than 10 hours per day, opening no later than 10AM, on Mondays to Saturdays and for no less than 5 hours, opening no later than 1PM, on Sundays; such additional hours during holiday season or special promotions as agreed upon by the parties; and such modified operating hours as Landlord’s Store Manager or Landlord’s Home Office Leasing Manager may agree to from time to time, but in no event shall operating hours



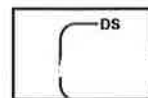
total less than fifty (50) hours per week without approval from the Landlord's Home Office Leasing Department.

**Article VI**  
**MISCELLANEOUS**

1. Binding Effect. This Attachment A is effective as of the Renewal Term Commencement Date. Tenant agrees to accept the Leased Premises subject to the terms and conditions of the Master Lease, to which this Attachment A attaches to and incorporates into.
2. Counterparts. This Attachment A may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which, together, shall constitute one and the same instrument. This Attachment A may be executed by one or more parties using an electronic signature, which the parties agree shall be binding for all purposes and shall constitute an original signature.

*[Signatures on following page]*

ATTACHMENT A  
SAMPLE



**IN WITNESS HEREOF**, the parties have executed this Agreement as of the date(s) set forth below.

**“Landlord”:**  
**Wal-Mart Stores East, LP**

DocuSigned by:

Name:	_____
Title:	_____
Date:	_____

**“Tenant”:**  
**REGAL NAILS, SALON & SPA, LLC**

DocuSigned by:

By:	_____
Name:	_____
Title:	_____
Date:	_____

Tenant: REGAL NAILS, SALON & SPA, LLC  
Store #:

**EXHIBIT A**

**LEASED PREMISES DEPICTION**

Not available

**EXHIBIT B**

**Surrendered White Box**

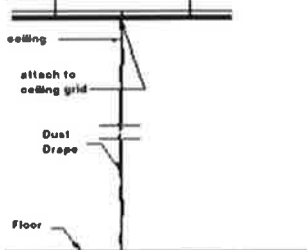
Tenant must:

- ◆ Verify with the local authority having jurisdiction (AHJ) to find out if a permit is required for the scope of work and provide a copy of the permit or an email stating that a permit is not required to the Walmart Services Project Manager prior to commencing any construction activity.
- ◆ Discuss the scope of work, timelines and dumpster placement (if needed) with the store manager. All disruptive work (noise, fumes, gases, odor, airborne particulates, etc.) must occur overnight or during hours that have been approved by the store manager. The Tenant is responsible for all costs incurred to secure the applicable dumpster. If the store manager requests any changes to the Tenant approved scope of work it will need to be approved by the Walmart Services Project Manager prior to commencing any construction activity.
- ◆ Ensure all contractors are licensed and insured in the jurisdiction that the project is taking place.
- ◆ Install a temporary dust wall per the details and guidelines described below or an approved barricade before work commences.
- ◆ Not perform any work during the construction blackout (November 1 through January 1) unless approved by Walmart Services Project Manager.
- ◆ Execute the applicable checklist White Box (as defined below) and email it to the Walmart Services Project Manager.
- ◆ Email final pictures of the completed White Box space to the Walmart Services Project Manager.
  - Photos should include:
    - Completed interior space with a photo of each wall, floor, and the ceiling.
    - Interior bulk head.
    - Completed exterior of building where the sign was removed if applicable.

**Temporary Dust Wall Detail**

- ◆ Dust Drape:
  - Use if minor work is being done in the space and work will take less than five days.
    - Painting.
    - General patch work to walls that does not require sanding.
    - Fixture installation or removal.
- ◆ Barricade: Preferred temporary dust wall method for projects that do not meet the Dust Drape requirements.
  - Tenant shall use vendors approved by Walmart.
- ◆ Rigid Dust Partition:
  - May be used in place of a Barricade.

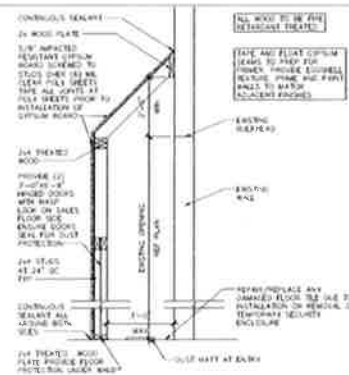
8 mil clear poly sheeting overlapped at joints a minimum of 1'-10" and continuously taped joints. Attach sheeting from ceiling to finished floor for a dustproof condition. If attachment to ceiling is impossible, light framing shall be installed with sheeting attached around it to prohibit dust penetration.



Temporary Dust Drape



Barricade



Temporary Rigid Dust Partition

### White Box Surrendered Guidelines

- ◆ All furnishings and fixtures must be removed from the space.
- ◆ All electrical wires that were hard wired to fixtures and equipment must be removed back to the panel or terminated by code in an approved electrical box secured in the wall or above the ceiling per codes.
- ◆ Flooring options are:
  - PVC wood-look plank flooring.
  - Polished concrete when Walmart sales floor is polished concrete.
  - White VCT when Walmart sales floor is white VCT.
- ◆ All walls have a minimum 1/2" gypsum board from finished floor to a minimum of 4" above ceiling (unless otherwise directed by code).
- ◆ All walls have been patched and painted SW 7102 white flour (paint colors may vary, confirm color with Landlord).
- ◆ Walmart standard 4" black plastic wall base has been installed around the perimeter of the space.
- ◆ Tenant will need to cap all plumbing and sanitary lines flush with the finish floor or behind finished wall and ceiling.
- ◆ Shutoff valve to the water heater, if applicable, will need to be turned to the off position or remove the water heater and cap water supply lines behind the ceiling or wall.
- ◆ Suspended ceiling system is 10'-0" AFF with 2x4 ceiling tiles ACT1 (see finish schedule below). Ceiling grid will be standard exposed white T system, unless approved by the Walmart Services Project Manager.
- ◆ Remove all custom lighting and replace with 2x4 fluorescent light fixtures with light bulbs to match sales floor lighting.
- ◆ Emergency lighting and exit signs, if applicable are installed per code.
- ◆ Minimum 100 AMP electrical panel is flush mounted on rear wall near the corner of the space.
- ◆ 110V duplex electrical receptacles have been installed at 18" AFF and 72" on center around the perimeter of the space.
- ◆ All interior partition walls have been removed from the space.
- ◆ Sales floor side of wall will need to match the adjacent finishes, texture and paint color.
- ◆ Install new floor base and wall guard to match existing on the sales floor side of the wall.
- ◆ Ensure fire sprinkler and life safety systems are installed as required per code and Walmart standards.
- ◆ All work must meet code.



**Signing**

- ◆ Bulkhead sign and hardware must be removed and be patched and painted to match the adjacent Walmart finishes, wall texture and paint color.
- ◆ Exterior sign if applicable must be removed and exterior of building patched and painted to match the adjacent Walmart finishes, wall texture and paint color.

Tenant must use Walmart approved products for flooring, ceiling tile, security grill, wainscoting/chair rail/cove base, and fire suppression sprinklers. Please see your Walmart Services Project Manager for details.

**PAINT COLORS:** see list on following page, but confirm with Landlord at the time of surrender for most current colors.



P3	PAINT	"LOYAL BLUE" SW #8510
P5	PAINT	"SAFETY YELLOW" OSHA STANDARD
P8	PAINT	"PURE WHITE" SW #7005
P15	PAINT	"SUMMIT GRAY" SW #7669
P16	PAINT	"SOFTWARE" SW #7074
P33	PAINT	"DOVER WHITE" SW #6385
P36	PAINT	"DOMINO" SW #6989
P40	PAINT	"GARDENIA" SW #6665
P49	PAINT	"GAUNTLET GRAY" SW #7019
P60	PAINT	"REDDENED EARTH" SW #6053
P76	PAINT	"MEDIUM WALMART BLUE" #076
P76(U)	PAINT	"MEDIUM WALMART BLUE" #076 (URETHANE)
P92	PAINT	"BITTERSWEET STEM" SW #7536
P93	PAINT	"TAMARIND" SW #7538
P94	PAINT	"TRICORN BLACK" SW #6258
P100	PAINT	"NOTABLE HUE" SW #6521
P102	PAINT	"BEACH HOUSE" SW #7518
P105	PAINT	"WHITE FLOUR" SW #7102
P106	PAINT	"WHITE FLOUR" SW #7102
P107	PAINT	"STRAW HARVEST" SW #7698
P112	PAINT	"BUTTERFIELD" SW #6676
P126	PAINT	"KNOCKOUT ORANGE" SW #6885
P126(U)	PAINT	"KNOCKOUT ORANGE" SW #6885 (URETHANE)
P131	PAINT	"WHITE FLOUR" SW #7102
P134	PAINT	"REPOSE GRAY" SW #7015
P135	PAINT	"DORIAN GRAY" SW #7017
P140	PAINT	"SNOWBOUND" SW #7004
P162	PAINT	"PEPPERCORN" SW #7674
P163	PAINT	"TURQUISH" SW #6939
P164	PAINT	"ESSENTIAL GRAY" SW #6002
PC1	PRECAST PANEL	MEDIUM GRAY
PC2	PRECAST PANEL	LIGHT GRAY
PF4	PREFINISHED METAL	LEAD - COTE
PF5	PREFINISHED METAL	MATTE BLACK
PF13	PREFINISHED METAL	BONE WHITE
PS1	PROTECTIVE SURFACE	MEDIUM BLUE
PS4	PROTECTIVE SURFACE	MATCH SW #6885 "KNOCKOUT ORANGE"
PS5	PROTECTIVE SURFACE	MATCH SW #7102 "WHITE FLOUR"

**EXHIBIT C-2**

**TO THE REGAL NAILS SALON & SPA DISCLOSURE DOCUMENT**

**SAMPLE HEB LEASE**

## LICENSE AGREEMENT

This License Agreement is entered into by and between HEB Grocery Company, LP, a Texas Limited Partnership ("HEB") and [REDACTED] ("Licensee"). For good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

### I. PREMISES.

- A. HEB hereby grants a license to Licensee to place a full service nail salon within the HEB grocery store ("Store") located at [REDACTED], commonly known as [REDACTED], in the area in an area containing approximately [REDACTED] square feet (approximately [REDACTED] wide and [REDACTED] deep) as shown on Exhibit A ("Premises"). HEB may, at HEB's option and expense, recalculate the area of the Premises. In the event the area of the Premises is not the square footage stated above, then the Minimum Guaranteed Rent and all additional charges based on area of the Premises shall be adjusted accordingly. The area shall be determined by measuring from the exterior surface of exterior walls (and extensions thereof, in the case of openings) and from the center line of demising party walls, all of which form the perimeter of the Premises.

### II. TERM.

- A. Original Term. The term of this License Agreement shall commence on the earlier of: (1) the day Licensee opens for business in the Store or (2) opening day [REDACTED] ("Commencement Date"), and ending and ending at 5:00 pm on [REDACTED] ("Expiration Date"), unless sooner terminated in accordance with the terms of this License Agreement. Licensee accepts the Premises subject to all matters of record, all Legal Requirements and in its AS-IS – WHERE-IS condition.
- B. Early Possession. Licensee shall be entitled to access the Premises at least 45 days and not more than 60 days prior to the Commencement Date as reasonably necessary to facilitate the preparation and opening of Licensee's business in the Premises, provided that Licensee shall avoid unreasonable interference with HEB's operations or business in the Stores.
- C. Early Termination. At any time, five years following the commencement date, either party shall have the right in its sole discretion to terminate this License Agreement at any time upon ninety (90) days written notice to the other party.
- D. Renewal Option. Provided Licensee is not in default beyond any applicable cure period hereunder, Licensee shall have the right and option to renew this License Agreement for one (1) additional five (5) year term by delivering written notice thereof to Licensor at least one hundred and eighty (180) days prior to the expiration date of the Original Term. Upon the delivery of said notice and subject to the conditions set forth in the preceding sentence, this License Agreement shall be extended upon the same terms, covenants and conditions as provided in this License Agreement, except that the rental payable during said extended term shall be at the rates set out in section III below. Within 30 days following HEB's receipt of Licensee's written notice, HEB shall either grant the renewal or notify Licensee, that it declines to renew the license. Failure to notify Licensee of its decision within the 30 day period shall be construed as a grant of the renewal.

- III. RENT. Commencing on the Commencement Date, Licensee shall pay to HEB in equal monthly installments the amount of [REDACTED] dollars per month,

based on the rental rate of [REDACTED] per square foot per annum ("Rent"), which Rent is due in advance on the first day of each month during the Term. During the optional five year term, Licensee shall pay to HEB in equal monthly installments the amount of [REDACTED] dollars per month, based on the rental rate of [REDACTED] per square foot per annum ("Rent"), Rent payable for partial calendar months during the Lease Term shall be prorated. All payments shall be due in advance on the first day of each calendar month during the Term, sent to:

HEB Grocery Company, LP  
P.O. Box 839955  
San Antonio, Texas 78283-3955  
Attn: Shopping Center Development

IV. SECURITY DEPOSIT. Licensee, contemporaneously with the execution of this License Agreement, has deposited with HEB the sum of [REDACTED] Dollars, receipt of which is hereby acknowledged, to secure the faithful performance by the Licensee of all of the terms, covenants and conditions of this License Agreement ("Security Deposit"). Licensee agrees that if Licensee shall fail to pay the Rent herein reserved or other charges due hereunder promptly when due, said Security Deposit may, at the option of HEB, be applied on any such sums due and unpaid, and if Licensee violates any of the other terms, covenants and conditions of this License Agreement, said Security Deposit may be applied to any damages suffered as a result of Licensee's default to the extent of the amount of the damages suffered. Should any of the Security Deposit have to be used to pay sums due for any reason, and if this License Agreement is kept in full force and effect at the option of HEB, Licensee shall reimburse HEB the amount of such depletion, within five (5) days after notice to Licensee by HEB of such depletion. Within thirty (30) days after the expiration of the License Agreement Term, HEB shall inspect the Leased Premises, to determine the condition of the Leased Premises. It is understood and agreed that HEB shall have the right to make such repairs to the Leased Premises as deemed necessary, and deduct such repair costs from the Security Deposit. HEB shall return the remainder of the Security Deposit to Licensee within thirty (30) days of the expiration or earlier termination of the Term. In the event Licensee terminates this License Agreement any time between the date this agreement is signed by both parties and six months following the Commencement Date, Licensee shall forfeit Security Deposit as a termination fee to HEB.

V. LATE CHARGES. In the event Licensee fails to pay to Licensor when due any installment of rental or other sum be paid to Licensor which may become due hereunder more than one (1) time per twelve month period, Licensee shall pay Licensor on demand a late charge ten percent (10%) of the past due amount ("Late Fee"). Licensor shall have the right to assess such Late Fee each month on the past due balance. Failure to pay such late charge upon demand therefore shall be an event of default hereunder. Provision for such late charge shall be in addition to all other rights and remedies available to Licensor hereunder or at law or in equity and shall not be construed as liquidated damages or limiting Licensor's remedies in any manner.

In the event Licensee pays any installment of Rent or any other sum by check and such check is returned for insufficient funds or other reason not the fault of Licensor, then Licensee shall pay to Licensor on demand a processing fee of fifty and no/100 (\$50.00) per returned check. In such event, Licensor may require Licensee to submit all future payments in the form of Certified Check or Money Order.

VI. TAXES. HEB shall pay when due all real property taxes and assessments applicable to the Store, including the Premises, and all other taxes imposed on HEB's business.

Licensee shall separately operate its own cash register for its sales within the Premises. Licensee shall pay when due (a) any and all sales taxes imposed on Licensee's sales; (b) all personal property taxes assessed against the Licensee's personal property contained in the Premises; and (c) all other taxes imposed on Licensee's business.

VII. UTILITIES. HEB shall pay during the term hereof all electric, water, and other public utility charges; provided, however telephone service charges in connection with Licensee's occupancy and use of the Premises shall be paid by Licensee. Licensee shall pay to HEB [REDACTED] per month (in addition to Minimum Guaranteed Rent as set out in paragraph 4.a.) commencing on the Commencement Date as their payment for water and electricity, HEB shall have the right to adjust the monthly utility charge as appropriate which shall not exceed 10% every year. Licensee shall comply with all of HEB's reasonable directives as to utility usage during the term hereof. Licensee shall pay all costs of operating and maintaining all equipment in the Premises. Interruption or termination of any utility service to the Premises or Store shall in no event render HEB liable in damages or otherwise to Licensee or its permittees, constitute an actual or constructive eviction, constitute a breach by HEB of any part of this Premises, or work an abatement of any rent or relieve Licensee of any of its obligations under this License Agreement.

VIII. IMPROVEMENTS, SIGNS, ADDITIONS, REPAIRS AND MAINTENANCE.

A. Alterations for In Line. Licensee shall not make any alterations or improvements in or about the Premises without HEB's prior written consent, which may be withheld in HEB's sole discretion. Licensee shall provide HEB detailed plans of any alterations, improvements, or additions. All alterations, improvements or additions shall become HEB's property.

All initial alterations for the Inline space, including but not limited to modification to the storefront, installation of a front door, and erection of the demising wall, shall be Licensee's sole responsibility and cost per Exhibit C. HEB shall have no responsibility for construction of the Alterations.

Licensee, at Licensee's expense, shall comply with all laws, rules, orders, ordinances, directions, regulations, and requirements of federal, state, county and municipal authorities, now in force or which may hereafter be in force, which shall impose any duty upon HEB or Licensee with respect to the use, occupation or alteration of the Premises.

B. Signs. Licensee may, at its sole cost and expense, place and display professionally made signs identifying its operations on the Premises, provided, however, that any such signs shall be of such appearance, dimensions, location and number as HEB in its sole discretion may approve in advance, see Exhibit D for definition.

Upon removal of Licensee's signs at the expiration or termination of this License Agreement, Licensee agrees to repair all damage, including, but not limited to, repairing holes and repainting, to the building fascia, Premises walls, or any other area containing Licensee's signs.

C. Telephone and Data. . Licensee may, at its sole cost and expense, install telephones within the Premises, provided, however, that any such telephone/ data system shall be installed by HEB approved vendor and in compliance with Exhibit E for definition. HEB will provide conduit and pull cable to the premises for Licensee use.

E. Repairs.

1. HEB shall, at HEB's sole cost and expense, maintain the Store, including but not limited to, its roof, exterior walls (excluding glass storefront and doors), structural components, all utilities, sidewalks, landscaping, driveways, parking lot and signs (other than Licensee's signs) in good order, condition and repair.
2. Licensee's Repairs. Except for maintenance and repairs which HEB is required to perform under this License Agreement, Licensee shall at Licensee's sole cost and expense maintain the Premises in good order, condition and repair and in a clean and sanitary condition consistent with the condition of the Stores. If Licensee fails to perform these obligations, HEB may, at HEB's option, enter upon the Premises and put the same in a clean and sanitary condition, and the reasonable cost thereof shall become due and payable as additional rent to HEB.
3. HEB's Access to Premises. HEB and its agents may enter the Premises at any time for emergencies, inspection, maintenance, or repairs.

IX. COMMON AREAS.

- A. Use of Common Area. Licensee and its employees and agents may have access to the Premises and all common areas of the Store such as restrooms during regular Store hours. Such access shall be subject to such reasonable restrictions as HEB may impose.

HEB may make changes in the common areas. Further, HEB may temporarily close any part of the common areas in order to permit construction, maintenance, repairs and replacements at the Store.

- B. Employee Parking. Licensee's managers, employees and agents shall park only in parking spaces designated for employee parking, as designated by Exhibit B. Upon HEB's request, Licensee shall furnish HEB with the license numbers of such automobiles and shall cooperate in the enforcement of such parking restriction.

X. USE.

- A. Licensee shall use the Premises solely for operating full service nail salon. Licensee is hereby permitted to offer nail, pedicure, eyelash extensions, eyebrow shaping, facial, and waxing and only offer these services and the sale of related products in the Premises. Licensee shall not sell or offer any other items, products, or services in the Premises. So long as Licensee is conducting business in the Premises pursuant the use above and is not in default under any of the provisions hereof, HEB agrees not to lease or license space within the Store to another tenant whose business includes nail and/or pedicure services (the "Exclusive"). The Premises shall not in any event be used for the storage, display or sale of alcoholic or malt beverages, wine, edible or non-edible groceries, meats, produce, frozen foods, dairy products, bakery products or prescription pharmaceuticals.

Notwithstanding the foregoing, the Exclusive shall not apply to any of the following: (i) any use of the Shopping Center outside the Store (ii) any use of the Store by tenants with agreements signed prior to the date hereof ; (iii) any use of Store by HEB Grocery Company, LP (or its affiliates) operations. Further, should the Exclusive be determined to be unenforceable by a governmental authority or by a court of competent jurisdiction in a final, non-appealable action, the Exclusive shall be null and void.

- B. Trade Names. Licensee represents that Licensee is legally entitled to utilize the "Regal Day Spa" trade name, and that Licensee shall do business at the Premises under that trade name and using its trademark. Neither party shall, as a result of this License Agreement, acquire any rights whatsoever in or to any trademark, trade name or service mark now or hereafter owned or used by the other party.
- C. Continuous Operation. Licensee shall continuously and uninterruptedly during the Term of this License Agreement, occupy and use the Premises for the purposes specified herein on a schedule determined by the mutual agreement of the parties hereto throughout the Term of the License Agreement, (to be determined by tenant, posted on Premises, and not less than 60 hours a week) unless otherwise authorized by HEB, in its sole discretion. It is understood that Licensee is obligated to remain open and do business in the Premises continuously throughout the Term and that this provision is an integral part of this License Agreement and one without which this License Agreement would not be made.
- D. Access to Store. Licensee shall not have a key to any Store; furthermore, when the Stores are closed and not open to the public for business, Licensee and its employees and agents shall only have access to a Store when HEB or its representatives are present.
- E. Advertising. Licensee shall not use advertisements utilizing HEB's name or reputation, for any reason other than specifying its location, without HEB's express written consent. However, Licensee acknowledges that from time to time HEB may wish to utilize joint promotions, and Licensee agrees to work with HEB in this endeavor and pay it's pro rata share of any joint promotions.

XI. TRANSFERS. / SUBLICENSING

- A. Assignment or Subletting by Licensee. HEB is entering into this Agreement with Licensee in reliance upon Licensee's expertise and experience in the business to be conducted by Licensee pursuant to concession or similar arrangements with grocery stores such as HEB. Licensee shall not assign this Agreement or any of its rights hereunder without the written consent of HEB to such assignment, which consent HEB may grant or deny in its sole discretion. Every such assignment shall recite that it is and shall be subject and subordinate to the provisions of this Agreement, and the termination or cancellation of this Agreement shall constitute a termination and cancellation of every such assignment. For purposes hereof, the sale, transfer or other disposition of capital stock or ownership interest of Licensee shall be deemed an assignment subject to the prohibitions hereof.
- B. Licensee, however, may sub-license this agreement to its franchisees, in which case, they shall be bound to the terms of this license, as though and to the extent that the original parties are. The sub-licensees shall be responsible for the faithful performance hereof and the Licensee shall not be relieved of its responsibilities, hereunder, by virtue of the sub-licensing of this agreement
- C. Transfer or Mortgage by HEB. If HEB should convey or mortgage, or propose to convey or mortgage all or part of, or any interest in, the Store, Licensee shall promptly upon request execute the following:
  - 1. Attornment. Licensee shall execute an agreement in recordable form to attorn to any successor to HEB.

2. Estoppel Certificate. Licensee shall, from time to time within two weeks after notice, execute and deliver to HEB an estoppel certificate in form acceptable to HEB addressed to HEB and any transferee and/or mortgagee.
3. Subordination. This License Agreement shall be subject and subordinate to the lien of any mortgage which may now or hereafter affect the Store or the Premises and to all advances made thereunder, and all renewals, modifications, consolidations, replacements and extensions thereof.

XII. RELATIONSHIP BETWEEN PARTIES; EMPLOYEES.

- A. No Partnership. It is understood and agreed between HEB and Licensee that nothing herein contained shall be deemed, held, or construed to make HEB a partner or associate of Licensee, it being expressly understood and agreed that the relationship between HEB and Licensee is and shall at all times remain that of HEB and licensee.

Licensee shall post a sign at the entrance of the Premises stating that the business is not affiliated with HEB.

- B. Separate Employer Status. Licensee acknowledges that Licensee is a separate employer in all respects. As separate employers, Licensee and HEB acknowledge that employment agreements of any kind of one party are not controlling or binding in any way on the other party, and HEB's employees and/or agents are not (nor shall they be deemed to be) Licensee's employees and/or agents for any purpose. Licensee's employees and/or agents are not (nor shall they be deemed to be) HEB's employees and/or agents for any purpose. Further, nothing in this License Agreement creates any rights in any person not a party to this License Agreement. All persons employed by Licensee shall be and remain Licensee's employees for all purposes, and Licensee shall maintain, at Licensee's own cost and expense: (1) workers' compensation coverage (or alternative coverage if allowed by law); (2) unemployment compensation coverage; and (3) any other insurance which may be required by law with respect to such employees.
- C. Rules and Regulations. As a separate employer, Licensee is solely responsible for directing its workforce on all matters. In this respect, however, Licensee agrees that its managers, employees and agents shall be directed by it to follow special conduct requirements, see Exhibit F, Standard of Conduct, while in the Stores and on the Premises that HEB reasonably and in a nondiscriminatory fashion requires its employees and other licensees to follow.
- D. Security. HEB shall have no obligation or responsibility for providing any police or security service for the Stores or Premises. Licensee shall assume all risks to their persons and property while in, on, or about the Stores and Premises, whether or not security service is furnished.

XIII. INDEMNIFICATION, INSURANCE.

- A. Insurance. Licensee shall maintain, with respect to the Premises, the following insurance:

General Liability:	\$1,000,000 per occurrence/aggregate
Product Liability:	\$1,000,000 per occurrence/aggregate
Excess/Umbrella	\$1,000,000 per occurrence
Worker's Compensation:	Statutory Limits
Employer's Liability:	\$500,000



Personal Property Insurance: \$300,000

Licensee shall name HEB as an Additional Insured under the General Liability, Product Liability, and Excess/Umbrella insurance policies, and name HEB as loss payee on the Personal Property Insurance, as its interests may appear. Licensee shall ensure that there is a thirty (30) day notice of cancellation provision in all insurance policies and that HEB shall be notified within thirty (30) days of any cancellation, modification or expiration of any of such policies. Licensee shall forward the certificates of insurance to the following address:

HEB Grocery Company, LP  
P.O. Box 839955  
San Antonio, Texas 78283-3955  
Attn: Shopping Center Development

HEB shall either self-insure or continually maintain insurance for the Stores, and all structural portions thereof, and the Premises (but not Licensee's equipment and trade fixtures) against those risks covered by a fire and extended property insurance coverage policy in an amount not less than eighty percent (80%) of the full replacement cost thereof. This insurance may be carried under blanket policies covering other property and locations owned or operated by HEB.

- B. Indemnity. Licensee shall indemnify and hold harmless HEB and its agents, officers, employees, directors, successors and assigns, from and against all injury, loss, claims or damage, including attorney's fees, and disbursements to any person or property arising from, related to, or in connection with Licensee's use, occupancy, construction or repair of the Premises; except injury, loss, claims or damage caused solely by the gross negligence or willful misconduct of HEB.**

**HEB shall indemnify and hold harmless Licensee and its agents, successors and assigns, from and against all injury, loss, claims or damage, including attorney's fees, and disbursements to any person or property arising from, related to, or in connection with HEB's occupancy, construction or repair of the Stores other than the Premises, except that caused primarily by the gross negligence or willful misconduct of Licensee.**

XIV. DESTRUCTION AND CONDEMNATION.

- A. Premises Unusable. If any portion of the Store and/or Premises is damaged or any portion is condemned, so as to render such portion of the Store or Premises unusable for HEB's purpose (which determination shall be made solely by HEB), then HEB has no obligation to rebuild such Premises or such Store, and HEB or Licensee may elect to terminate this License Agreement effective the date of such damage or condemnation by providing written notice to the other party within thirty (30) days after such date.
- B. Premises Usable. If any Store or Premises is not rendered unusable by damage or condemnation (which determination shall be made solely by HEB), then HEB shall promptly commence and diligently pursue to completion all repairs necessary to restore such Store and Premises (other than Licensee's machinery, equipment, Alterations, and trade fixtures, which Licensee shall promptly restore) to substantially their prior condition.

- C. Abatement of Rent. If HEB is required to repair or restore any Premises, and such repair or restoration would in Licensee's and HEB's reasonable judgment make it impossible for Licensee to use the Premises for the purpose or purposes described in Section X. A above, then Licensee shall not be required to operate at that location and all Rent payable hereunder with respect to that particular location shall be abated during the course of such repair or restoration.
- D. Awards. All compensation awarded for any condemnation shall be HEB's property whether such damages shall be awarded as compensation for diminution in the value of this license or the fee of any Premises, and Licensee assigns to HEB all of Licensee's right, title and interest in and to any and all compensation.

XV. **DEFAULT AND REMEDIES.**

- A. Default by Licensee. The following are events of default by Licensee:
1. Rent. Licensee fails to pay when due any payment of Rent;
  2. Abandonment. Licensee abandons, vacates or ceases operations in any Premises without the prior written consent of HEB;
  3. Other Obligations. Licensee fails to perform any obligation, covenant or condition or to comply with any provision of this License Agreement; and/or,
  4. Bankruptcy. Licensee files in any court pursuant to any statute a petition in bankruptcy or insolvency or for reorganization or arrangement or makes an assignment for the benefit of creditors or any such petition is filed against Licensee and a receiver or trustee of all or any portion of Licensee's property is appointed and such proceeding is not dismissed or the trusteeship discontinued within thirty (30) days after such appointment.
- B. Remedies Against Licensee. Upon the occurrence of an event of default by Licensee, HEB shall give notice to Licensee in writing and if such item is not cured within five (5) days of receipt of such written notice for non-monetary default and within ten (10) days for monetary default, HEB shall have one or more of the following remedies:
- (1) Termination of License Agreement. HEB may terminate this License Agreement by notice to Licensee. No re-entry or other act performed or omitted by HEB shall be deemed to have terminated this License Agreement or any obligation of Licensee for payment of money or otherwise unless HEB shall expressly notify Licensee in writing that HEB has elected to terminate this License Agreement.
  - (2) Re-entry and Termination of Possession of the Premises. HEB may re-enter the Premises and remove Licensee or cause Licensee to be removed with or without legal process and with such force as HEB deems necessary. HEB may terminate Licensee's right to possession of the Premises without terminating the License Agreement.
  - (3) Reletting. With or without terminating this License Agreement, HEB may relet the Premises or any part thereof, either in the name of the HEB or otherwise, for a term or terms which may at HEB's option be less than or exceed the period which would otherwise have constituted the balance of the Term, and may charge

such rent and grant such concessions as HEB deems desirable. HEB shall not be required to relet the Premises, either pursuant to this License Agreement or by any requirement of law or equity, but may allow the Premises to remain vacant without terminating this License Agreement.


- (4) Rent. HEB may recover rent from Licensee for what would be the balance of the Term in accordance with the following provisions:
- (a) Monthly Default Gross Rent. The amount of monthly default gross rent ("Monthly Default Gross Rent") shall be the sum of (i) Rent, and (ii) all other items of rent.
  - (b) Collection as Due. At HEB's option, HEB may receive or recover from Licensee from time to time the Monthly Default Gross Rent less the amount by which (i) the total Minimum Rent and other items of Rent actually received for a period by HEB under a reletting of the Premises exceeds (ii) reasonable expenses of HEB in connection with the Premises, including any repairs, remodeling costs in making the Premises leasable, brokerage commissions, attorney's fees and court costs, whether or not such expenses in (ii) exceed the total (i).
  - (c) Interest. Any amounts due from Licensee under this License Agreement shall bear interest at the rate of 18% per annum or the highest lawful rate, whichever is lower.
  - (d) Bankruptcy. If the event of Default is related to bankruptcy as described above, and this License Agreement is terminated, neither Licensee nor any person claiming through or under Licensee by virtue of any statute or order of court shall be entitled to possession of the Premises but shall promptly surrender the Premises, and HEB, in addition to all other rights and remedies HEB may have under other provisions of this License Agreement or of any statute or rule of law, may retain as liquidated damages any Rent or monies received by HEB from Licensee or from others in behalf of Licensee. In no event, without the express approval of HEB, shall this License Agreement be considered an asset of Licensee's estate in bankruptcy or insolvency or of any receiver or trustee. Any action or adjudication with respect to the property or affairs of any guarantor of this License Agreement which, if taken by, against or with respect to Licensee, its property or affairs, would entitle HEB to exercise any remedy specified herein, may be treated, at HEB's sole option and discretion, as though such action were so taken by, against or with respect to Licensee and HEB may thereupon pursue against Licensee the remedies set forth in this subparagraph.
- (5) Other Remedies. HEB shall have the right to an injunction and to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not provided for. In such event HEB shall be entitled to recover from Licensee and have paid as Rent all reasonable expense HEB may incur in connection with its efforts to secure such injunctive relief or other remedy such as court costs, printing costs and attorneys' fees. The words "re-enter" and re-entry" as used in this License Agreement are not restricted to their technical meanings.

XVI. GENERAL PROVISIONS.

- A. Compliance with Law. Licensee shall promptly comply with all laws, rules and regulations promulgated by any governmental authority having jurisdiction over Licensee, the Premises and the use thereof, including, without limitation, health and environmental laws. Licensee shall provide copies of any and all governmental licenses or permits evidencing compliance with health and environmental laws shall be promptly furnished to HEB at the address for Notice listed below
- B. Notice. Any notice or designation to be given under this License Agreement shall be given by placing the notice or designation in the United States mail, certified or registered, properly stamped and addressed to the address shown below or such other address as the respective party may direct in writing to the other, or by personal delivery to such address by a party, or by a delivery service which documents delivery, and such notice shall be deemed to be received upon such placing in the mail for such delivery:

Licensors: *(if by overnight or personal delivery)*  
HEB Grocery Company, LP  
646 South Main Avenue  
San Antonio, Texas 78204  
Attention: Shopping Center Development

*(if by U.S. mail)*  
HEB Grocery Company, LP  
Attention: Shopping Center Development  
P.O. Box 839955  
San Antonio, Texas 78283-3955  
Phone: 210/938-8290  
Fax: 210/938-7788

Licensee:   
Attn: Quy T. Ton  
5150 Florida Blvd  
Baton Rouge, La. 70806  
Phone: 225-906-0565  
Fax: 1-800-422-4698

- C. Entire Agreement. Licensee acknowledges that neither HEB nor anyone on HEB's behalf has made any representation, warranty or promise with respect to the Premises except as expressly set forth in this License Agreement. This License Agreement and the exhibit(s) hereto embody the entire agreement and understanding between the parties and supersedes all prior negotiations, agreements and understandings. Any provision of this License Agreement may be modified, waived or discharged only by an instrument in writing signed by the party against which enforcement of such modification, waiver or discharge is sought.
- D. Waivers. No waiver by HEB or Licensee of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent default by Licensee or HEB in the same or any other provision.

- E. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies at law or in equity.
- F. Surrender. Upon the expiration of the Term or earlier termination of this License Agreement, Licensee shall surrender the Premises to HEB. If Licensee is not then in default under this License Agreement, Licensee shall remove all trade fixtures, inventory, stock-in-trade, furniture and other personal property which are not fixtures ("Licensee's Property") installed by Licensee. All other installations or improvements made by either party shall be and become upon installation HEB's property and shall be surrendered with the Premises at the expiration or termination of this License Agreement unless HEB notifies Licensee to the contrary, in which event Licensee shall remove such property at its expense. Whether or not Licensee is then in default, Licensee shall remove at its expense any of Licensee's Property specified to be removed in a notice by HEB to Licensee. HEB hereby waives any and all statutory and contractual landlord, licensor, or similar liens that it may have against any property of Licensee situated within the Premises (collectively, the "Licensee Property"). Notwithstanding the foregoing, any Licensee Property not removed upon termination of the License Agreement or upon Licensee's cessation of business in the Premises for three (3) consecutive days, may be removed by HEB from the Premises and stored by HEB either at the Store or at an offsite location, as HEB deems appropriate. In the event the Licensee Property is stored at the Store, Licensee shall pay to HEB a storage fee ("Storage Fee") of \$100 per day. In the event the Licensee Property is stored at an offsite location, Licensee shall reimburse HEB the actual storage and moving cost plus a Storage Fee of \$50/day. If the Licensee Property has not been reclaimed by Licensee within ten (10) days, or if Licensee fails to pay the Storage Fee, the Licensee Property shall be deemed abandoned, and HEB shall have the right to dispose of the Licensee Property and retain any proceeds received from such disposition.
- G. Holding Over. If Licensee does not immediately surrender possession of the Premises upon expiration of the Term or earlier termination of this License Agreement, Licensee at the option of HEB shall thereafter become a licensee from month-to-month at a monthly rental equal to 150% of the sum of the monthly Rent, subject to all other conditions, provision and obligations of this License Agreement insofar as they are applicable to a month-to-month tenancy, and Licensee shall indemnify HEB against loss or liability resulting from Licensee's delay in surrendering the Premises, including without limitation any claims made by any succeeding licensee based on such delay.
- H. Commission. Licensee shall indemnify and hold HEB harmless against any commission, payment, interest or participation claimed on account of this lease agreement under any alleged agreement or understanding entered into between Licensee or Licensee's agent or representation with the person or entity claiming the commission, payment, interest or participation.
- I. No Liens. Licensee shall, at all times, promptly pay for all work performed in the Premises or under this License Agreement and shall indemnify, defend and hold free and harmless Licensor and the Store, all other property of Licensor and its Affiliates, and each of them, from and against any claim, lien, tax lien or levy, attachment, garnishment, encumbrance, litigation or judgment, arising directly or indirectly from any obligation, action or inaction of Licensee, which obligations shall survive the expiration of the Term or earlier termination of this License Agreement. Licensee shall have ten (10) days from the filing for record of any lien or tax lien purporting to affect Licensor's property within

which to obtain the release and discharge or to obtain a bond in the amount of the lien thereof at the sole cost and expense of Licensee.

- J. Successors and Assigns. The terms, provisions, covenants and conditions contained in this Agreement shall apply to, be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and permitted assigns of Licensor and Licensee, respectively.
- K. Applicable Law, Venue, Construction. The laws of the state of Texas shall govern the validity, performance and enforcement of this License Agreement. Venue shall be in Bexar County, Texas for purposes of this License Agreement. The invalidity or unenforceability of any provision of this License Agreement shall not affect or impair any other provision. If any provision of this License Agreement is capable of two constructions, one of which would render the provision invalid and the other of which would make the provision valid, the provision shall have the meaning which renders it valid.
- L. Time of the Essence. Time is of the essence with respect to each provision, term and covenant of this License Agreement.
- M. Effective Date. The Effective Date of this License Agreement shall be the last date that the License Agreement has been signed by both Licensor and Licensee.
- N. Attorneys's Fees. If any action or proceeding is necessary to enforce the provisions of this License Agreement, the prevailing party will be entitled to reasonable attorney's fees, costs, and necessary disbursements, in addition to any other relief to which it may otherwise be entitled.
- O. Solicitation. Licensee agrees it will not solicit or distribute literature to Licensor customers or HEB partners in the Store, the common areas of the Store or on any HEB leased or owned premises subject to the following provisions: (a) notwithstanding the above requirement, Licensee may promote those services that are directly related to Licensor's operations if they are promoted and provided to HEB customers at the location(s) where Licensee is leasing space from Licensor, subject to the approval of the Store manager; (b) Licensee agrees that it will not solicit HEB Partners at any time; (c) there will be no leafleting or distribution of flyers by Licensee at any time at the Store or any HEB location and (d) Licensee further agrees that it will not grant permission for third parties to solicit or distribute literature at the Store or on any HEB leased or owned premises, and will forward all such inquires to the store manager.
- P. Waiver of Statutory Lien. HEB hereby waives any existing or hereinafter enacted statutory lien on Tenant's personal property located on or about the Premises.
- Q. Confidentiality. Licensee agrees that except as may be required by law, it shall not, without the prior written consent of HEB, make any public announcement about any of the terms, conditions, or provisions of this License Agreement, or modifications thereof, including without limitation, the Rent. Licensee shall not transmit any of the information contained in this agreement to any third party except Licensee's counsel, consultants, actual or prospective lenders and purchasers, and other advisors engaged to help Licensee or such lenders or purchasers in connection with the License Agreement pursuant to the License Agreement and/or any financing or refinancing for Licensee (collectively, the

“Permitted Parties”), on a need-to-know basis, provided such Permitted Parties are advised of the confidentiality and nondisclosure obligations of HEB and agree to be bound thereby. Licensee agrees to indemnify and hold HEB harmless from and against any actual loss, injury, damage, claim, lien, cost or expenses, including attorney fees, arising from a breach of the foregoing confidentiality agreement. The covenants set forth in this paragraph shall survive the termination or closing of this License Agreement.

EXECUTED by HEB the [REDACTED] day of [REDACTED], 20[REDACTED].

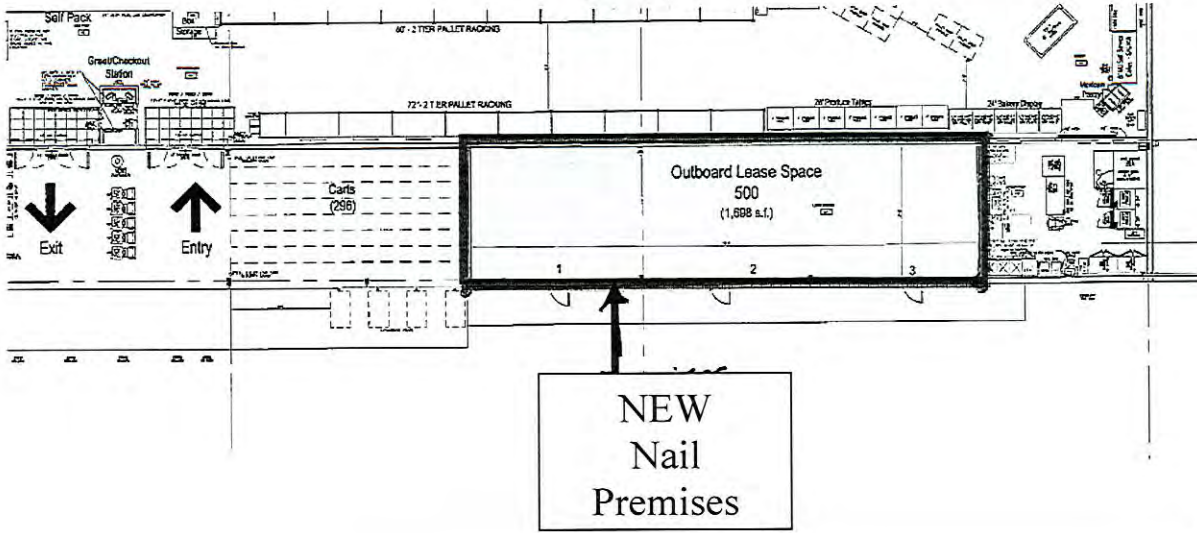
HEB GROCERY COMPANY, LP

[REDACTED]

EXECUTED by Licensee the [REDACTED] day of [REDACTED], 20[REDACTED].

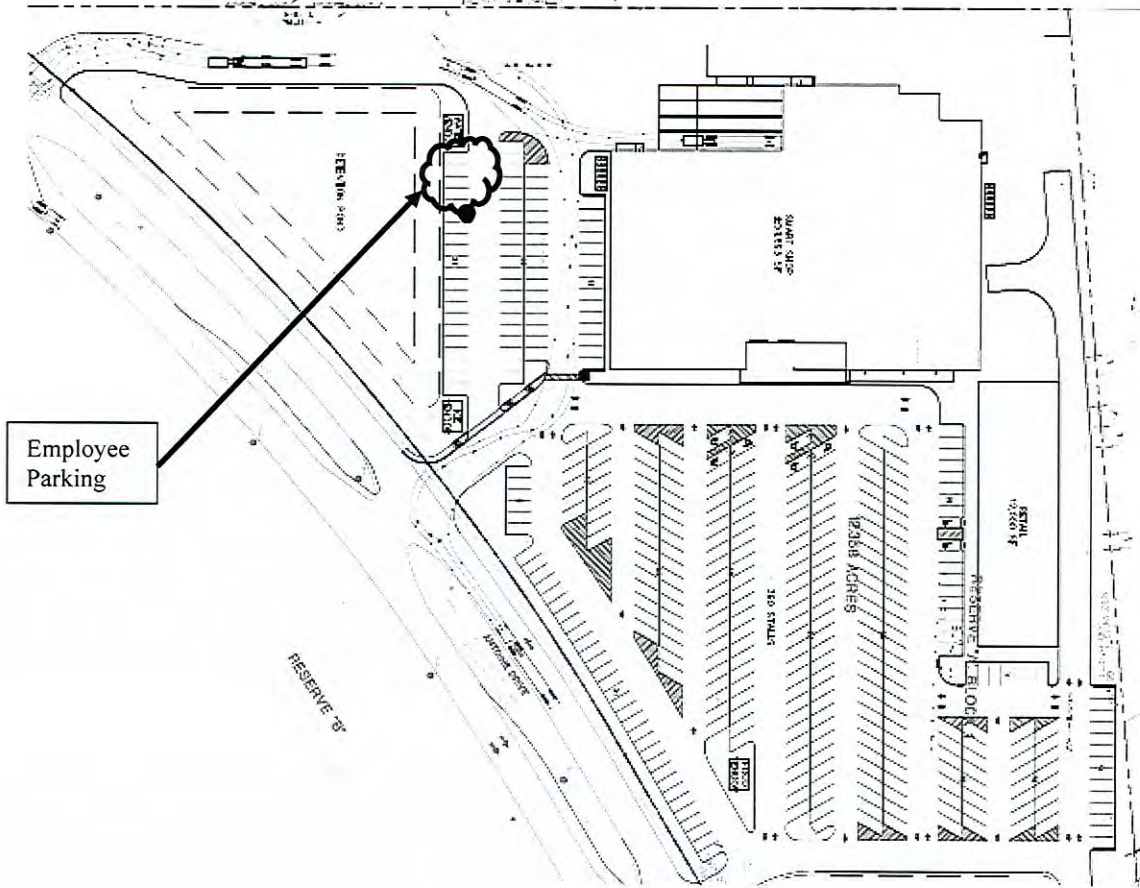
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**EXHIBIT A**  
**Premises**





**EXHIBIT B**  
**Employee Parking**



**EXHIBIT C**  
**Initial Alterations for In Line Space**

The following initial alterations for In Line space shall be Licensee's sole responsibility.

1. Plans and Specifications

Licensee shall prepare Licensee's plans and specifications for the Premises, to be approved by H-E-B, showing in detail the nature and scope of the work to be done by Licensee. Plans must be of a quality such that a Building Permit can be obtained from governmental authorities and construction adequately performed. All costs associated with such plans and specifications are to be borne by Licensee. H-E-B will provide plans if available for Licensee's Architect to utilize. Shipping and costs associated with retrieving this information along with Asbestos reports and signatures on Waste Water applications will also be billed to the Licensee.

Prior to performing any work on the premises, Licensee must supply HEB with one complete set of plans and specifications for Licensee's Alteration including floor plan, electrical, H.V.A.C., reflective ceiling plan, fixture plan, sign specifications, etc. and must have secured HEB's express, written approval of said plans and specifications. The plans and specifications shall include, but not be limited to details as to colors, material types and other such information as shall be required to ensure Licensee's work shall be of first-class design and quality. The plans shall include any and all revisions required by the City to obtain a Building Permit, any and all revisions required by Texas Department of Licensing and Regulation for compliance with The Americans With Disabilities Act ("ADA") and the Texas Accessibility Standards ("TAS"), any and all revision required to comply with applicable Building Code, and all revisions required to comply with HEB building criteria..

HEB's approval of Licensee's plans for Licensee's work shall create no responsibility or liability on the part of HEB for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Notwithstanding any provision in the License Agreement, Licensee is obligated to cause Licensee's plans to be completed not later than thirty (30) days after the date of this License Agreement. Failure to have the said plans completed in a timely manner will be deemed a default under the License Agreement. HEB shall review and approve or disapprove plans within fifteen (15) days. Licensee shall revise said plan and redistribute to HEB for review and approval within ten (10) days.

2. HEB Shall provide Licensee:

- a. Concrete floor broom cleaned and ready for finish install
- b. Concrete cut out zone for Licensee access to water and sewer lines.
- c. Sprinkler heads mounted at 10'-0" AFF.
- d. A/C unit (1 – 5 ton unit and one 3.5 ton Fresh Air intake unit), mounted with bottom of unit at 10'-0" AFF.
- e. HEB shall provide electrical conduit to space.
- f. Install Telephone and data conduit (1-1/2") for Licensee's use.
- h. Sheet rock perimeter walls up to 10'-6" AFF.

3. Construction. The following shall be Guidelines for Licensee's Alterations, unless otherwise approved by HEB:

- a. Heating, Ventilating and Air Conditioning (HVAC): Any modifications to the HVAC ductwork or system that may required are Licensee's sole responsibility.

- b. Sprinkler System: HEB will provide a fire sprinkler system for the empty shell building. Licensee shall have H-E-B approved vendor modify system contained within the Premises to comply with requirements for ceiling and walls being installed by Licensee. Licensee is responsible for submitting all required documents to city fire department, State Fire Marshall, and HEB for sprinkler system modifications, and working with the vendor.
- c. Walls: Licensee shall be responsible for all wall finishes. Any interior partitions shall be by Licensee.
- d. Floor: Licensee shall be responsible for floor finishes.
- e. Roof: Any penetrations to the roof required by Licensee's business will be made by the H-E-B approved vendor to maintain current warranty. No others will be permitted.

## EXHIBIT D SIGN CRITERIA

The purpose of this document is to outline the criteria, which has been established governing the design, fabrication, and installation of Licensee signs.

The necessity for establishing certain basic guidelines which must be followed by the sign company serves a two-fold purpose. First, it will protect you, the Licensee, from purchasing a sign which does not meet good standards of material and workmanship. Secondly, it will assure a consistent, attractive presentation unmarred by poorly designed, badly proportioned signs. The most attractive and successful retail spaces centers are those which have insisted upon sign control.

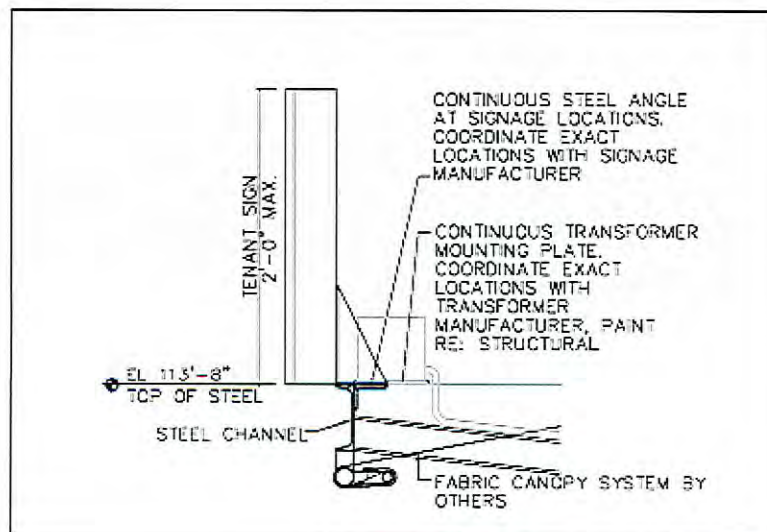
Exhibit "D" will be given to the sign company and used by them as a guide in preparing designs and cost estimates for your approval.

The basic criteria governing signs are as follows:

1. Lessee shall make arrangements to have a sign approved by HEB and installed on the Leased Premises on or prior to the day Lessee opens for business.
2. All signs shall be in the form of individual letters, and conform to the trademark, Regal Nails, Salon & Spa. Interior illuminated box type signs or panels with painted or cutout plastic letters will not be permitted on the buildings.
3. The vertical height for sign letters is 24 inches. The length of a sign shall not exceed 80 percent of the lease frontage, and not less than 60 percent of the lease frontage. (For example, a 20-foot frontage lease will have a maximum sign length of 16 feet, and a minimum sign length of 12 feet.) No stacking of signs will be permitted without HEB approval.
4. The sign letters are to be constructed of bronzed anodized aluminum sidewalls and trim, 633 dark, a minimum gauge of .040, with returns pop riveted to the letter backs, with no pop rivets visible (no armor ply backing will be allowed), with Plexiglas facings lit from the interior with neon tubing (colors to be submitted to HEB for approval). Acrylic face retainer moldings shall be 1" deep and match side walls. All letters are to be 5" thick.
5. All fasteners, screws, bolts, etc., used in the fabrication of the signs shall be non-ferrous.
6. Sign letters shall be individually fastened to the storefront/sign band or canopy. Detail for specific site will be provided. No raceways will be allowed.
7. The minimum thickness for the Plexiglas facing shall be 3/16 inch.
8. Neon tubing shall be 15 millimeter #6500 Snow White powered by 30MA transformers. The number of rows of tubing shall always be double. No flashing lights or animation permitted.
9. All sign drawings and lettering shall be submitted to HEB for approval. Drawings are to be submitted for approval before any fabrication has begun. Any sign erected without

being approved and not meeting the sign criteria may be removed by HEB at Lessee's expense.

10. Lessee shall not place anything on the canopy other than the approved letters.
11. All permits as required by local building or sign codes shall be obtained by Lessee or Sign Contractor.
12. Trailer signs or Marquee type signs are prohibited.
13. HEB reserves the right to limit or prohibit the use of logos.
14. Lessee shall repair any holes in the Shopping Center façade caused by Lessee's signage, and shall paint the Shopping Center façade to match existing color upon removal of Lessee's signs. This provision shall survive the termination or expiration of this Lease.
15. Lessee Address Numbers: Lessee to provide and install address numbers for its lease space if required by city code. Unless city requires otherwise, four inch vinyl numbers shall be precision die cut from sheet vinyl and supplied as pre-spaced legends sandwiched between a protective carrier and backing strip. Numbers shall be applied to the outside surfaces of glass. Letter style shall be Helvetica medium, in color to be selected.



**Sign Detail, Typical**

**SIGN DESIGN EXAMPLE**

**EXHIBIT E**  
**Telephone and Data Installation**

1. **Telephones** – Telephone Service shall be installed by Licensor, from the D marc to location within the premises,

Licensee will be responsible for ordering phone lines from local carriers and will pay any related charges including LEC installation, monthly service, and any construction costs. When ordering telephone lines, Licensee should consider how many telephones, faxes, and modems will be needed for their business.

If Licensee utilizes a phone system to meet their telephone needs, Licensee will be responsible for procuring its telephone system. HEB shall provide phone lines for their installation. Licensee shall be responsible for the installation of such system within the demised premises. ***Under no circumstances will Licensee be allowed to utilize any part of HEB's phone system.*** Any Licensee phone system should be located inside Licensee lease space in a location with adequate power and cooling resources. Licensee phone wiring design will be such that station wiring will consolidate in area next to phone system. Licensee will be responsible for all programming, maintenance, repair and replacement of phone system components.

2. **Data Services** – Licensee will be responsible for any and all data services. Whether Licensee chooses to procure DSL or Cable service for internet connectivity or use dial-up services is the discretion of the Licensee. Such wire will be provided for services and will be run from the store D-marc and extended to the Premises by HEB using an HEB approved vendor. All work thereafter is at Licensee's expense. Wiring contractor will follow HEB wiring SOP. ***Under no circumstances will Licensee's wiring go through HEB in-store computer room.*** Licensee will not have access to HEB internal data network unless previously approved in writing by HEB IS leadership and IS Data Security Dept.
3. **Wireless Data** – Licensee will not use wireless data devices in lease space without written approval from HEB IS Network dept and IS Data Security. Licensee will be given guidelines on technology and use of such devices. If Licensee's wireless devices cause undue interference with HEB wireless devices, Licensee will be asked to make changes or discontinue use of such interfering devices at Licensee's expense. ***Under no circumstances will Licensee be allowed to Piggy-back on HEB in-store wireless network.***

## **EXHIBIT F**

### **Standards of Conduct**

The necessity for establishing certain basic guidelines which must be followed by In Store Licensees regarding behavior of Licensees, their employees, partners, contractors, agents, and suppliers, serves a two-fold purpose. First, it will inform you of H-E-B's expectation for professional behavior and customer service. Secondly, it will assure both H-E-B and Licensees of uniformity of such behavior and service throughout the various businesses within the store, which will provide a more pleasant shopping experience for all customers. HEB reserves the right to modify and amend this Standards of Conduct from time to time as necessary.

In Store Licensees, their employees, partners, contractors, agents, and suppliers shall abide by the standards of conduct set forth below. These standards of conduct include, but are not limited to:

1. Conduct business in compliance with all laws and regulations of the nation and of every community in which it operates.
2. Conduct their business with customers, clients, and suppliers with complete honesty and integrity.
3. Maintain a professional and businesslike appearance. This to include wearing name badges with employee name and company name at all times while representing Licensee.
4. Exhibit professional behavior and refrain from acting in any manner that may be deemed unprofessional, lewd, or awkward to passers-by. Refrain from harassing, badgering, or otherwise pressuring or confronting customers or H-E-B Partners.
5. At no time represent themselves as H-E-B employees, represent H-E-B, or speak for H-E-B.
6. Misapplication or misappropriation of property such as misuse or diversion of product, incorrectly recording, reporting, or securing merchandise, or unauthorized removal or consumption of property.
7. Maintain a safe work environment which discourages carelessness and negligence, and encourages the use of all safety devices and practices.
8. Avoid any circumstance or situation that benefits, or appears to benefit, an HEB Partner whether through personal gain, involving a business transaction, gift, favor, or other consideration that can or does appear to result in the personal enrichment of the Partner, his or her family, or friends.
9. Abstain from or the use or influence of alcohol, illegal drugs, or any other intoxicants during work or on H-E-B property while representing Licensee.
10. Respect the confidentiality of information regarding the HEB store operations, and shall not seek unauthorized access to confidential information, or disclose confidential information to any party not authorized to receive it.
11. Prohibit the possession, carrying or storing any weapons, firearms, or harmful devices on H-E-B premises including parking areas unless specifically approved in writing by the Director of Loss Prevention.
12. Report accidents, property damage, safety issues, theft, or complaints to the Manager in Charge at the time they occur or are observed.

**EXHIBIT C-3**  
**TO THE REGAL NAILS SALON & SPA DISCLOSURE DOCUMENT**  
**RIDER TO LEASE**



## RIDER TO LEASE

THIS RIDER TO LEASE made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, with principle offices at \_\_\_\_\_ (hereinafter "Landlord"); and \_\_\_\_\_, with principle offices at \_\_\_\_\_ (hereinafter "Tenant"); and Regal Nails, Salon & Spa, LLC, a Nevada Limited Liability Company, with its principal address at 5150 Florida Blvd. (hereinafter "RNSS").

This Rider supplements and forms a part of that certain lease between Landlord and Tenant, dated \_\_\_\_\_, 20\_\_\_\_, (the "Lease") for leased premises located at \_\_\_\_\_ (the "Premises"). This Rider is entered into in connection with RNSS's grant of a franchise to Tenant to operate a Regal Nails & Spa at the Premises. It is intended to provide RNS the opportunity to preserve the Premises as a day spa operated under the Regal brand in the event of any termination of the lease or any franchise agreement between RNSS and Tenant. Landlord and Tenant agree that RNSS will have the right, but not the obligation, to assume the Lease of the Premises attached hereto as Exhibit A, on the terms, covenants and conditions hereinafter set forth.

### **I. DEFAULT BY TENANT UNDER THE LEASE**

1.0 Landlord will send RNSS copies of all notices of default it gives to Tenant at the same time it gives such notices to Tenant. If Tenant fails to cure any default within the period specified in the Lease, Landlord will promptly give written notice to RNSS, specifying the default Tenant has failed to cure. RNSS will have the right and option but not the obligation to either: (1) cure the applicable default on behalf of Tenant; or (2) assume the Lease by giving written notice to Landlord and Tenant within sixty (60) days after the date of receipt of Landlord's notice that Tenant has failed to cure a default under the Lease. RNSS will have the right and option but not the obligation to unilaterally assume the lease free and clear of Tenant's default.

1.1 Landlord will deliver possession of the Premises to RNSS promptly after Landlord receives RNSS's written notice exercising its option to assume the Lease. RNSS, upon taking possession of the Premises, will execute and deliver to Landlord an assumption in a form satisfactory to RNS of the Tenant's rights and obligations under the Lease.

1.2 RNSS will not be required to cure defaults and will not begin paying rent until Landlord delivers possession of the Premises to RNSS. If Landlord is unable to deliver possession of the Premises to RNSS, RNSS will have the right, at any time until Landlord delivers possession of the Premises, to rescind the option exercise.

### **II. TENANT'S FAILURE TO EXTEND TO LEASE TERM**

2.0 If the Lease contains term renewal or extension rights and if Tenant allows the term to expire without exercising said right(s), Landlord will give RNSS written notice thereof, and RNSS will have the right and option but not the obligation to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease by giving written notice to Landlord within thirty (30) days of receipt of Landlord's notice. If RNSS exercises such right(s) Landlord and RNSS will promptly execute a lease assumption

agreement that will provide for RNSS's assumption of the Lease effective at the commencement of the extension or renewal term.

### **III. EXPIRATION OR TERMINATION OF A FRANCHISE AGREEMENT**

3.0 RNSS will have the right and option but not the obligation to unilaterally assume the Lease if any franchise agreement between RNSS and Tenant expires or is terminated for any reason during the term of the Lease. If any franchise agreement between RNSS and Tenant expires or is terminated and RNSS desires to assume the Lease it may give written notice to Landlord requesting that Landlord specify any existing defaults by Tenant under the Lease. Within ten (10) days after receipt of such notice, Tenant will peacefully surrender the premises to Landlord and Landlord will deliver possession to RNSS. In the time between the notice and delivery, Tenant and Landlord grants to RNSS access to the Premises without being guilty of, accused of, or threat of trespass and/or tort.

3.1 If any franchise agreement between RNSS and Tenant expires or is terminated, Tenant shall, within ten (10) days after written demand by RNSS, assign all of its right, title and interest in the Lease to RNSS. If Tenant fails to do so, Tenant hereby designates RNSS as its agent to execute any and all documents, agreements and to take all action that may be necessary or desirable to effectuate the assignment of the Lease and the relinquishment of any and all of Tenant's right there under. Landlord consents to such assignment, subject to RNSS executing an assumption of the Lease before taking possession of the Premises. Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at the written request of RNSS. Any property not so removed by Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by Tenant.

3.2 Any franchise agreement with RNSS shall be deemed expired upon expiration date if Tenant does not execute a successor franchise agreement and pay the renewal fee ninety (90) days prior to the expiration date. Expiration date of the franchise agreement shall be stated in the franchise agreement itself.

3.3 Tenant agrees that termination of any franchise agreement for the Premises shall, at the option of Landlord, be a default under the Lease.

### **IV. ADDITIONAL PROVISIONS**

4.0 Landlord agrees that Tenant has right to remodel, equip, paint, and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the premises as Tenant is reasonably required to do so pursuant to the Franchise Agreement, under which Tenant may operate a Regal Nails & Spa on the Premises. Any remodeling of the building and/or signs will be subject to Landlord's prior approval, which will not be unreasonably withheld.

4.1 Landlord acknowledges that the provisions of this Rider to Lease are required pursuant to the Franchise Agreement, under which Tenant plans to operate its business and the Tenant would not lease the premises without this Rider to Lease.

4.2 Landlord further acknowledges that Tenant is not an agent, employee, or representative of RNSS or any of its affiliates and parent, and has no authority or power to act for or on behalf of, create any liability on behalf, or otherwise bind RNSS or any of its affiliates and parent, and that the landlord has entered into this Rider to lease with full understanding that it creates no duties, obligations, or liabilities against RNSS and its affiliates and parent, unless and until the lease is assigned and accepted in writing by RNSS.

4.3 Tenant shall remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to RNSS. RNSS shall be entitled to recover from Tenant all amounts it pays to bring the day spa back to current standards.

4.4 Prior to taking possession of the Premises pursuant to its rights under this Rider to Lease, RNSS will deliver to Landlord an assumption of the Tenant's right and obligation, expressly excluding any prior defaults that Tenant has failed to cure, under the Lease. RNSS will pay, perform and be bound by all of the duties and obligations of the Lease applicable to Tenant, except that RNSS may elect not to assume or be bound by the terms of any amendment to the Lease executed by Tenant without obtaining RNSS's prior written approval, which shall not be unreasonably withheld.

4.5 After RNSS assumes Tenant's interest in the Lease, RNSS will not be subject to any provision of the Lease that requires the Tenant to continuously operate a business in the Premises during any period that the business in the Premises is closed for remodeling or while the RNSS is seeking to obtain and train a new franchisee to operate a franchised business in the Premises.

4.6 After RNSS assumes Tenant's interests in the Lease, RNSS may, without Landlord's consent, sublet the Premises to a franchisee of RNSS provided that RNSS remains primarily liable under the Lease.

4.7 After RNSS assumes Tenant's interest in the Lease, RNSS may, without Landlord's consent, assign this Lease to a new franchisee. After such assignment, new franchisee shall assume the payment of rent and the performance of Tenant's duties and obligations under the Lease. RNSS may also, with the prior written consent of Landlord, assign without recourse its rights under the Lease. Upon receipt by Landlord of an assumption agreement pursuant to which such franchisee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of Tenant to be performed under the Lease, RNSS shall be released from all liability as tenant under the Lease accruing after the date of the effective date of the assignment.

4.8 Tenant may not sublet the Premises to a third party without the express and written approval of RNSS. Landlord agrees not to allow Tenant to sublet the Premises to a third party without the express and written approval of RNSS. At RNSS's option, RNSS may terminate the franchise agreement if Tenant sublets the Premises.

4.9 Tenant may not assign any of its interest in the Lease to a third party without the express and written approval of RNSS, which shall not be unreasonably withheld. Landlord agrees not to allow Tenant to assign any of its interest in the Lease to a third party without the express and written approval of RNSS. RNSS may withhold approval if Tenant's prospective assignee does not assume Tenant's rights and obligations under the franchise agreement and/or does not meet RNSS's qualifications for a franchisee.

4.10 If the Lease or Franchise Agreement for the Premises is terminated for any reason and RNSS does not exercise its option to assume the Lease, Tenant and/or its assignee agrees, upon written demand by RNSS, to promptly remove signs, décor and other items which RNSS reasonably requests be removed as being distinctive and indicative of the Regal trademarks and trade dress. RNSS may enter upon the Premises without being guilty of trespass or tort to effect such de-identification if Tenant and/or its assignee fails to do so within ten (10) days after receipt of written demand from RNSS. Tenant and its assignee shall pay RNSS for its reasonable cost and expenses, including but not limited to legal expenses, in effecting de-identification. RNS shall defend, indemnify and hold Landlord harmless from and against any claims arising from RNSS's de-identification of the Premises.

4.11 BY EXECUTING THIS RIDER TO THE LEASE, RNSS DOES NOT HEREBY ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE, UNLESS AND UNTIL RNS EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATION, AS HEREINABOVE DESCRIBED.

4.12 All notices hereunder shall be delivered by certified mail to the addresses described in the Lease or to such other address as any party hereto may, by written notice instruct that notices be given. In the case of RNSS, notices should be sent to: Quy T. Ton, 5150 Florida Blvd., Baton Rouge , Louisiana, 70806, until further notice.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE CAUSED THIS LEASE OPTION RIDER TO BE EXECUTED AS OF THE DATE FIRST ABOVE WRITTEN.

Witness/Attest:

_____	_____
_____	Landlord
_____	By: _____
_____	President
_____	_____
_____	Individually
_____	_____
_____	Tenant
_____	By: _____
_____	President
_____	_____
_____	Individually

Regal Nails, Salon & Spa, LLC

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

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

**EXHIBIT C-4**

**TO THE REGAL NAILS SALON & SPA DISCLOSURE DOCUMENT**

**THE EXCHANGE ADDENDUM TO FRANCHISE AGREEMENT**

## **The Exchange Addendum to Franchise Agreement**

This Addendum to the Franchise Agreement is executed between the undersigned Franchisee, "Franchisee" or "you", and Regal Nails, Salon & Spa, LLC, "RNSS" or "us" or "we".

Franchisee is a concessionaire with the Army and Air Force Exchange Service, "the Exchange", and the Franchisee's Regal Nails & Spa salon, "the Salon", is located in one of the Exchange shopping centers. The Franchise Agreement must be amended to comply with the Exchange Concessionaire Contract, "ECC".

The Franchise Agreement is hereby amended as follows:

### **General**

To the extent that any provision of the Franchise Agreement conflicts with the ECC, the provisions of the ECC are controlling.

Throughout the Franchise Agreement, the phrase "Lease" is replaced with "ECC".

Throughout the Franchise Agreement, the phrases "your Landlord" and "Landlord" are replaced with "the Exchange".

#### **4. TERRITORIES/QUOTAS**

The sentence "Your territory will be the Exchange shopping center in which your salon premises is located." is inserted at the end of the first paragraph of Section 4.

#### **5. TERM**

The sentence "In the event that this was an existing franchised salon with us or our subsidiary, the franchise expires upon the expiration of your ECC; the term may be less than 5 years from the date that you signed the ECC." is inserted at the end of 5.A.

The phrase "expressly including remaining in good standing with RNSS and the Exchange," is inserted after "We require satisfaction of all the conditions listed in Section 16, prior to the grant of a successor franchise" in 5.B., second sentence.

#### **14. RELATIONSHIP/INDEPENDENT CONTRACTOR**

The sentences "You should be aware that the ECC may have requirements for your employees, such as the prevailing minimum wage to be paid for someone in your employee's position in the area of your salon. This is a requirement of the Exchange and not of RNSS." are inserted at the end of 14.D.

The sentences "The ECC may set forth the pricing of your services and merchandise and related restrictions. The restrictions are those of the Exchange and not of RNSS." are inserted at the end of 14.G.

#### **18. DUTIES OF REGAL NAILS, SALON & SPA, LLC**

The following section of 18. A.:

2. For locations that we are not a party tenant to:
  - a. Review the site you have selected.
  - b. Review the proposed lease to see if it complements to our satisfaction.
  - c. If both site and lease are complementary to our Franchise Agreement, approve both.

Is replaced with the following:

2. For the Exchange locations:
  - a. Locate a site for your approval in the Exchange shopping center,
  - b. Put you in contact with the Exchange representative to review the site,
  - c. Put you in contact with the Exchange representative for an ECC,

The phrase “and the Exchange” is inserted after “by us” in 18. A. 3.

19. FRANCHISEE’S OBLIGATIONS, FROM CONSTRUCTION TO GRAND OPENING

Insert the following provision into 21. C., following provision 21 B:

21 C. Adhere and comply with the ECC pertaining to your salon premises, including joining in the Exchange-mandated promotional events (seasonal or otherwise); retaining employee files for a minimum of three years, opening for business 5 minutes prior to and after posted operating hours; accepting payment forms mandated in the ECC; prohibition against serving non-authorized personnel and compliance with the Exchange patron identification procedures; proper documentation of refunds, overrings, void transactions and readings before and after test rings; returning lost property to owner or over to appropriate military office; and maintaining at least 2 current (nothing older than 60 days) magazines in good taste with a balanced ethnic selection for each customer waiting chair.

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the effective date of the Franchise Agreement itself.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

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

DATE: \_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation,  
partnership, LLC or Proprietorship

**EXHIBIT C-5**  
**TO THE REGAL NAILS SALON & SPA DISCLOSURE DOCUMENT**  
**FRANCHISE COMMENCEMENT AGREEMENT**



**FRANCHISE COMMENCEMENT AGREEMENT**

This FRANCHISE COMMENCEMENT AGREEMENT, ("Agreement"), is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Regal Nails, Salon & Spa, LLC, with its principal address at 5150 Florida Blvd., Baton Rouge, LA 70806, ("Regal"); and \_\_\_\_\_,

\_\_\_\_ an adult individual, SS#XXX-XX-....., whose home address is \_\_\_\_\_, ("Franchisee").

\_\_\_\_ a \_\_\_\_\_, with its principal place of business at \_\_\_\_\_, and its principals individually, (collectively "Franchisee").

Regal and Franchisee entered into a Franchise Agreement with a Sublease Schedule, effective on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Franchise Agreement"), for Regal Nails, Salon & Spa franchise #\_\_\_\_\_ and premises, located in the Wal-Mart at \_\_\_\_\_, ("Regal Nails Salon"). At such time the commencement and expiration dates of Regal Nails Salon was *to be determined/TBD*. The Parties now desire to enter into an agreement to memorialize the commencement and expiration dates of Regal Nails Salon. To facilitate and in consideration of the below covenants and other valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, Regal and Franchisee agree as follows:

- 1. The franchise and sublease of Regal Nails Salon shall commence on \_\_\_\_\_, 20\_\_\_\_
- 2. The franchise and sublease of Regal Nails Salon shall expire on \_\_\_\_\_, 20\_\_\_\_, unless sooner terminated as provided by the terms and conditions of the Franchise Agreement.
- 3. The salon premises is estimated to be \_\_\_\_\_ sq. ft.

4. The parties agree to monthly payments to Regal are as follows:

Period	Monthly Fee*	Monthly Utility Charge**	Common Area Maintenance***	Total Monthly Due****

\*If we are a party tenant to the lease of the Regal Nails Salon premises, then this amount includes the monthly franchise fee, base rent and rental tax for the premises. Rental taxes are subject to increases by governmental entities; if increased, you are responsible for the additional amounts. For Wal-Mart locations: if Wal-Mart imposes a percent-based monthly base rent amount, we reserve the right to unilaterally amend the monthly payment structure and separate the monthly base rent and rental tax, which we anticipate to be not more than 20%, from the Monthly Fee.

\*\*\*Applicable only to locations in which we are party tenant to the lease of the Regal Nails Salon premises and the landlord has charged us for certain utilities. May be increased by \_\_\_\_\_% annual increase. You are responsible for any increase.

\*\*\*\*Applicable only to locations in which we are a party tenant to the lease of the Regal Nails Salon premises and the landlord has charged us for CAM. CAM amount shall include the lease's CAM, property insurance and property tax charged for the premises by the landlord. Subject to increases for actual amounts charged by the landlord. You are responsible for any increases.

\*\*\*\*Subject to increases to Monthly Utility Charge, and/or CAM and increases to the rental tax.

**For Wal-Mart locations: Percentage Rent Due (annual):** 6.5% of any Gross Sales amount above Natural Break Point. Natural break point is rent divided by percentage rent rate. If Wal-Mart allows or requires us to impose a percent-based Monthly Rent amount, we reserve the right to unilaterally amend the Monthly Rent and any other payments due hereunder, to reflect the percent-based Monthly Rent payment structure, which may include a minimum monthly payment requirement and which Monthly Rent payment amount we anticipate will not exceed 20% of Franchisee's gross sales.

Non-Wal-Mart	locations:	Percentage	Rent	Due:
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5. Except as provided in this Agreement, all of the remaining terms, conditions, covenants and provisions of the Franchise Agreement for Regal Nails Salon shall remain in full force and effect, and are hereby ratified and affirmed by the parties hereto.
6. All rights granted hereunder are to be regarded as personal rights granted to the parties. Neither party may assign any such rights without prior written consent of the other party.
7. The parties may execute this Agreement in counterparts, each of which is deemed an original and all of which only constitute one original. A facsimile of a signature of any party will constitute as an original signature for this purpose.
8. This Agreement cannot be modified or changed unless in writing, signed by Regal and Franchisee.
9. This Agreement is governed by the Laws of Louisiana.
10. Any controversy or claim arising out of or relating to this Agreement, or the breach hereof, (including at the beginning of or during any proceeding) involves Regal, its affiliates, or any of their respective officers, owners, employees, or agents, such controversy or claim will be wholly governed by Section 35 (Extraordinary Actions) and 37 (Litigation) of the Franchise Agreement, which Section 35 and 37 is hereby incorporated into this Agreement by reference and made a part hereof.

In witness whereof; the parties have executed this agreement at \_\_\_\_\_ and at Baton Rouge, LA, effective as of the day and year first above written.

FRANCHISEE

REGAL NAILS, SALON & SPA, LLC

X \_\_\_\_\_

\_\_\_\_\_

—

Quy T. Ton, CEO

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

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

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

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

**EXHIBIT D**

**TO THE REGAL NAILS, SALON & SPA DISCLOSURE DOCUMENT  
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

**CALIFORNIA**

Department of Financial  
Protection and Innovation  
2101 Arena Blvd.  
Sacramento, CA 95834  
(866) 275-2677

**CONNECTICUT**

Department of Banking  
Securities and Business  
Investments Division  
260 Constitution Plaza  
Hartford, Connecticut  
06103-1800  
(860) 240-8230

**FLORIDA**

Department of Agriculture  
& Consumer Services  
Division of Consumer  
Services  
P.O. Box 6700  
Tallahassee, Florida  
32314  
(850) 488-2221

**HAWAII**

(for service of process)  
Commissioner of  
Securities of the State of  
Hawaii  
Department of Commerce  
& Consumer Affairs  
Business Registration  
Division  
Securities Compliance  
Branch  
335 Merchant Street,  
Room 203  
Honolulu, Hawaii 96813

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

**ILLINOIS**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

**INDIANA**

(for service of process)  
Indiana Secretary of State  
201 State House  
Indianapolis, Indiana  
46204

(state agency)  
Securities Commissioner  
Indiana Secretary of State  
Securities Division,  
Franchise Section  
302 West Washington  
Street,  
Room E-111  
Indianapolis, Indiana  
46204  
(317) 232-6681

**IOWA**

Director of Regulated  
Industries Unit  
Iowa Securities Bureau  
340 Maple  
Des Moines, Iowa 50319-  
0066  
(515) 281-4441

**MARYLAND**

(for service of process)  
Maryland Securities  
Commissioner  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland  
21202-2020

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

**MICHIGAN**

(for service of process)  
Michigan Department of  
Consumer and Industry  
Services  
Bureau of Commercial  
Services  
Corporations Division  
PO Box 30054  
Lansing, Michigan 48909  
(517) 241-6470

(state agency)  
Department of the  
Attorney General  
Consumer Protection  
Division  
Attn: Franchise Section  
525 W. Ottawa St.  
G. Mennen Williams Bldg.  
1<sup>st</sup> Floor  
Lansing, MI 48913  
(517) 373-7117

**MINNESOTA**

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

**NEBRASKA**

Department of Banking &  
Finance  
1200 N. Street, Suite 311  
P.O. Box 95006  
Lincoln, Nebraska 68509  
(402) 417-3445

**NEW YORK**

(for service of process)  
Secretary of State  
99 Washington Avenue  
Albany, New York 12231  
  
(state agency)  
NYS Department of Law  
Investor Protection Bureau  
28 Liberty St., 21st Floor  
New York, New York  
10005

(212) 416-8222

**NORTH CAROLINA**

(for service of process)  
2 South Salisbury St.  
Raleigh, North Carolina  
27603

(state agency)  
Business Opportunities  
Department of the  
Secretary of State  
PO Box 29622  
Raleigh, North Carolina  
27626-0622  
(919) 807-2156

**NORTH DAKOTA**

(for service of process)  
North Dakota Securities  
Commissioner  
600 East Boulevard  
State Capitol Fifth Floor  
Dept 414  
Bismarck, North Dakota  
58505-0510  
Phone 701-328-4712

(state agency)  
North Dakota Securities  
Department  
600 East Boulevard Ave  
State Capitol Fifth Floor  
Dept 414  
Bismarck, North Dakota  
58505-0510  
Phone 701-328-4712

**OREGON**

Director  
Department of Consumer  
& Business Services  
Division of Finance &  
Corporate Securities  
Labor and Industries  
Building  
Salem, Oregon 97310  
(503) 378-4140

**RHODE ISLAND**

Director  
Department of Business  
Regulation  
Securities Division  
1511 Pontiac Avenue  
John O. Pastore Complex  
Building 69-1  
Cranston, Rhode Island  
02920  
(401) 222-3438

**SOUTH DAKOTA**

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

**VIRGINIA**

(for service of process)  
Clerk of the State  
Corporation Commission  
1300 East Main Street, 1st  
Floor  
Richmond, Virginia 23219

(state agency)  
Director  
State Corporation  
Commission  
Division of Securities and  
Retail Franchising  
1300 East Main Street, 9th  
Floor  
Richmond, Virginia 23219  
(804) 371-9051

**WASHINGTON**

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

(for other matters)  
Administrator  
Department of Financial  
Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington  
98507-9033  
(360) 902-8760

**WISCONSIN**

(for service of process)  
Administrator, Division of  
Securities  
345 W. Washington  
Avenue, 4<sup>th</sup> Floor  
Madison, Wisconsin 53703  
(508) 266-8557

(state agency)  
Department of Financial  
Institutions  
Division of Securities  
345 W. Washington  
Avenue, 4<sup>th</sup> Floor  
Madison, Wisconsin 53703  
(508) 266-8557

**EXHIBIT E**

**TO THE REGAL NAILS, SALON & SPA DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDUM TO DISCLOSURE DOCUMENT  
AND FRANCHISE AGREEMENT**

**CALIFORNIA ADDENDUM TO**  
**REGAL NAILS, SALON & SPA, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**ADDITIONAL DISCLOSURES REQUIRED BY**  
**THE STATE OF CALIFORNIA IN THE**  
**FRANCHISE DISCLOSURE DOCUMENT OF**  
**REGAL NAILS, SALON & SPA, LLC**

**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.**

Item 6 of the disclosure document is supplemented by the following:

NSF, stop payment, returned item charges and interest	Generally \$100 per item. Interest is 12% per year, compounded monthly, on amounts owed us; however, currently the maximum interest rate in California is 10% annually	Payable within 30 days of the date of the invoice	We may also charge you for any bank charges incurred because of your late payments
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California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

To the extent the California law applies, Section 31125 of the California Corporations Code requires us to give you a disclosure document approved by the Department of Financial Protection and Innovation prior to a solicitation of a proposed material modification of an existing franchise.

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

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professional Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

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



The Franchise Agreement requires application of the laws of Louisiana. This provision may not be enforceable under California law.

To the extent the California law applies, the California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

In California, the highest interest rate permitted by law is 10%.

[www.regalnails.com](http://www.regalnails.com)

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV) ([HTTP://WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV)).

**CALIFORNIA ADDENDUM TO**  
**REGAL NAILS, SALON & SPA, LLC**  
**FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the disclosure document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of California:

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
2. Sections 12.G and 12.H of the Franchise Agreement are deleted in their entirety.
3. The bolded paragraph in Section 18.A.2.c of the Franchise Agreement is deleted in its entirety.
4. Section 37.D of the Franchise Agreement is deleted in its entirety.
5. In Section 46 of the Franchise Agreement, the following sentences are deleted: “There are no promises, terms, conditions or promises other than those contained therein; and they supersede all previous communications, representations or agreement, either verbal or written, between the parties. You know of no representation by us or our agents, directors, employees, officers, servants or shareholders, about the franchise, which is contrary to the terms of this agreement or the documents incorporated herein. You further represent to us, as an inducement to entry into this Agreement, that we have made no misrepresentations in obtaining this agreement.”
6. The following term is deleted from the paragraph immediately preceding the signature block: “AND THAT I HAVE RELIED ON NO STATEMENTS OR REPRESENTATIONS MADE BY OR ON BEHALF OF REGAL NAILS, SALON & SPA, LLC CONCERNING ANY ASPECTS OF THE REGAL NAILS, SALON & SPA FRANCHISE IN PARTICULAR, OTHER THAN SUCH STATEMENTS OR REPRESENTATIONS CONTAINED IN THIS FRANCHISE AGREEMENT OR THE DISCLOSURE DOCUMENT PERTAINING THERETO.”
7. The following paragraph immediately preceding the signature blocks in the Franchise Agreement is deleted in its entirety: “BY EXECUTING THIS AGREEMENT WITH MY SIGNATURE BELOW, I HEREBY ACKNOWLEDGE AND AGREE THAT I HAVE RECEIVED A FULL AND UNRESTRICTED OPPORTUNITY TO HAVE THIS AGREEMENT EVALUATED AND EXPLAINED TO ME BY EXPERTS OR ADVISORS SUCH AS ATTORNEYS OR ACCOUNTANTS, THAT I HAVE READ AND FULLY UNDERSTAND THIS AGREEMENT, AND THAT I HAVE RELIED ON NO STATEMENTS OR REPRESENTATIONS MADE BY OR ON BEHALF OF REGAL NAILS, SALON & SPA, LLC CONCERNING ANY ASPECTS OF THE REGAL NAILS, SALON & SPA FRANCHISE IN PARTICULAR, OTHER THAN SUCH STATEMENTS OR REPRESENTATIONS CONTAINED IN THIS FRANCHISE AGREEMENT OR THE DISCLOSURE DOCUMENT PERTAINING THERETO.”

Intending to be legally bound, *the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.*

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership  
LLC, or Proprietorship

**HAWAII ADDENDUM**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**OF REGAL NAILS, SALON & SPA, LLC**

- A. This proposed registration is exempt from the registration requirements of the states of Alaska, Florida, Iowa, Kentucky, Nebraska, Ohio, Oklahoma, Texas and Utah.
- B. The states in which this proposed registration is or will be shortly currently on file: California, Hawaii, Illinois, Indiana, Maine, Maryland, Michigan, Minnesota, New York, North Carolina, North Dakota, Rhode Island, South Carolina, South Dakota, Virginia, Washington and Wisconsin.
- C. No state has refused, by order or otherwise, to register these franchises.
- D. No state has revoked or suspended the right to offer these franchises, except that in 2008 Minnesota and South Dakota cancelled the Franchisor's registration for failure to timely file its renewal. Also in 2008, the Franchisor's registrations were permitted to lapse in California, Hawaii, Illinois, North Dakota, Rhode Island, Washington and Wisconsin for failure to file its renewal on time. The Franchisor then applied for re-registration in Minnesota, South Dakota and the foregoing states.
- E. The Franchisor withdrew its application for registration in the State of Connecticut because its trademark was going to be registered by the U.S. Patent and Trademark Office in the next few months, providing an exemption from registration. (The Franchisor's trademark has now been registered.) The proposed registration of these franchises has not been otherwise withdrawn in any state.

**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
OF REGAL NAILS, SALON & SPA, LLC**

Notwithstanding anything to the contrary set forth in the disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

1. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the Franchisor's financial ability to provide services and support to you.
2. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

1. Illinois Law governs the agreements between the parties to this franchise.  
  
Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.  
  
Your rights upon termination and non-renewal of a Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
2. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**ILLINOIS ADDENDUM TO THE REGAL NAILS, SALON & SPA, LLC FRANCHISE AGREEMENT**

1. Illinois Law governs the agreements between the parties to this franchise.  
Section 4 of the Illinois Franchise Disclosure act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.  
Your rights upon termination and non-renewal of a Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
2. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
3. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the Franchisor's financial ability to provide services and support to you.
4. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of \_\_\_\_\_, a

( \_\_\_\_\_ ) corporation

( \_\_\_\_\_ ) partnership  
LLC, or Proprietorship

**MARYLAND ADDENDUM  
TO THE FRANCHISE DISCLOSURE DOCUMENT  
OF REGAL NAILS, SALON & SPA, LLC**

**ADDITIONAL DISCLOSURES REQUIRED BY  
THE STATE OF MARYLAND IN THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
REGAL NAILS, SALON & SPA, LLC**

The following statements are added at the end of the table in Item 17:

A Franchisee may bring any court litigation for claims arising under the Maryland Franchise Registration and Disclosure Law in Maryland.

Any general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the Franchise.

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

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

Item 5 of the Disclosure Document is supplemented by the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**MARYLAND ADDENDUM TO THE REGAL NAILS, SALON & SPA, LLC  
FRANCHISE AGREEMENT AND SITE DEPOSIT ADDENDUM**

This Addendum is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Regal Nails, Salon & Spa, LLC, a Nevada limited liability company ("we," "us" or "our"), and \_\_\_\_\_ ("you" or "your").

**1. Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Regal Nails Salon & Spa Franchise Agreement. Nevertheless, the provisions of this Addendum govern, control and supersede any inconsistent or conflicting provisions of the Regal Nails Salon & Spa Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise for the Regal Nails Salon & Spa Franchise to be operated by you pursuant to the Franchise Agreement was made in the State of Maryland and/or (b) because you are a resident of the State of Maryland and/or (c) your Regal Nails Salon & Spa Franchise will be located or operated in the State of Maryland.

**2. Releases.** The following sentence is added to the end of Sections 16. B. 9. and 30. B.9 of the Franchise Agreement:

The general release required as a condition of renewal, sale, and assignment/transfer shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

**3. Periods in Which to Make Claims.** The following language is added to Section 37 of the Franchise Agreement:

A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Claims arising under Section 14-227 of the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the Franchise.

**4.** The following statement is added below to the last paragraph of the Franchise Agreement before the signature lines and to #8 of the Site Deposit Addendum:

You should note that these acknowledgements and representations are not intended to nor shall they act to relieve the Franchisor of any liability under the Maryland Franchise and Disclosure Law.

**5.** Section 12, Section 46 and Section 50 of the Franchise Agreement is amended to state that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of any 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.

**6.** Section 12.J. of the Franchise Agreement is hereby deleted.

**7.** In Section 46 of the Franchise Agreement, the following sentences are deleted: "There are no promises, terms, conditions or promises other than those contained therein; and they supersede all previous communications, representations or agreement, either verbal or written, between the parties. You know of no representation by us or our agents, directors, employees, officers, servants or shareholders, about the franchise, which is contrary to the terms of this agreement or the documents incorporated herein. You further represent to us, as an inducement to entry into this Agreement, that we have made no misrepresentations in obtaining this agreement."



8. The following paragraph immediately preceding the signature blocks in the Franchise Agreement is deleted in its entirety: "BY EXECUTING THIS AGREEMENT WITH MY SIGNATURE BELOW, I HEREBY ACKNOWLEDGE AND AGREE THAT I HAVE RECEIVED A FULL AND UNRESTRICTED OPPORTUNITY TO HAVE THIS AGREEMENT EVALUATED AND EXPLAINED TO ME BY EXPERTS OR ADVISORS SUCH AS ATTORNEYS OR ACCOUNTANTS, THAT I HAVE READ AND FULLY UNDERSTAND THIS AGREEMENT, AND THAT I HAVE RELIED ON NO STATEMENTS OR REPRESENTATIONS MADE BY OR ON BEHALF OF REGAL NAILS, SALON & SPA, LLC CONCERNING ANY ASPECTS OF THE REGAL NAILS, SALON & SPA FRANCHISE IN PARTICULAR, OTHER THAN SUCH STATEMENTS OR REPRESENTATIONS CONTAINED IN THIS FRANCHISE AGREEMENT OR THE DISCLOSURE DOCUMENT PERTAINING THERETO."

9. Directly following the signature block at the end of the Franchise Agreement is the "Acknowledgements" Section from which Numbers 1 and 5 are hereby deleted.

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

11. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

12. **Remaining Provisions Unaffected.** The remaining terms, conditions, and provisions of the Franchise Agreement remain in full force and effect and binding on you and us.

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership  
LLC, or Proprietorship

**MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
OF REGAL NAILS, SALON & SPA, LLC**

Notwithstanding anything to the contrary set forth in the disclosure document or Franchise Agreement, the following provisions will supersede and apply:

**ITEM 13 TRADEMARKS**

1. Franchisor will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

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

1. Nothing in the disclosure document or 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 the jurisdiction.
2. No release language set forth in the Franchise Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
3. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.
4. Under the Minnesota Addendum to the Franchise Agreement, the requirements of Sections 33.B, 33.D and 35.B of the Franchise Agreement that you consent to the entry of an injunction are modified in the State of Minnesota to provide only that you consent to the seeking of such an injunction.
5. Under the Minnesota Addendum to the Franchise Agreement, Section 37 H.3 of the Franchise Agreement, which provides for the payment of liquidated damages by the franchisee, is deleted in its entirety.

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

**MINNESOTA ADDENDUM TO THE REGAL NAILS, SALON & SPA, LLC FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. The following language will appear at the end of Section 37 B. of the Franchise Agreement ("Forum"): "Nothing in the disclosure document or agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."
2. No release language set forth in the Franchise Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
3. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.
4. Franchisor will protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
5. The requirements of Sections 33.B, 33.D and 35.B of the Franchise Agreement that you consent to the entry of an injunction are modified in the State of Minnesota to provide only that you consent to the seeking of such an injunction.
6. Section 37 H.3 of the Franchise Agreement, which provides for the payment of liquidated damages by the franchisee, is deleted in its entirety.
7. No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Therefore, directly following the signature block at the end of the Franchise Agreement is the "Acknowledgements" Section from which Numbers 1 and 5 are hereby deleted.

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership

LLC, or Proprietorship

**NEW YORK ADDENDUM**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**OF REGAL NAILS, SALON & SPA, LLC**

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

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

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action

brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

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

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

**NEW YORK ADDENDUM**  
**TO THE REGAL NAILS, SALON & SPA, LLC**  
**FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the disclosure document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of New York:

1. The following sentence is added to the end of Sections 16. B. 9. and 30. B. 9. of the Franchise Agreement, which require releases:

"Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, Section 687.4 and 687.5 be satisfied."

2. Section 33.B of the Franchise Agreement is amended to read as follows:

"B. You promise and agree that we may seek to have this restrictive covenant shall be enforced by means of a preliminary injunction and temporary restraining order since monetary damages are inadequate to compensate us for damages it may suffer. You agree that we may seek to obtain these orders as set forth in Section 35. "

3. The last sentence of Section 33.D of the Franchise Agreement is amended to read as follows:

"If you violate this provision, you agree that we may seek to obtain a temporary or permanent injunction, without bond, as set forth in Section 35, prohibiting you from violating this provision and that we may obtain reasonable attorney's fees. "

4. Section 35.B of the Franchise Agreement is amended to read as follows:

"Franchisee acknowledges and agrees (a) that any failure to comply with the covenants of this agreement concerning indemnification, collection, eviction, or actions seeking injunctions or temporary restraining orders, shall constitute a default hereunder; (b) that a violation of this agreement would result in irreparable injury to Regal Nails, Salon & Spa for which no adequate remedy at law is available; and (c) as a result, Regal Nails, Salon & Spa shall be entitled, in addition to any other remedies it may have hereunder, at law or in equity, to seek specific performance or an injunction to enforce the requirements of this agreement without the necessity of showing actual or threatened damage and without being required to furnish bond or other security."



*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership  
LLC, or Proprietorship

## **NORTH DAKOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT OF REGAL NAILS, SALON & SPA, LLC**

Notwithstanding anything to the contrary set forth in the disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

1. Item 17(w) of the disclosure document and Sections 36, 37, and 42 of the Franchise Agreement provide that the agreement shall be construed according to the laws of the State of Louisiana. These provisions shall be deleted and the agreement shall be construed according to North Dakota law.
2. Any provision in the Franchise Agreement or disclosure document which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from Franchise Agreements issued in the State of North Dakota. Item 17(v) of the disclosure document and Section 37 of the Franchise Agreement, which provide that franchisees must consent to the jurisdiction of courts in the State of Louisiana, are deleted. Item 17(u) of the disclosure document and Sections 36 and 37 of the Franchise Agreement will be modified to provide that the site of any arbitration or mediation will be agreeable to all parties.
3. Notwithstanding Item 17(c) of the disclosure document and Section 16 of the Franchise Agreement the franchisee will not be required to sign a general release upon renewal of the Franchise Agreement.
4. Covenants restricting competition in the State of North Dakota may be subject to Section 9-08-06 of the North Dakota Century Code. Covenants not to compete such as those referenced in Item 17(r) of the disclosure document, Section 33 of the Franchise Agreement and Exhibit B the Agreement Not to Compete are generally considered unenforceable in the State of North Dakota.
5. Notwithstanding Item 17(i) of the disclosure document, Section 37 H.3 of the Franchise Agreement, which provides for the payment of liquidated damages by the franchisee, is deleted in its entirety.
6. Section 37 C. of the Franchise Agreement which requires the franchisee to consent to a waiver of trial by jury. The waiver of trial by jury is deleted from Section 37.C. and each place it appears in the disclosure document and agreements used in North Dakota.
7. Section 37.H. of the Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. This provision is deleted each place it appears in the disclosure document and agreements used in North Dakota.
8. Section 37 of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. This provision is changed to read so that the statute of limitations under North Dakota Law will apply.

## **NORTH DAKOTA ADDENDUM TO THE REGAL NAILS, SALON & SPA, LLC FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement or Louisiana law if such provisions are in conflict with North Dakota law. Sections 36, 37, and 42 of the Franchise Agreement provide that the agreement shall be construed according to the laws of the State of Louisiana. These provisions shall be deleted and the agreement shall be construed according to North Dakota law.
2. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from Franchise Agreements issued in the State of North Dakota. Section 37 of the Franchise Agreement, which provides that franchisees must consent to the jurisdiction of courts in the State of Louisiana, is deleted. Sections 36 and 37 of the Franchise Agreement Section 37 B. of the Franchise Agreement will be modified to provide that the site of any arbitration or mediation will be agreeable to all parties.
3. Section 16 of the Franchise Agreement is deleted and the franchisee will not be required to sign a general release upon renewal of the Franchise Agreement
4. Covenants restricting competition in the State of North Dakota may be subject to Section 9-08-06 of the North Dakota Century Code. Covenants not to compete such as those referenced in Section 33 of the Franchise Agreement and Exhibit B the Agreement Not to Compete are generally considered unenforceable in the State of North Dakota
5. Section 37 H.3 of the Franchise Agreement, which provides for the payment of termination or liquidated damages by the franchisee, is deleted in its entirety.
6. Section 37 C. of the Franchise Agreement which requires the franchisee to consent to a waiver of trial by jury. The waiver of trial by jury is deleted from Section 37 C. and each place it appears in agreements used in North Dakota.
7. Section 37.H of the Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. This provision is deleted each place it appears in Section 37 and all other agreements used in North Dakota.
8. Section 37 of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. This provision is changed to read so that the statute of limitations under North Dakota Law will apply.

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership  
LLC, or Proprietorship

**PROSPECTIVE FRANCHISEE**

**RHODE ISLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
OF REGAL NAILS, SALON & SPA, LLC**

In recognition of the requirements of the State of Rhode Island Franchise Investment Act (the "Act"), §19-28.1 *et seq.*, the disclosure document submitted by [Name of Franchisor] for use in the State of Rhode Island is amended as follows:

1. Item 17 u.- Dispute resolution by arbitration or mediation shall comply with §19-28.1-21 of the Act - Private civil actions - and be amended to read:

*(a.) A person who violates any provision of this Act is liable to the franchisee for damages, costs, and attorneys and experts fees. In the case of a violation of §§ 19-28.1-5, 19-28.1-8, or 19-28.1-17(1)-(5), the franchisee may also sue for rescission. No person shall be liable under this section if the defendant proves that the plaintiff knew the facts concerning the violation.*

*(b) Every person who directly or indirectly controls a person liable under this section, every principal executive officer or director of the liable person, every person occupying a similar status or performing similar functions, and every agent or employee of a liable person, who materially aids in the act or transaction constituting the violation, is also liable jointly and severally with and to the same extent as the person liable under this section, unless the agent, employee, officer, or director proves he or she did not know, and in the exercise of reasonable care could not have known of the existence of the fact by reason of which the liability is alleged to exist.*

2. Item 17 v. - Choice of forum and Item 17 w. - Choice of law shall comply with §19-28.1-14 of the Act - Jurisdiction and venue - and be amended to read:

*A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.*

**RHODE ISLAND ADDENDUM TO THE REGAL NAILS, SALON & SPA, LLC FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. Any provision in the Franchise Agreement which designates the governing law as that of any state other than the State of Rhode Island is deleted from Franchise Agreements issued in the State of Rhode Island.
2. §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."

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership  
LLC, or Proprietorship

**VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
OF REGAL NAILS, SALON & SPA, LLC**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the disclosure document for Regal Nails, Salon & Spa, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to 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 do 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 ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
OF REGAL NAILS, SALON & SPA, LLC**

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 independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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



## **WASHINGTON ADDENDUM TO THE REGAL NAILS, SALON & SPA, LLC FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. 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.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site shall 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.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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.
8. In Section 5.C. of the Franchise Agreement, the final sentence is deleted and replaced with the following:

"If we are a party tenant to the lease of the premises, and if for any reason you should lose your rights to occupy the leased premises, this Agreement shall terminate on the date on which your right to occupy the premises terminates, with no liability on our part. If, however, you should lose your right to occupy the space directly and solely as a result of the termination of our master lease with your landlord, and no successor master lease is entered into, you will have 30 days from the date you receive notice of the termination of

our master lease with your landlord to terminate this Agreement. We must receive your notice of termination under this Section 5.C within the 30-day notice period and termination will be effective on the same day the termination of the master lease results in your loss of right to occupy the leased premises. If you elect to exercise your right to terminate this Agreement as provided in this Section 5.C, and the effective date of termination is within three years of the Effective Date of this Agreement, you will not be bound by the post-term 1-year non-competition covenant included in Section 33 of this Agreement. ”

9. Section 11(S) of the Franchise Agreement is deleted.
10. Section 12(H) of the Franchise Agreement is deleted.
11. Section 14.AF of the Franchise Agreement is supplemented with the following:

“If you are a party tenant to a lease for a premises for which we hold master lease with your landlord, and your landlord requires that you either relocate or remodel such premises during the first three years of your initial term:

  - We will provide you with written notice of the landlord’s election to remodel or relocate on our receipt of such nonconfidential information from the landlord;
  - We will waive the portion of the Monthly Fee that is not collected on behalf of third parties and that accrues during any period where your landlord requires that you cease operations in the process of remodeling or relocation; and
  - On receipt of proof of your relocation or remodel expenditures necessitated by the landlord’s required relocation or remodel, we will provide you with a credit towards future Monthly Fees due up to a maximum of a \$2,500 credit, where we will grant you the full \$2,500 credit on receipt of proof of expenditures described in this Section that meet or exceed \$2,500.”
12. The following language is removed from the signature page of the Franchise Agreement:

“AND THAT I HAVE RELIED ON NO STATEMENTS OR REPRESENTATIONS MADE BY OR ON BEHALF OF REGAL NAILS, SALON & SPA, LLC CONCERNING ANY ASPECTS OF THE REGAL NAILS, SALON & SPA FRANCHISE IN PARTICULAR, OTHER THAN SUCH STATEMENTS OR REPRESENTATIONS CONTAINED IN THIS FRANCHISE AGREEMENT OR THE DISCLOSURE DOCUMENT PERTAINING THERETO.”
13. In Paragraph 12 of Part 2 to the Franchise Agreement, “or relied on” is deleted.
14. Part 4 to the Franchise Agreement (“General Release”) is supplemented with the following language: “The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.”
15. The following language is removed from Part 4 to the Franchise Agreement (“General Release”):

“The Franchisee(s) have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.”
16. No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the

inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

a. Therefore, directly following the signature block at the end of the Franchise Agreement is the "Acknowledgements" Section from which Numbers 1 and 5 are hereby deleted.

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership  
LLC, or Proprietorship

**WISCONSIN ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
OF REGAL NAILS, SALON & SPA, LLC**

Notwithstanding anything to the contrary set forth in the disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Wisconsin:

1. **REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OF THE STATE OF WISCONSIN.**
2. The following shall apply to Franchise Agreements in the State of Wisconsin:
  - a. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 shall apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.
  - b. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, shall supersede the requirements of Section 31 of the Franchise Agreement ("Reasons for Termination") to the extent they may be inconsistent with the Act's requirements.

**WISCONSIN ADDENDUM TO THE REGAL NAILS, SALON & SPA, LLC FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 will apply to and govern the provisions of the Franchise Agreement.
2. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, will supersede the requirements of Section 31 of the Franchise Agreement ("Reasons for Termination") to the extent they may be inconsistent with the Act's requirements.

*Intending to be legally bound*, the parties now execute this Addendum. The effective date of this Addendum is the date we sign it.

REGAL NAILS, SALON & SPA, LLC

FRANCHISEE

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

\_\_\_\_\_

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

\_\_\_\_\_

Individually and/or as an officer or partner of  
\_\_\_\_\_, a

(\_\_\_\_\_) corporation

(\_\_\_\_\_) partnership

LLC, or Proprietorship

**EXHIBIT F**  
**TO THE REGAL NAILS, SALON & SPA DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL**

CONFIDENTIAL OPERATING MANUAL (COM)

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Total Pages: 150

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January 2023 edition

**EXHIBIT G**  
**TO THE REGAL NAILS, SALON & SPA DISCLOSURE DOCUMENT**  
**SNOW WHITE PACKAGE, LISTS OF CONTENTS**



Snow White Package, ProtoDesign

We reserve the right to substitute products and quantities of the FFEDI.

Furniture, Fixtures, Décor and Equipment:	
3 – Pedicure spas 3 – Pendant Lighting 1 – Towel Warmer 1 – Equipment Cabinet 1 – Storage Cabinet 6 – Nail Stations (white marble with USB) 6 – Euro LED Lamp w/ Filtration 1 – Portable Foot Bath 1 – Custom Price List 1 – Quick Dry Table 6 – Technician Chair 6 – Customer Chair 2 – Quick Dry Chair 1 – Reception Counter 1 – Acrylic Sign For Reception Counter 3 – Wooden Cart 4 – Callus Pro Machine 2 – GEL Lamp 2 – Auto Table Drill	1 – Autoclave 2 – Lotion Heater 1 – Flammable Cabinet 1 – Deluxe Wooden Rotary Polish Stand Rack or Polish Display 1 – Herbal Line Kit (includes Equipment and Supplies) 1 – Hot Stone Massage Kit (includes Heater) 2 – Framed Nail Art 1 – Wood Panel Décor 1 – Frame for Price List 1 – Metal Stand 1 – Regal Comment Sign 1 – Paraffin wax warmer

Initial Inventory:	
6 – Name Tags 5 – Callus Pro Sand Disc (20/set) 6 – ANS Full Jaw Acrylic Nipper 12 – ANS 1/2 Jaw Cuticle Nipper 12 – Clipper Curve 12 – Pusher Steel B 1 – Sticky Base Coat 8 oz 2 – Appointment Book 4 column 2 – Ticket Book 100 Ct 5 – Gift Certificate (50 ct) 1 – Disposable 100/120 Buffers 1000 ct 2 – Disposable 80/120 Files 50 ct 10 – Empty Brown Bottle 0.5 oz 20 – Empty Clear Bottle 0.5 oz 8 – Empty Cylinder Bottle with cap 16 oz 16 – Empty Cylinder Bottle with cap 4 oz 40 – Empty Cylinder Bottle with cap 8 oz 1 – Callus Ultra 1 gal 1 – Cuticle Softener 1 gal 1 – Cuticle Oil 1 gal 10 – Sassie Lassie Decal 7 – Card Holder 1 – Finger Cover Small 12 ct 1 – Finger Cover Med 12 ct	10 – Tip Box 10 – Tip French # 0 (50 ct) 10 – Tip French # 1 (50 ct) 10 – Tip French # 2 (50 ct) 10 – Tip French # 3 (50 ct) 10 – Tip French # 4 (50 ct) 10 – Tip French # 5 (50 ct) 10 – Tip French # 6 (50 ct) 10 – Tip French # 7 (50 ct) 10 – Tip French # 8 (50 ct) 10 – Tip French # 9 (50 ct) 10 – Tip French # 10 (50 ct) 50 – Tip ANS Natural # 0 (50 ct) 100 – Tip ANS Natural # 1 (50 ct) 100 – Tip ANS Natural # 2 (50 ct) 100 – Tip ANS Natural # 3 (50 ct) 100 – Tip ANS Natural # 4 (50 ct) 100 – Tip ANS Natural # 5 (50 ct) 100 – Tip ANS Natural # 6 (50 ct) 100 – Tip ANS Natural # 7 (50 ct) 100 – Tip ANS Natural # 8 (50 ct) 100 – Tip ANS Natural # 9 (50 ct) 100 – Tip ANS Natural # 10 (50 ct) 1 – Lexi Pro Thinner 32 oz

Initial Inventory:	
1–Rhinestone Mix Color 1440 ct 1–Rhinestone Clear 1440 ct 1–Rhinestone Wheel 1–Sanding Bands 450 ct Med 1–Sanding Bands 450 ct Coarse 12 – Fungus Killer 1 – Dr. G Box of 6 1 – Barbicide Plus 16 oz 1 – Glue Qt 250 ct 6 – Duster Medium 1 – Liquid Styptic 12 ct 1 – Manicure Brush 72 ct 5 – Blue Mask 3 Ply 50 ct 1 – Nail Forms Med 500 ct 2–Gallon Pump 1oz Volume 1–Scissor A 1–Scissor C 1 – Gigi Pro Kit 6 – Paraffin Wax 6 lbs. 1 – Beyond Master of Gel Brush 6 – Beyond Master of Acrylic Brush (assorted) 200–Disposable liners 2-Plastic Liner (100Ct.) 5 – Sterilization Pouches 3.5'X9" 3–Foam Slippers 120 pairs ct 1 – Toe Separator 1000 pairs ct 7–Sterilizer Jar Med 6–Towel Thick 12 ct 2– Pink and White Metal Form 5–Cotton 3 lbs 2–Replacement Heater Cup 25 ct 12 – Brass Bit 3/32 6 – Beyond Carbide C1 Silver Bit 3/32 Course 6 – Beyond Carbide M1 Silver Bit 3/32 Med 6– Beyond Carbide F1 Silver Bit 3/32 Fine 6 – Edge Cutter Chrome 200- Regal Nails Disposable Mani Kit 200- Regal Nails Disposable Pedi Kit 100 – Regal Nails Pedi Kit Premiere 16 – Acetone 1 gal 4 – 99% Alcohol 1 gal 1 – Beyond Super Gel Medium Stiletto Full Cover - #00-11, 550pcs 1 – Beyond Super Gel Medium Almond Full Cover - #00-11, 550pcs 1 – Beyond Super Gel Medium Coffin Full Cover - #00-11, 550pcs	6 – Regal Nails ManiPedi Pods Set (Assorted)200 – Regal Nails lotion 2oz 150 – Regal Nails Duo Gel & Polish Set (Assorted Colors) 2 – Regal Nails Color Chart Display Book1-Regal Nails Gel Base Coat 0.5 oz 1-Regal Nails Gel Base Coat 8 oz 1 – Regal Nails Gel No Cleanse Top Coat 0.5oz 1 – Regal Nails Gel No Cleanse Top Coat 8 oz 200 – Regal Nails Dipping Powder (Assorted Colors) 11 – Regal Nails Acrylic Powder 24 oz (Assorted Colors) 1 – Beyond Advance Liquid 32 oz 1 – Beyond Accelerated Signature Blend Powder 29.5 oz 1 – Beyond Decelerated Signature Blend Powder 29.5 oz 1 – Beyond Accelerated Intense Pink Powder 29.5 oz 1 - Beyond Intense White Powder 29.5 oz 1 - Beyond Mega Pink Powder 29.5 oz 6 – Beyond Essential Primer 0.5 oz 1 – Beyond Essential Primer 16 oz 1 – 5000 Purple Liquid 1gal 6 – Regal Nails 4-Step Dip set 1 – Chisel Nail Art Collections set 1 – Citrus Pedicure Soak 5 gal 1 – Citrus Pedicure Scrub 5 gal 1 – Citrus Pedicure Mask 5 gal 2 – Citrus Pedicure Lotion 1 gal 6 – CND Cuticle Away 6oz 6 – CND Scrub Fresh 8oz 3 – BangBang – Platinum Chrome 3ml 3- BangBang – Unicorn Chrome 3ml 3 – White Jelly Soft Silicone Nail Art Stamp 1 – Regal Nails Liquid EMA

Included in the price of the Snow White Package, ProtoDesign is construction (build-out), set up, architectural fees, permit fees, and exhaust fan.

**EXHIBIT H**  
**TO THE REGAL NAILS, SALON & SPA DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**Regal Nails, Salon & Spa, LLC**

Baton Rouge, Louisiana

Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

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# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

### Opinion

We have audited the accompanying consolidated financial statements of Regal Nails, Salon & Spa, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Regal Nails, Salon & Spa, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Regal Nails, Salon & Spa, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Regal Nails, Salon & Spa, 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Regal Nails, Salon & Spa, 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Regal Nails, Salon & Spa 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.

## **Disclaimer of Opinion on Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, consisting of the consolidated schedules of revenues, operating expenses and non-operating income (expenses) for the years ended December 31, 2023 and 2022, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
March 26, 2024

**CONSOLIDATED FINANCIAL STATEMENTS**



REGAL NAILS, SALON & SPA, LLC  
Consolidated Balance Sheets  
December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 7,314,574	\$ 8,516,236
Accounts and other receivables, net	942,639	646,882
Prepaid expenses	19,931	-
Due from affiliates	44,673	52,358
Notes receivable	1,200,298	716,415
Notes receivable - member	875,000	875,000
Other	<u>57,896</u>	<u>222,376</u>
Total current assets	<u>10,455,011</u>	<u>11,029,267</u>
Property and equipment, net	789,550	861,109
Operating right-of-use assets	45,389,062	45,975,622
Investment in joint ventures	403,641	371,041
Intangible assets, net	82,891	7,909
Notes receivable, non-current	2,424,787	1,994,941
Notes receivable - member, non-current	1,940,000	2,190,000
Due from affiliates, non-current	3,333,052	3,334,303
Deposits	<u>47,917</u>	<u>48,523</u>
Total assets	<u>\$ 64,865,911</u>	<u>\$ 65,812,715</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	321,269	462,303
Accrued distributions payable	315,374	383,764
Contract liabilities, current	297,553	326,792
Current portion of long-term debt	84,996	48,945
Operating lease liabilities - current	<u>17,702,437</u>	<u>17,049,942</u>
Total current liabilities	<u>18,721,629</u>	<u>18,271,746</u>
Long-term liabilities:		
Long-term debt, net of current maturities	298,665	341,181
Contract liabilities	1,296,692	1,226,439
Franchisee security deposits	3,086,155	3,195,695
Operating lease liabilities - noncurrent	<u>27,688,636</u>	<u>28,925,680</u>
Total long-term liabilities	<u>32,370,148</u>	<u>33,688,995</u>
Total liabilities	<u>51,091,777</u>	<u>51,960,741</u>
Equity:		
Members' equity	13,889,657	13,949,565
Minority interest	(139,215)	(108,009)
Accumulated other comprehensive income	<u>23,692</u>	<u>10,418</u>
Total equity	<u>13,774,134</u>	<u>13,851,974</u>
Total liabilities and equity	<u>\$ 64,865,911</u>	<u>\$ 65,812,715</u>

The accompanying notes are an integral part of these statements.

REGAL NAILS, SALON & SPA, LLC  
Consolidated Statements of Operations and Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues	\$ 25,588,690	\$ 25,949,040
Cost of revenues	<u>18,873,571</u>	<u>17,908,656</u>
Gross profit	6,715,119	8,040,384
Operating expenses	<u>4,327,622</u>	<u>4,211,616</u>
Income from operations	2,387,497	3,828,768
Non-operating income (expense)	<u>(106,492)</u>	<u>(174,517)</u>
Consolidated net income before taxes	2,281,005	3,654,251
Income tax expense	<u>(18,425)</u>	<u>-</u>
Consolidated net income	2,262,580	3,654,251
Other comprehensive income	<u>13,274</u>	<u>10,923</u>
Total comprehensive income before minority interest	2,275,854	3,665,174
Minority interest in subsidiaries' earnings	<u>(12,394)</u>	<u>(7,768)</u>
Consolidated comprehensive income	<u>\$ 2,263,460</u>	<u>\$ 3,657,406</u>

The accompanying notes are an integral part of these statements.

REGAL NAILS, SALON & SPA, LLC  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2023 and 2022

	2023	2022
Members' equity:		
Balance at beginning of year	\$ 13,949,565	\$ 14,102,363
Consolidated net income	2,250,186	3,646,483
Distributions	<u>(2,310,094)</u>	<u>(3,799,281)</u>
Balance at end of year	<u>13,889,657</u>	<u>13,949,565</u>
Accumulated other comprehensive income (loss):		
Balance at beginning of year	10,418	(505)
Consolidated other comprehensive income	<u>13,274</u>	<u>10,923</u>
Balance at end of year	<u>23,692</u>	<u>10,418</u>
Minority interest:		
Balance at beginning of year	(108,009)	(82,777)
Consolidated net income	12,394	7,768
Distributions	<u>(43,600)</u>	<u>(33,000)</u>
Balance at end of year	<u>(139,215)</u>	<u>(108,009)</u>
Total equity	<u>\$ 13,774,134</u>	<u>\$ 13,851,974</u>

The accompanying notes are an integral part of these statements.

REGAL NAILS, SALON & SPA, LLC  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income	\$ 2,262,580	\$ 3,654,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98,808	79,279
Bad debt expense	188,132	492,165
Net losses from joint ventures	199,259	17,334
Changes in operating assets and liabilities:		
Accounts and other receivables	(494,011)	(249,552)
Operating right-of-use assets	586,560	5,549,669
Prepays and other assets	144,549	(79,246)
Accounts payable and other accrued liabilities	(141,034)	(205,352)
Contract liabilities	41,014	(123,387)
Franchisee deposits	(109,540)	(48,419)
Operating lease liabilities	<u>(584,549)</u>	<u>(5,549,669)</u>
Cash provided by operating activities	<u>2,191,768</u>	<u>3,537,073</u>
Cash flows from investing activities:		
Acquisition of property, equipment and intangibles	(99,886)	(12,211)
Investments in joint ventures	(231,859)	(50,000)
Issuance of notes receivable, net of principal payments	<u>(13,729)</u>	<u>(27,478)</u>
Cash used in investing activities	<u>(345,474)</u>	<u>(89,689)</u>
Cash flows from financing activities:		
Principal payments on debt	(6,465)	(48,212)
Advances to affiliates, net	(942)	(34,138)
Advances to member and related party, net	(650,000)	(1,875,000)
Distributions to members	(2,378,484)	(3,415,517)
Distributions to non-controlling interests	<u>(43,600)</u>	<u>(33,000)</u>
Cash used in financing activities	<u>(3,079,491)</u>	<u>(5,405,867)</u>
Effect of exchange rate changes on cash	31,535	21,541
Net change in cash	(1,201,662)	(1,936,942)
Cash and cash equivalents:		
Beginning of year	<u>8,516,236</u>	<u>10,453,178</u>
End of year	<u>\$ 7,314,574</u>	<u>\$ 8,516,236</u>
Supplemental information:		
Interest paid	<u>\$ 4,080</u>	<u>\$ 4,096</u>

The accompanying notes are an integral part of these statements.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements

(1) Summary of Operations and Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Regal Nails, Salon & Spa, LLC (the Company) and its subsidiaries. The Company is a limited liability company, organized in the state of Nevada in 2005. The following subsidiaries are included in the accompanying consolidated financial statements:

Regal Nails, Canada, ULC, a wholly owned subsidiary, was organized in 2006 to sell franchises in Canada. RNSDS, LLC, a wholly-owned subsidiary, was organized in 2014 and currently serves as sublessor on two franchisee leases. RN Downtown, LLC, a wholly-owned subsidiary, was established in 2012 to operate a salon. Lumigarnet of Miami, LLC, a partially-owned subsidiary, was organized in March 2013 to operate a salon in the state of Florida. RGEU Limited, a partially-owned subsidiary, was organized in December 2018 and currently operates a salon in the United Kingdom. RNS & GV MEX, S de RL de CV (“Regal Nails Mexico”) is a partially-owned subsidiary acquired in October 2019 and currently operates a salon in Mexico.

A. Business Operations

The Company franchises the right to open, operate, promote, arrange, and manage full-service nail care salons offering a full line of products and services in a territory. Franchisees of the Company must operate their facilities from locations approved by the Company, the majority of which are sublet by the Company and are located in Wal-Mart stores and other major shopping centers.

B. Principles of Consolidation

The Company follows the provisions of FASB ASC 810, “Consolidations”. All significant intercompany balances and transactions have been eliminated in consolidation.

C. Basis of Accounting

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all cash-related items and highly liquid investments having a maturity of three months or less from date of acquisition as cash and cash equivalents.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

E. Accounts and Notes Receivable

Accounts receivable arise in the normal course of business and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts and projected future cash flows.

Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The balance in allowance for doubtful accounts was \$385,000 and \$760,000 as of December 31, 2023 and 2022. The Company charges a nominal fixed fee for past due accounts. Trade receivables considered past due were \$883,800 and \$1,318,430 as of December 31, 2023 and 2022, respectively.

Notes receivable are stated at cost, less an allowance for loan losses, based on management's assessment of collectability. The balance in the allowance for loan losses was \$28,390 and \$0 as of December 31, 2023 and 2022, respectively.

F. Property and Equipment

Property and equipment are stated at cost and depreciated over estimated useful lives using the straight-line method for financial reporting purposes. Maintenance and repairs are expensed as incurred. Expenses which significantly increase asset values or extend useful lives are capitalized. The estimated useful lives of the assets are as follows:

Building and improvements	15-30 years
Equipment and furniture	3-7 years
Vehicles	3-7 years

G. Intangible Assets

The Company follows the provisions of FASB ASC 350 for intangible assets. Intangible assets, consisting of franchisee agreements, and other individually acquired intangibles are recognized at cost and amortized over their useful life using the straight-line method over a period of 60 to 180 months.

Useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The Company periodically reviews these lives relative to physical factors, economic factors, and industry trends. Any resulting changes in useful lives are recognized as an increase or decrease in amortization expense in future periods.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

H. Contract Liabilities

Contract liabilities represent payments received from customers (franchisees) prior to the satisfaction of the corresponding performance obligations. Contract liabilities are recognized as revenue once the corresponding performance obligations are satisfied based on the contract with the franchisee. Contract assets represent the Company's right to consideration based on satisfied performance obligations from contracts with franchisees. As of December 31, 2023, and 2022, the Company had no contract assets. The Company had the following contract liabilities as of December 31, 2023 and 2022:

*Prospect deposits* - The Company collects the following upfront fees (prospect deposits): initial deposits, site deposits, and confirmation deposits, which are liquidated when revenue is recognized or refunded, if a suitable site cannot be obtained.

*Security deposits* - A security deposit equal to the first and last month's franchise fee is collected from the franchisee once the franchisee gains access to the salon site. Such deposits are not additional fees paid by the franchisee; as they are either refunded, or applied as payment of any uncollected balance at termination of the agreement.

I. Revenues and Expense Recognition

The Company applies Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), to its contracts with franchisees as follows:

*Transaction price*- The transaction price includes initial fees, confirmation fees for securing the site location, franchise fees, and the sale of furniture, equipment, and supplies. Some contracts include additional charges for annual insurance premiums.

Franchisees are charged for the buildout and setup of the salon. The Company outsources the buildout of the salons to third-party contractors; therefore, related charges to franchisees are not included in the transaction price.

In accordance with Topic 606, the Company assumes goods and services (including rights to use the franchise) will be transferred to the franchisee in accordance with the existing contract and the contract will not be cancelled, renewed, or modified.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

*Performance obligations-* The Company has defined the granting of the franchise license in the contract as a separate performance obligation, which allows the franchisee the right to use the franchise throughout the license period. Franchise fees are billed monthly to franchisees on a straight-line basis over the life of the contract. Goods transferred, and charges for costs used by the franchisee, which are distinct, are billed to the customer and recognized at a single point in time when control is transferred to the franchisee. The Company applies the principles of materiality in the determination of performance obligations.

*License renewals-* The Company recognizes revenue from license renewals no earlier than the beginning of the renewal period.

The Company applies ASU No. 2016-02, Leases (Topic 842) to its lease contracts follows:

*Sublease income-* The Company acts as sublessor for all leases of franchisee locations. The Company, as lessee, is not relieved of the primary obligation under each original lease. In accordance with the terms of the sublease contracts, the Company's lease cost does not exceed sublease income for each term. Related assets leased to sublessors are tested annually for recoverability by assessing the anticipated collectability of sublease income compared to the lease cost. Income is recognized over the lease term. The sublease agreements generally require the customers to pay taxes, insurance and other costs, which do not transfer a good or service and are, therefore, not considered components under Topic 842.

*Lease cost-* Operating leases are recognized on a straight-line basis over the life of the lease. The Company has elected the package of practical expedients permitted in Topic 842. Accordingly, no right-of-use asset and lease liability is recognized for short-term leases (with terms of 12 months or less). The risk-free discount rate is used to measure the lease liabilities and right-of-use assets by class. Variable lease payments are expensed as incurred.

The Company has elected to use the practical expedient in Topic 606 allowing the recognition of incremental costs of obtaining a contract as an expense when incurred. All other expenses are recognized as they are incurred.



Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

J. Income Taxes

Regal Nails, Salon & Spa, LLC and its subsidiaries, with the exception of Regal Nails, Canada, ULC, RGEU Limited, and Regal Nails Mexico, were organized as limited liability companies under provisions of applicable state laws and the Internal Revenue Service Code as partnerships or S corporations. Accordingly, there is no provision for income taxes as the income, losses and credits are passed through to their members or shareholders. The Company's foreign subsidiaries, Regal Nails Canada, ULC, RGEU Limited, and Regal Nails Mexico, are subject to federal and provincial taxes in their jurisdictions. Any provision for income taxes reported in the accompanying financial statements reflects foreign income taxes from these subsidiaries. Income tax expense was \$18,425 and \$0 for the years ended December 31, 2023 and 2022.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

K. Foreign Currency Translation

The functional currencies of the Company's foreign subsidiaries are the local currencies. The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. All asset and liability accounts have been translated using the exchange rates in effect at the balance sheet date. Equity accounts have been translated using historical rates. Income statement amounts have been translated using the average exchange rate for the year. Accumulated net translation adjustments have been reported separately in other comprehensive income (loss) in the consolidated financial statements. Foreign currency translation adjustments resulted in gains of \$13,274 and \$10,923 in 2023 and 2022, respectively. Foreign currency transaction gains and (losses) resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency of \$11,166 and (\$36,231) in 2023 and 2022, respectively, are included in non-operating expenses in the consolidated statements of income.

L. Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year's format. Total equity and net income were not materially changed due to these reclassifications.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

M. Use of Estimates

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

N. Compensated Absences

The Company allows employees personal days based on years of service. Personal days must be taken during the year and are not cumulative. Upon termination of employment, an employee is paid for the value of any unused personal days through the date of employment separation. The balance in unused personal days as of December 31, 2023 and 2022, respectively, was \$0.

O. Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$48,747 and \$54,034 for 2023 and 2022, respectively.

(2) Notes Receivable

Notes receivable represents funds advanced by the Company on behalf of current and former franchisees and funds loaned to a related party (further described in Note 15). Notes receivable from franchisees are due in monthly installments of principal and interest ranging from 8% to 12% annually, with varying maturity dates, ranging from 12 to 60 months. The balance in notes receivable as of December 31 is summarized below:

	<u>2023</u>	<u>2022</u>
Current:		
Franchisees	\$ 100,298	\$ 66,415
Related party	<u>1,100,000</u>	<u>650,000</u>
Total current	<u>1,200,298</u>	<u>716,415</u>
Non-current:		
Franchisees	24,787	44,941
Related party	<u>2,400,000</u>	<u>1,950,000</u>
Total non-current	<u>2,424,787</u>	<u>1,994,941</u>
	<u>\$ 3,625,085</u>	<u>\$ 2,711,356</u>

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

Future maturities of notes receivable are as follows:

Year Ending December 31,	<u>Franchisees</u>	<u>Related party</u>	<u>Total</u>
2024	\$ 100,298	\$ 1,100,000	\$ 1,200,298
2025	24,787	1,500,000	1,524,787
2026	-	900,000	900,000
	<u>\$ 125,085</u>	<u>\$ 3,500,000</u>	<u>\$ 3,625,085</u>

(3) Due from Affiliates

A summary of amounts due from affiliates as of December 31 follows. The companies are affiliated through common ownership.

	<u>2023</u>	<u>2022</u>
Current:		
Due from affiliates-		
CDJ Ventures, LLC	\$ 30,124	\$ 20,247
Dreamau, LLC	-	19,505
HCD Anti-Aging, LLC	12,234	10,984
RXBA, LLC	<u>2,315</u>	<u>1,622</u>
Total current	<u>44,673</u>	<u>52,358</u>
Non-current:		
Due from affiliates-		
Regal Nails, LLC (predecessor)	714,548	714,548
Alfalfa Nail Supply, Inc.	<u>2,618,504</u>	<u>2,619,755</u>
Total non-current	<u>3,333,052</u>	<u>3,334,303</u>
	<u>\$ 3,377,725</u>	<u>\$ 3,386,661</u>

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(4) Property and Equipment

The following is a summary of property and equipment as of December 31:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 1,067,497	\$ 1,066,452
Equipment and furniture	630,509	629,209
Land improvements	62,413	62,413
Vehicles	<u>46,319</u>	<u>46,319</u>
	1,806,738	1,804,393
Less: accumulated depreciation	<u>1,017,188</u>	<u>943,284</u>
	<u>\$ 789,550</u>	<u>\$ 861,109</u>

Depreciation expense included in operating expenses on the consolidated statements of operations for the years ended December 31, 2023 and 2022 was \$49,187 and \$53,200, respectively. Depreciation expense included in non-operating expenses on the consolidated statements of operations for the years ended December 31, 2023 and 2022 was \$24,717 and \$25,288, respectively.

(5) Operating Right-of-Use Assets and Assets Subleased

The Company had operating right-of-use assets of \$45,389,062, net of accumulated amortization of \$17,267,320 as of December 31, 2023 and \$45,975,622, net of accumulated amortization of \$16,733,616 as of December 31, 2022.

Assets leased to franchisees under subleases are summarized as follows:

	<u>2023</u>	<u>2022</u>
Franchisee locations	\$ 38,614,173	\$ 51,277,655
Additions	23,305,490	11,121,807
Accumulated amortization	<u>(17,189,724)</u>	<u>(16,633,263)</u>
Net assets leased under subleases	<u>\$ 44,729,939</u>	<u>\$ 45,766,199</u>

There were no (\$0) impairments of assets subleased to franchisees during the years ended December 31, 2023 and 2022.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(6) Intangible Assets

Franchisee contracts and other intangible assets as of December 31, were as follows:

	2023	2022
Franchisee contracts purchased	\$ 424,000	\$ 424,000
Incorporation and trademark costs	22,287	22,287
Software and other intellectual property	319,099	219,213
Organization costs	58,071	58,071
	823,457	723,571
Less: accumulated amortization	740,566	715,662
	\$ 82,891	\$ 7,909

Amortization expense included in operating expenses on the consolidated statement of operations for the years ended December 31, 2023 and 2022 was \$24,904 and \$850, respectively.

(7) Contract Liabilities

Contract liabilities consisted of the following as of December 31:

	2023	2022
Current:		
Prospect deposits -		
Initial deposits	\$ 62,453	\$ 88,405
Site deposits	111,180	129,141
Confirmation deposits	82,267	55,176
Total prospect deposits	255,901	272,722
Franchise fees	41,652	54,070
Total contract liabilities, current	297,553	326,792
Long-term:		
Franchise fees	1,296,692	1,226,439
	\$ 1,594,245	\$ 1,553,231

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(8) Long-Term Debt

Long-term debt as of December 31 consists of the following:

	2023	2022
Note payable to a bank, dated February 23, 2021, bearing interest at 0.98% (beginning in 2022), due in monthly installments of principal and interest of \$27,000, maturing in March, 2031. Loan is through the Small Business Administration, Section 1106 of the Cares Act, Paycheck Protection Program (PPP). Eligible costs may be forgiven under the PPP in future periods.	\$ 362,133	\$ 362,133
Note payable to a bank, dated October 31, 2020, bearing interest at 2.5%, due in monthly installments of principal and interest of \$449, beginning November 1, 2021, maturing October 1, 2027. Loan is through the Business Interruption Program and is guaranteed by the United Kingdom Government (UK).	21,528	27,993
	383,661	390,126
Less current maturities	(84,996)	(48,945)
	\$ 298,665	\$ 341,181

Principal repayment on notes payable required for the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 84,996
2025	50,725
2026	51,149
2027	50,312
2028	44,413
Thereafter	102,066
	\$ 383,661

(9) Franchisee Security Deposits

Franchisee security deposits of \$3,086,155 and \$3,195,695 as of December 31, 2023 and 2022, respectively, are refundable, and represent the value of two months' rent collected at inception of subleases with franchisees.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(10) Franchise Information

Statistical information relative to the franchises of the Company as of and for the years ended December 31, are as follows:

	<u>Regal Nails, Salon &amp; Spa</u>	<u>Regal Nails Canada</u>
Number of franchises sold:		
2023	0	4
2022	2	1
Number of franchised outlets in operation		
2023	567	90
2022	586	86

(11) Timing of Revenue Recognition

A summary of the timing of revenue recognized in accordance with Topic 606 for the years ending December 31 follows:

	<u>2023</u>		<u>2022</u>	
	<u>Franchise Sales</u>	<u>Monthly Franchise and Other Fees</u>	<u>Franchise Sales</u>	<u>Monthly Franchise and Other Fees</u>
Goods and services transferred at a point in time	\$ 550,531	\$ -	\$ 424,430	\$ -
Services transferred over time	<u>-</u>	<u>6,862,485</u>	<u>-</u>	<u>8,093,228</u>
	<u>\$ 550,531</u>	<u>\$ 6,862,485</u>	<u>\$ 424,430</u>	<u>\$ 8,093,228</u>

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(12) Operating Leases and Sub-leases

The Company serves as tenant for all of the franchisee subleases principally with one landlord, Wal-Mart Stores, Inc., each having an initial term of five years, with two additional three-year renewal options available. Monthly payments range from \$1,000 to \$5,862, expiring (including expected renewals) in January 2024 through December 2029. In addition, the Company has entered into long-term leases for company-owned salons, with monthly payments ranging from \$1,970 to \$9,572, expiring in February 2024 through October 2028.

The following is a maturity analysis of the annual undiscounted cash flows (payments) of the operating lease liabilities as of December 31, 2023:

Year Ending December 31,	
2024	\$ 18,418,575
2025	15,058,890
2026	9,816,287
2027	2,904,304
2028	452,306
Thereafter	<u>193,840</u>
Total operating lease liabilities - payments	<u>\$46,844,201</u>

Reconciliation of Operating Lease Liabilities - Payments to Operating Lease Liabilities:

Total operating lease liabilities - payments	<u>\$46,844,201</u>
Operating lease liabilities -current	17,702,437
Operating lease liabilities - noncurrent	<u>27,688,636</u>
Total operating lease liabilities	<u>45,391,073</u>
Present value adjustment	<u>\$ 1,453,128</u>

Lease costs included in the consolidated statement of operations for the years ending December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 18,250,504	\$ 17,563,507
Short-term lease cost	103,863	162,559
Variable lease cost	<u>124,098</u>	<u>62,323</u>
Total	<u>\$ 18,478,465</u>	<u>\$ 17,788,389</u>



Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

Cash flow and other information related to leases is summarized below:

	<u>2023</u>	<u>2022</u>
Weighted average of remaining operating lease terms (in years)	1.99	2.21
Weighted-average discount rate - operating leases	1.94%	1.35%
Cash paid for amounts included in the measurements of lease liabilities	<u>\$ 18,250,504</u>	<u>\$ 17,563,507</u>
Lease assets obtained in exchange for lease obligations:		
Operating leases	<u>\$ 23,926,783</u>	<u>\$ 11,218,804</u>

Income from operating subleases to franchisees amounted to \$18,175,674 and \$17,431,382 for the years ended December 31, 2023 and 2022, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the operating sublease payments to be received from franchisee locations as of December 31, 2023:

Year Ending December 31,	
2024	\$ 18,257,139
2025	14,903,201
2026	9,689,351
2027	2,777,368
2028	346,526
Thereafter	<u>193,840</u>
Total operating sublease payments to be received	<u>\$ 46,167,427</u>

(13) Pension Plan

The Company participates in a defined contribution 401(k) pension plan, which allows salary deferrals and requires employer safe harbor matching contributions of 4% of eligible employees' compensation. Employer contributions to the plan were \$87,457 and \$87,180 for the years ended December 31, 2023 and 2022, respectively.

(14) Commitments and Contingencies

The Company is involved in several lawsuits arising from the normal course of operations. The Company's legal counsel has reviewed the lawsuits in order to evaluate the likelihood of an unfavorable outcome to the corporation to arrive at an estimate, if any of the amount or range of potential loss. As a result of the review, various claims and lawsuits have been categorized as "remote" as defined by the professional standards, or fully covered by insurance. No claims were identified whose unfavorable outcome is "probable" as defined by the professional standards.

The Company is a guarantor on certain loans with affiliates and owners. The maximum exposure under these loans is \$179,586 and \$272,956 as of December 31, 2023 and 2022, respectively.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(15) Related Party Transactions

The Company leases office facilities on a month-to-month basis in Baton Rouge, Louisiana, from Charlie's Properties, LLC (Charlie's Properties). The companies are affiliated through common ownership. Included in operating expenses on the consolidated statements of operations was rent paid to Charlie's Properties of \$60,000 for each of the years ending December 31, 2023 and 2022.

The Company leased a boat on a month-to-month basis through July 2023, from QTT Properties, LLC (QTT). The companies are affiliated through common ownership. Included in operating expenses on the consolidated statements of operations was rent paid to QTT of \$42,000 and \$72,000 for the years ending December 31, 2023 and 2022, respectively.

The Company has the following promissory notes due from an owner: (1) \$3,000,000 note dated December 27, 2019 and maturing December 27, 2031, bearing interest at the fixed rate of 2.07% due monthly in arrears, and principal installments of \$250,000 due annually, (2) \$625,000 note maturing December 29, 2024, bearing interest at the fixed rate of 3.02%, due quarterly in arrears. The balance in notes receivable member was \$2,815,000 and \$3,065,000 as of December 31, 2023 and 2022, respectively. Interest income recognized in non-operating income on the consolidated statement of operations was \$65,450 and \$51,750 for the years ending December 31, 2023 and 2022, respectively.

The Company has the following promissory notes due from its President: (1) \$300,000 note dated December 31, 2021, bearing interest at the fixed rate of 1.26% due monthly in arrears, principal due December 31, 2024; (2) \$150,000 note dated June 30, 2021, bearing interest at 1.02% due quarterly in arrears, principal due June 30, 2024; (3) \$650,000 due on demand; (4) \$300,000 note dated March 31, 2022, bearing interest at the fixed rate of 1.73% due quarterly in arrears, principal due March 31, 2025; (5) \$500,000 note dated June 30, 2022, bearing interest at the fixed rate of 2.9% due quarterly in arrears, principal due June 30, 2025; (6) \$500,000 note dated September 30, 2022, bearing interest at the fixed rate of 2.9% due quarterly in arrears, principal due September 30, 2025; (7) \$200,000 note dated December 31, 2022, bearing interest at the fixed rate of 4.21% due quarterly in arrears, principal due December 31, 2025; (8) \$300,000 note dated March 31, 2023, bearing interest at the fixed rate of 3.69% due quarterly in arrears, principal due December 31, 2026; (9) \$400,000 note dated September 30, 2023, bearing interest at the fixed rate of 4.13% due quarterly in arrears, principal due September 30, 2026; and (10) \$200,000 note dated December 29, 2023, bearing interest at the fixed rate of 4.73% due quarterly in arrears, principal due December 29, 2026. The balance in notes receivable – related party (See Note 2) was \$3,500,000 and \$2,600,000 as of December 31, 2023 and 2022, respectively. Interest income recognized in non-operating income on the consolidated statement of operations was \$66,853 and \$26,759 for the years ending December 31, 2023 and 2022, respectively.

Included in cost of revenues on the consolidated statement of operations was \$226,148 and \$122,512 for the years ending December 31, 2023 and 2022, respectively, paid to Alfalfa Nail Supply, Inc. for the purchase of furniture, equipment, supplies inventory and other franchisee-related costs. In addition, the Company paid Alfalfa Nail Supply, Inc. \$17,057 and \$1,507 for various training-related expenses and franchisee awards, included in operating expenses on the consolidated statement of operations for the years ended December 31, 2023 and 2022, respectively. The companies are related through common ownership.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(16) Concentrations

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash in various checking, savings, and certificate of deposit accounts with high quality financial institutions in the United States and Canada. In addition to funds on deposit in 100% insured sweep accounts, accounts at each bank in the United States are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Accounts at each bank in Canada are guaranteed by the Canadian Deposit Insurance Corporation (CDIC) up to \$100,000 (in Canadian currency). Uninsured cash balances totaled \$4,639,516 and \$7,836,429, United States accounts, and \$1,288,016 and \$1,386,288 (in US dollars), Canadian accounts, as of December 31, 2023 and 2022, respectively.

Concentrations equaling over 5% of the Company's total revenues for operations outside the Company's home country and the geographic areas in which they are located are as follows:

<u>Region/geographic area:</u>	<u>2023</u>	<u>2022</u>
Canada	\$ 3,511,586	\$ 3,163,286
Percentage of total revenues	13.7%	12.2%

(17) Subsequent Event Review

The Company has evaluated subsequent events through March 26, 2024, the date which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

REGAL NAILS, SALON & SPA, LLC  
 Consolidated Schedules of Revenues  
 For the Years Ended December 31, 2023 and 2022

	2023	2022
Revenues:		
Franchise sales	\$ 539,118	\$ 351,427
Monthly franchise fees	6,813,771	8,015,541
Franchisee subleases	18,175,674	17,431,382
Transfer and renewal fees	48,714	77,687
Other	11,413	73,003
Total revenues	\$ 25,588,690	\$ 25,949,040

REGAL NAILS, SALON & SPA, LLC  
Consolidated Schedules of Operating Expenses  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Advertising	\$ 48,747	\$ 54,034
Background checks	4,556	4,090
Bank charges	55,830	49,186
Charitable contributions	22,000	13,360
Collection expense	11,090	10,281
Commissions	106,128	90,287
Depreciation and amortization	74,091	54,016
Dues and subscriptions	20,081	19,665
Employee benefits	97,012	96,751
Franchisee training	56,692	169,611
Inspections	53,127	49,066
Insurance	324,790	211,122
Lease cost	102,000	132,000
Legal and professional	205,440	231,558
Licenses, taxes and permits	28,561	30,746
Miscellaneous	2,579	725
Office expense	75,711	71,618
Payroll expense	2,737,847	2,602,704
Postage and freight	12,489	11,950
Repairs and maintenance	29,465	40,031
Telephone	34,068	38,734
Travel and entertainment	189,148	192,371
Utilities	<u>36,170</u>	<u>37,710</u>
Total	<u>\$ 4,327,622</u>	<u>\$ 4,211,616</u>

REGAL NAILS, SALON & SPA, LLC  
Consolidated Schedules of Non- Operating Income (Expenses)  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Exchange rate gain (loss)	\$ 11,166	\$ (36,231)
Commissions	19,773	16,954
Net earnings (losses) from company owned salons	(88,335)	2,993
Interest income	233,542	117,304
Loss on joint ventures	(199,259)	(17,334)
Miscellaneous income (expense)	(9,973)	19,246
Other income	114,726	214,716
Bad debt expense, net of recoveries	<u>(188,132)</u>	<u>(492,165)</u>
Total	<u>\$ (106,492)</u>	<u>\$ (174,517)</u>

**Regal Nails, Salon & Spa, LLC**

Baton Rouge, Louisiana

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021



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# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

### Opinion

We have audited the accompanying consolidated financial statements of Regal Nails, Salon & Spa, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Regal Nails, Salon & Spa, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 Regal Nails, Salon & Spa, 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Regal Nails, Salon & Spa, 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 Regal Nails, Salon & Spa 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.

## **Disclaimer of Opinion on Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, consisting of the consolidated schedules of revenues, operating expenses and non-operating income (expenses) for the years ended December 31, 2022 and 2021, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
March 30, 2023

**CONSOLIDATED FINANCIAL STATEMENTS**

REGAL NAILS, SALON & SPA, LLC  
Consolidated Balance Sheets  
December 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	\$ 8,516,236	\$ 10,453,178
Accounts and other receivables, net	646,882	889,495
Due from affiliates	222,358	189,470
Notes receivable	716,415	714,450
Notes receivable - member	875,000	250,000
Other	<u>222,376</u>	<u>143,130</u>
Total current assets	<u>11,199,267</u>	<u>12,639,723</u>
Property and equipment, net	861,109	929,625
Operating right-of-use assets	45,975,622	51,525,291
Investment in joint ventures	371,041	338,375
Intangible assets, net	7,909	8,760
Notes receivable, non-current	1,994,941	469,428
Notes receivable - member, non-current	2,190,000	2,440,000
Due from affiliates, non-current	3,164,303	3,163,053
Deposits	<u>48,523</u>	<u>56,842</u>
Total assets	<u>\$ 65,812,715</u>	<u>\$ 71,571,097</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	462,303	667,655
Accrued distributions payable	383,764	-
Contract liabilities, current	326,792	398,002
Current portion of long-term debt	48,945	325,276
Operating lease liabilities - current	<u>17,049,942</u>	<u>16,768,472</u>
Total current liabilities	<u>18,271,746</u>	<u>18,159,405</u>
Long-term liabilities:		
Long-term debt, net of current maturities	341,181	113,062
Contract liabilities	1,226,439	1,278,616
Franchisee security deposits	3,195,695	3,244,114
Operating lease liabilities - noncurrent	<u>28,925,680</u>	<u>34,756,819</u>
Total long-term liabilities	<u>33,688,995</u>	<u>39,392,611</u>
Total liabilities	<u>51,960,741</u>	<u>57,552,016</u>
Equity:		
Members' equity	13,949,565	14,102,363
Minority interest	(108,009)	(82,777)
Accumulated other comprehensive income	<u>10,418</u>	<u>(505)</u>
Total equity	<u>13,851,974</u>	<u>14,019,081</u>
Total liabilities and equity	<u>\$ 65,812,715</u>	<u>\$ 71,571,097</u>

The accompanying notes are an integral part of these statements.

REGAL NAILS, SALON & SPA, LLC  
Consolidated Statements of Operations and Comprehensive Income  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues	\$ 25,949,040	\$ 26,174,127
Cost of revenues	<u>17,908,656</u>	<u>18,572,831</u>
Gross profit	8,040,384	7,601,296
Operating expenses	<u>4,211,616</u>	<u>4,163,775</u>
Income from operations	3,828,768	3,437,521
Non-operating income (expense)	<u>(174,517)</u>	<u>438,299</u>
Consolidated net income	3,654,251	3,875,820
Other comprehensive income (loss)	<u>10,923</u>	<u>(23,969)</u>
Total comprehensive income before minority interest	3,665,174	3,851,851
Minority interest in subsidiaries' (earnings) losses	<u>(7,768)</u>	<u>(62,546)</u>
Consolidated comprehensive income	<u>\$ 3,657,406</u>	<u>\$ 3,789,305</u>

The accompanying notes are an integral part of these statements.

REGAL NAILS, SALON & SPA, LLC  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Members' equity:		
Balance at beginning of year	\$ 14,102,363	\$ 12,552,139
Consolidated net income	3,646,483	3,813,274
Distributions	<u>(3,799,281)</u>	<u>(2,263,050)</u>
Balance at end of year	<u>13,949,565</u>	<u>14,102,363</u>
Accumulated other comprehensive income (loss):		
Balance at beginning of year	(505)	23,464
Consolidated other comprehensive income (loss)	<u>10,923</u>	<u>(23,969)</u>
Balance at end of year	<u>10,418</u>	<u>(505)</u>
Minority interest:		
Balance at beginning of year	(82,777)	(64,385)
Consolidated net income (loss)	7,768	62,546
Distributions	<u>(33,000)</u>	<u>(80,938)</u>
Balance at end of year	<u>(108,009)</u>	<u>(82,777)</u>
Total equity	<u>\$ 13,851,974</u>	<u>\$ 14,019,081</u>

The accompanying notes are an integral part of these statements.

REGAL NAILS, SALON & SPA, LLC  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income	\$ 3,654,251	\$ 3,875,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	79,279	91,784
Bad debt expense	492,165	406,711
PPP loan forgiveness	-	(599,030)
Net losses (earnings) from joint ventures	17,334	(55,249)
Changes in operating assets and liabilities:		
Accounts and other receivables	(249,552)	113,536
Operating right-of-use assets	5,549,669	(6,159,419)
Other assets	(79,246)	(43,501)
Accounts payable and other accrued liabilities	(205,352)	(75,469)
Contract liabilities	(123,387)	(34,055)
Franchisee deposits	(48,419)	(121,602)
Operating lease liabilities	<u>(5,549,669)</u>	<u>6,159,419</u>
Cash provided by operating activities	<u>3,537,073</u>	<u>3,558,945</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(12,211)	(12,223)
Investments in joint ventures	(50,000)	55,249
Issuance of notes receivable, net of principal payments	<u>(27,478)</u>	<u>53,002</u>
Cash used in investing activities	<u>(89,689)</u>	<u>96,028</u>
Cash flows from financing activities:		
Proceeds (principal payments) on debt, net	(48,212)	397,367
Advances from (to) affiliates	(34,138)	64,892
Advances from (to) member and related party, net	(1,875,000)	(390,000)
Distributions to members	(3,415,517)	(2,366,664)
Distributions to non-controlling interests	<u>(33,000)</u>	<u>(80,938)</u>
Cash used in financing activities	<u>(5,405,867)</u>	<u>(2,375,343)</u>
Effect of exchange rate changes on cash	21,541	(21,671)
Net change in cash	(1,936,942)	1,257,959
Cash and cash equivalents:		
Beginning of year	<u>10,453,178</u>	<u>9,195,219</u>
End of year	<u>\$ 8,516,236</u>	<u>\$ 10,453,178</u>
Supplemental information:		
Interest paid	<u>\$ 4,096</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.



Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements

(1) Summary of Operations and Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Regal Nails, Salon & Spa, LLC (the Company) and its subsidiaries. The Company is a limited liability company, organized in the state of Nevada in 2005. The following subsidiaries are included in the accompanying consolidated financial statements:

Regal Nails, Canada, ULC, a wholly owned subsidiary, was organized in 2006 to sell franchises in Canada. RNSDS, LLC, a wholly-owned subsidiary, was organized in 2014 to operate a salon. RN Downtown, LLC, a wholly-owned subsidiary, was established in 2012 to operate a salon. Lumigarnet of Miami, LLC, a partially-owned subsidiary, was organized in March 2013 to operate a salon in the state of Florida. RGEU Limited, a partially-owned subsidiary, was organized in December 2018 and currently operates a salon in the United Kingdom. RNS & GV MEX, S de RL de CV (“Regal Nails Mexico”) is a partially-owned subsidiary acquired in October 2019 and currently operates a salon in Mexico.

A. Business Operations

The Company franchises the right to open, operate, promote, arrange, and manage full-service nail care salons offering a full line of products and services in a territory. Franchisees of the Company must operate their facilities from locations approved by the Company, the majority of which are sublet by the Company and are located in Wal-Mart stores and other major shopping centers.

B. Principles of Consolidation

The Company follows the provisions of FASB ASC 810, “Consolidations”. All significant intercompany balances and transactions have been eliminated in consolidation.

C. Basis of Accounting

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all cash-related items and highly liquid investments having a maturity of three months or less from date of acquisition as cash and cash equivalents.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

E. Accounts and Notes Receivable

Accounts receivable arise in the normal course of business and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts and other economic factors.

Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The balance in allowance for doubtful accounts was \$760,000 as of December 31, 2022 and 2021. The Company charges a nominal fixed fee for past due accounts. Trade receivables considered past due were \$1,318,430 and \$1,282,993 as of December 31, 2022 and 2021, respectively.

Notes receivable are stated at cost, less an allowance for loan losses, based on management's assessment of collectability. The balance in the allowance for loan losses was \$0 as of December 31, 2022 and 2021, respectively.

F. Property and Equipment

Property and equipment are stated at cost and depreciated over estimated useful lives using the straight-line method for financial reporting purposes. Maintenance and repairs are expensed as incurred. Expenses which significantly increase asset values or extend useful lives are capitalized. The estimated useful lives of the assets are as follows:

Building and improvements	15-30 years
Equipment and furniture	3-7 years
Vehicles	3-7 years

G. Intangible Assets

The Company follows the provisions of FASB ASC 350 for intangible assets. Intangible assets, consisting of franchisee agreements, and other individually acquired intangibles are recognized at cost and amortized over their useful life using the straight-line method over a period of 60 to 180 months.

Useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The Company periodically reviews these lives relative to physical factors, economic factors, and industry trends. Any resulting changes in useful lives are recognized as an increase or decrease in amortization expense in future periods.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

H. Contract Liabilities

Contract liabilities represent payments received from customers (franchisees) prior to the satisfaction of the corresponding performance obligations. Contract liabilities are recognized as revenue once the corresponding performance obligations are satisfied based on the contract with the franchisee. Contract assets represent the Company's right to consideration based on satisfied performance obligations from contracts with franchisees. As of December 31, 2022, and 2021, the Company had no contract assets. The Company had the following contract liabilities as of December 31, 2022 and 2021:

*Prospect deposits* - The Company collects the following upfront fees (prospect deposits): initial deposits, site deposits, and confirmation deposits, which are liquidated when revenue is recognized or refunded, if a suitable site cannot be obtained.

*Security deposits* - A security deposit equal to the first and last month's franchise fee is collected from the franchisee once the franchisee gains access to the salon site. Such deposits are not additional fees paid by the franchisee; as they are either refunded, or applied as payment of any uncollected balance at termination of the agreement.

I. Revenues and Expense Recognition

The Company applies Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), to its contracts with franchisees as follows:

*Transaction price*- The transaction price includes initial fees, confirmation fees for securing the site location, franchise fees, and the sale of furniture, equipment, and supplies. Some contracts include additional charges for annual insurance premiums.

Franchisees are charged for the buildout and setup of the salon. The Company outsources the buildout of the salons to third-party contractors; therefore, related charges to franchisees are not included in the transaction price.

In accordance with Topic 606, the Company assumes goods and services (including rights to use the franchise) will be transferred to the franchisee in accordance with the existing contract and the contract will not be cancelled, renewed, or modified.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

*Performance obligations-* The Company has defined the granting of the franchise license in the contract as a separate performance obligation, which allows the franchisee the right to use the franchise throughout the license period. Franchise fees are billed monthly to franchisees on a straight-line basis over the life of the contract. Goods transferred, and charges for costs used by the franchisee, which are distinct, are billed to the customer and recognized at a single point in time when control is transferred to the franchisee. The Company applies the principles of materiality in the determination of performance obligations.

*License renewals-* The Company recognizes revenue from license renewals no earlier than the beginning of the renewal period.

The Company applies ASU No. 2016-02, Leases (Topic 842) to its lease contracts follows:

*Sublease income-* The Company acts as sublessor for all leases of franchisee locations. The Company, as lessee, is not relieved of the primary obligation under each original lease. In accordance with the terms of the sublease contracts, the Company's lease cost does not exceed sublease income for each term. Related assets leased to sublessors are tested annually for recoverability by assessing the anticipated collectability of sublease income compared to the lease cost. Income is recognized over the lease term. The sublease agreements generally require the customers to pay taxes, insurance and other costs, which do not transfer a good or service and are, therefore, not considered components under Topic 842.

*Lease cost-* Operating leases are recognized on a straight-line basis over the life of the lease. The Company has elected the package of practical expedients permitted in Topic 842. Accordingly, no right-of-use asset and lease liability is recognized for short-term leases (with terms of 12 months or less). The risk-free discount rate is used to measure the lease liabilities and right-of-use assets by class. Variable lease payments are expensed as incurred.

The Company has elected to use the practical expedient in Topic 606 allowing the recognition of incremental costs of obtaining a contract as an expense when incurred. All other expenses are recognized as they are incurred.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

J. Income Taxes

Regal Nails, Salon & Spa, LLC and its subsidiaries, with the exception of Regal Nails, Canada, ULC, RGEU Limited, and Regal Nails Mexico, were organized as limited liability companies under provisions of applicable state laws and the Internal Revenue Service Code as partnerships or S corporations. Accordingly, there is no provision for income taxes as the income, losses and credits are passed through to their members or shareholders. The Company's foreign subsidiaries, Regal Nails, Canada, ULC, RGEU Limited, and Regal Nails Mexico, are subject to federal and provincial taxes in their jurisdictions. Any provision for income taxes reported in the accompanying financial statements reflects taxes from these subsidiaries. Income tax expense was \$0 for the years ended December 31, 2022 and 2021. As of December 31, 2022, the Company had unused non-capital loss carryforwards available to reduce foreign taxable income in future years of \$92,285. The losses will expire in 2041.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

K. Foreign Currency Translation

The functional currencies of the Company's foreign subsidiaries are the local currencies. The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. All asset and liability accounts have been translated using the exchange rates in effect at the balance sheet date. Equity accounts have been translated using historical rates. Income statement amounts have been translated using the average exchange rate for the year. Accumulated net translation adjustments have been reported separately in other comprehensive income (loss) in the consolidated financial statements. Foreign currency translation adjustments resulted in gains (losses) of \$10,923 and (\$23,969) in 2022 and 2021, respectively. Foreign currency transaction losses resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency of (\$36,231) and (\$695) in 2022 and 2021, respectively, are included in non-operating expenses in the consolidated statements of income.

L. Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Total equity and net income were not materially changed due to these reclassifications.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

M. Use of Estimates

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

N. Compensated Absences

The Company allows employees personal days based on years of service. Personal days must be taken during the year and are not cumulative. Upon termination of employment, an employee is paid for the value of any unused personal days through the date of employment separation. The balance in unused personal days as of December 31, 2022 and 2021, respectively, was \$0.

O. Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$54,034 and \$75,061 for 2022 and 2021, respectively.

(2) Notes Receivable

Notes receivable represents funds advanced by the Company on behalf of current and former franchisees and funds loaned to a related party (further described in Note 15). Notes receivable from franchisees are due in monthly installments of principal and interest ranging from 8% to 12% annually, with varying maturity dates, ranging from 12 to 60 months. The balance in notes receivable as of December 31 is summarized below:

	<u>2022</u>	<u>2021</u>
Current:		
Franchisees	\$ 66,415	\$ 64,450
Related party	<u>650,000</u>	<u>650,000</u>
Total current	<u>716,415</u>	<u>714,450</u>
Non-current:		
Franchisees	44,941	19,428
Related party	<u>1,950,000</u>	<u>450,000</u>
Total non-current	<u>1,994,941</u>	<u>469,428</u>
	<u>\$ 2,711,356</u>	<u>\$ 1,183,878</u>

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

Future maturities of notes receivable are as follows:

Year Ending December 31,	<u>Franchisees</u>	<u>Related party</u>	<u>Total</u>
2023	\$ 66,415	\$ 650,000	\$ 66,415
2024	13,000	450,000	13,000
2025	12,005	1,500,000	12,005
2026	12,005	-	12,005
2027	7,931	-	2,607,931
	<u>\$ 111,356</u>	<u>\$ 2,600,000</u>	<u>\$ 2,711,356</u>

(3) Due from Affiliates

A summary of amounts due from affiliates as of December 31 follows. The companies are affiliated through common ownership.

	<u>2022</u>	<u>2021</u>
Current:		
Due from affiliates-		
Regal Nails, LLC (predecessor)	\$ 50,000	\$ 50,000
Alfalfa Nail Supply, Inc.	120,000	120,000
CDJ Ventures, LLC	20,247	-
Dreamau, LLC	19,505	19,470
HCD Anti-Aging, LLC	10,984	-
RXBA, LLC	1,622	-
Total current	<u>222,358</u>	<u>189,470</u>
Non-current:		
Due from affiliates-		
Regal Nails, LLC (predecessor)	664,548	664,548
Alfalfa Nail Supply, Inc.	2,499,755	2,498,505
Total non-current	<u>3,164,303</u>	<u>3,163,053</u>
	<u>\$ 3,386,661</u>	<u>\$ 3,352,523</u>

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(4) Property and Equipment

The following is a summary of property and equipment as of December 31:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 1,066,452	\$ 1,071,763
Equipment and furniture	629,209	615,278
Land improvements	62,413	62,413
Vehicles	<u>46,319</u>	<u>46,319</u>
	1,804,393	1,795,773
Less: accumulated depreciation	<u>943,284</u>	<u>866,148</u>
	<u>\$ 861,109</u>	<u>\$ 929,625</u>

Depreciation expense included in operating expenses on the consolidated statements of operations for the years ended December 31, 2022 and 2021 was \$53,200 and \$60,911, respectively. Depreciation expense included in non-operating expenses on the consolidated statements of operations for the years ended December 31, 2022 and 2021 was \$25,228 and \$26,711, respectively.

(5) Operating Right-of-Use Assets and Assets Subleased

The Company had operating right-of-use assets of \$45,975,622, net of accumulated amortization of \$16,733,616 as of December 31, 2022 and \$51,529,291 net of accumulated amortization of \$15,374,905 as of December 31, 2021.

Assets leased to franchisees under subleases are summarized as follows:

	<u>2022</u>	<u>2021</u>
Franchisee locations	\$ 51,277,655	\$ 44,996,065
Additions	11,121,807	21,534,323
Accumulated amortization	<u>(16,633,263)</u>	<u>(15,252,733)</u>
Net assets leased under subleases	<u>\$ 45,766,199</u>	<u>\$ 51,277,655</u>

There were no (\$0) impairments of assets subleased to franchisees during the years ended December 31, 2022 and 2021.



Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(6) Intangible Assets

Franchisee contracts and other intangible assets as of December 31, were as follows:

	2022	2021
Franchisee contracts purchased	\$ 424,000	\$ 424,000
Incorporation and trademark costs	22,287	22,287
Software	219,213	219,213
Organization costs	58,071	58,071
	723,571	723,571
Less: accumulated amortization	715,662	714,811
	\$ 7,909	\$ 8,760

Amortization expense included in operating expenses on the consolidated statement of operations for the years ended December 31, 2022 and 2021 was \$851 and \$2,529, respectively. Amortization expense included in non-operating expenses on the consolidated statement of operations was \$0 and \$1,633 for each of the years ended December 31, 2022 and 2021, respectively.

(7) Contract Liabilities

Contract liabilities consisted of the following as of December 31:

	2022	2021
Current:		
Prospect deposits -		
Initial deposits	\$ 88,405	\$ 93,450
Site deposits	129,141	139,235
Confirmation deposits	55,176	99,929
Total prospect deposits	272,722	332,614
Franchise fees	54,070	65,388
Total contract liabilities, current	326,792	398,002
Long-term:		
Franchise fees	1,226,439	1,278,616
	\$ 1,553,231	\$ 1,676,618

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(8) Long-Term Debt

Long-term debt as of December 31 consists of the following:

	2022	2021
Note payable to a bank, dated February 23, 2021, bearing interest at .98% (beginning in 2022), due in monthly installments of principal and interest of \$27,000, maturing in March, 3031. Loan is through the Small Business Administration, Section 1106 of the Cares Act, Paycheck Protection Program (PPP). Eligible costs may be forgiven under the PPP in future periods.	\$ 362,133	\$ 399,095
 Note payable to a bank, dated October 31, 2020, bearing interest at 2.5%, due in monthly installments of principal and interest of \$449, beginning November 1, 2021, maturing October 1, 2027. Loan is through the Business Interruption Program and is guaranteed by the United Kingdom Government (UK).	<u>27,993</u>	<u>39,243</u>
	390,126	438,338
 Less current maturities	<u>(48,945)</u>	<u>(325,276)</u>
	<u>\$ 341,181</u>	<u>\$ 113,062</u>

Principal repayment on notes payable required for the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 48,945
2024	49,529
2025	50,122
2026	50,722
2027	44,328
Thereafter	<u>146,480</u>
	<u>\$ 390,126</u>

(9) Franchisee Security Deposits

Franchisee security deposits of \$3,195,695 and \$3,244,114 as of December 31, 2022 and 2021, respectively, are refundable, and represent the value of two months' rent collected at inception of subleases with franchisees.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(10) Franchise Information

Statistical information relative to the franchises of the Company as of and for the years ended December 31, are as follows:

	<u>Regal Nails, Salon &amp; Spa</u>	<u>Regal Nails Canada</u>
Number of franchises sold:		
2022	2	1
2021	3	0
Number of franchised outlets in operation		
2022	586	86
2021	597	86

(11) Timing of Revenue Recognition

A summary of the timing of revenue recognized in accordance with Topic 606 for the years ending December 31 follows:

	<u>2022</u>		<u>2021</u>	
	<u>Franchise Sales</u>	<u>Monthly Franchise and Other Fees</u>	<u>Franchise Sales</u>	<u>Monthly Franchise and Other Fees</u>
Goods and services transferred at a point in time	\$ 424,430	\$ -	\$ 332,398	\$ -
Services transferred over time	<u>-</u>	<u>8,093,228</u>	<u>-</u>	<u>7,847,000</u>
	<u>\$ 424,430</u>	<u>\$ 8,093,228</u>	<u>\$ 332,398</u>	<u>\$ 7,847,000</u>

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(12) Operating Leases and Sub-leases

The Company serves as tenant for all of the franchisee subleases principally with one landlord, Wal-Mart Stores, Inc., each having an initial term of five years, with two additional three-year renewal options available. Monthly payments range from \$1,000 to \$5,930, expiring (including expected renewals) in January 2023 through December 2029. In addition, the Company has entered into long-term leases for company-owned salons, with monthly payments ranging from \$1,970 to \$9,203, expiring in October 2023 through October 2025.

The following is a maturity analysis of the annual undiscounted cash flows (payments) of the operating lease liabilities as of December 31, 2022:

Year Ending December 31,	
2023	\$ 17,556,995
2024	13,490,079
2025	9,035,254
2026	4,193,589
2027	1,477,794
Thereafter	<u>1,392,331</u>
Total operating lease liabilities - payments	<u>\$ 47,146,042</u>

Reconciliation of Operating Lease Liabilities - Payments to Operating Lease Liabilities:

Total operating lease liabilities - payments		\$ 47,146,042
Operating lease liabilities -current	\$ 17,049,942	
Operating lease liabilities - noncurrent	<u>28,925,680</u>	
Total operating lease liabilities		<u>45,975,622</u>
Present value adjustment		<u>\$ 1,170,421</u>

Lease costs included in the consolidated statement of operations for the years ending December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 17,563,507	\$ 18,026,385
Short-term lease cost	162,559	170,223
Variable lease cost	<u>62,323</u>	<u>63,084</u>
Total	<u>\$ 17,788,389</u>	<u>\$ 18,259,692</u>

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

Cash flow and other information related to leases is summarized below:

	<u>2022</u>	<u>2021</u>
Weighted average of remaining operating lease terms (in years)	2.21	2.29
Weighted-average discount rate - operating leases	1.35%	1.30%
Cash paid for amounts included in the measurements of lease liabilities	<u>\$ 17,563,507</u>	<u>\$ 18,026,385</u>
Lease assets obtained in exchange for lease obligations:		
Operating leases	<u>\$ 11,218,804</u>	<u>\$ 21,534,323</u>

Income from operating subleases to franchisees amounted to \$17,431,383 and \$17,994,729 for the years ended December 31, 2022 and 2021, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the operating sublease payments to be received from franchisee locations as of December 31, 2022:

Year Ending December 31,	
2023	\$ 17,403,528
2024	13,455,579
2025	9,006,504
2026	4,193,589
2027	1,477,794
Thereafter	<u>1,392,331</u>
Total operating sublease payments to be received	<u>\$ 46,929,325</u>

(13) Pension Plan

The Company participates in a defined contribution 401(k) pension plan, which allows salary deferrals and requires employer safe harbor matching contributions of 4% of eligible employees' compensation. Employer contributions to the plan were \$87,180 and \$86,306 for the years ended December 31, 2022 and 2021, respectively.

(14) Commitments and Contingencies

The Company is involved in several lawsuits arising from the normal course of operations. The Company's legal counsel has reviewed the lawsuits in order to evaluate the likelihood of an unfavorable outcome to the corporation to arrive at an estimate, if any of the amount or range of potential loss. As a result of the review, various claims and lawsuits have been categorized as "remote" as defined by the professional standards, or fully covered by insurance. No claims were identified whose unfavorable outcome is "probable" as defined by the professional standards.

The Company is a guarantor on certain loans with affiliates and owners. The maximum exposure under these loans is \$272,956 and \$365,325 as of December 31, 2022 and 2021, respectively.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(15) Related Party Transactions

The Company leases office facilities on a month-to-month basis in Baton Rouge, Louisiana, from Charlie's Properties, LLC (Charlie's Properties). The companies are affiliated through common ownership. Included in operating expenses on the consolidated statements of operations was rent paid to Charlie's Properties of \$60,000 for each of the years ending December 31, 2022 and 2021.

The Company leases a boat on a month-to-month basis, from QTT Properties, LLC (QTT). The companies are affiliated through common ownership. Included in operating expenses on the consolidated statements of operations was rent paid to QTT of \$72,000 for each of the years ending December 31, 2022 and 2021.

The Company has the following promissory notes due from an owner: (1) \$3,000,000 note dated December 27, 2019 and maturing December 27, 2031, bearing interest at the fixed rate of 2.07% due monthly in arrears, and principal installments of \$250,000 due annually, (2) \$625,000 note dated December 29, 2022 and maturing December 29, 2023, bearing interest at the fixed rate of 3.02%, due quarterly in arrears. The balance in notes receivable member was \$3,065,000 and \$2,690,000 as of December 31, 2022 and 2021, respectively. Interest income recognized in non-operating income on the consolidated statement of operations was \$51,750 and \$56,925 for the years ending December 31, 2022 and 2021, respectively.

The Company has the following promissory notes due from its President: (1) \$400,000 note dated September 1, 2020, bearing interest at the fixed rate of 1% due monthly in arrears, principal due September 1, 2023; (2) \$250,000 note dated December 31, 2020, bearing interest at the fixed rate of 1% due on June 30, 2021 and December 31, 2021, principal due December 31, 2023; (3) \$150,000 note dated June 30, 2021, bearing interest at the fixed rate of 1.02% due monthly in arrears, principal due June 30, 2024; (4) \$300,000 note dated December 31, 2021, bearing interest at the fixed rate of 1.26% due monthly in arrears, principal due December 31, 2024; (5) \$300,000 note dated March 31, 2022, bearing interest at the fixed rate of 1.73% due quarterly in arrears, principal due March 31, 2025; (6) \$500,000 note dated June 30, 2022, bearing interest at the fixed rate of 2.9% due quarterly in arrears, principal due June 30, 2025; (7) \$500,000 note dated September 30, 2022, bearing interest at the fixed rate of 2.9% due quarterly in arrears, principal due September 30, 2025; and (8) \$200,000 note dated December 31, 2022, bearing interest at the fixed rate of 4.21% due quarterly in arrears, principal due December 31, 2025. The balance in notes receivable - related was \$2,600,000 and \$1,100,000 as of December 31, 2022 and 2021, respectively. Interest income recognized in non-operating income on the consolidated statement of operations was \$26,759 and \$7,265 for the years ending December 31, 2022 and 2021, respectively.

Included in cost of revenues on the consolidated statement of operations for the year ending December 31, 2022, was \$122,512 paid to Alfalfa Nail Supply, Inc. for the purchase of furniture, equipment, supplies inventory and other franchisee-related costs. In addition, the Company paid Alfalfa Nail Supply, Inc. \$1,507 for training supplies, included in operating expenses on the consolidated statement of operations for the year ended December 31, 2022. The companies are related through common ownership.

Regal Nails, Salon & Spa, LLC  
Baton Rouge, Louisiana

Notes to the Consolidated Financial Statements (Continued)

(16) Concentrations

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash in various checking, savings, and certificate of deposit accounts with high quality financial institutions in the United States and Canada. Accounts at each bank in the United States are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and, accounts at each bank in Canada are guaranteed by the Canadian Deposit Insurance Corporation (CDIC) up to \$100,000 (in Canadian currency). Uninsured cash balances totaled \$7,836,429 and \$10,062,881, United States accounts, and \$1,386,288 and \$680,687 (in US dollars), Canadian accounts, as of December 31, 2022 and 2021, respectively.

Concentrations equaling over 5% of the Company's total revenues for operations outside the Company's home country and the geographic areas in which they are located are as follows:

<u>Region/geographic area:</u>	<u>2022</u>	<u>2021</u>
Canada	\$ 3,163,286	\$ 3,430,283
Percentage of total revenues	12.2%	13.1%

(17) Change in Accounting Principle

The FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. Under the new standard, a lessee is required to recognize leases on its balance sheet. At initial recognition of a lease, the lessee measures the liability for its lease obligation and the related right-of-use asset at the present value of lease payments not yet paid. The guidance also requires qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The Company elected to apply Topic 842 to all leases effective January 1, 2021, the beginning of the earliest comparative period presented. The net effect of the implementation of the new accounting principle is summarized below:

	<u>Previously Reported 2021</u>	<u>Effect of Adoption</u>	<u>As Restated 2021</u>
Consolidated balance sheet:			
Assets -			
Operating right-of-use assets, net	\$ -	\$ 51,525,291	\$ 51,525,291
Liabilities -			
Operating lease liabilities - current	\$ -	\$ 16,768,472	\$ 16,768,472
Operating lease liabilities - noncurrent	-	34,756,819	34,756,819
Total	\$ -	\$ 51,525,291	\$ 51,525,291

(18) Subsequent Event Review

The Company has evaluated subsequent events through March 30, 2023, the date which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**



REGAL NAILS, SALON & SPA, LLC  
 Consolidated Schedules of Revenues  
 For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Franchise sales	\$ 351,427	\$ 296,445
Monthly franchise sales	8,015,541	7,761,070
Franchisee subleases	17,431,382	17,994,729
Transfer and renewal fees	77,687	85,930
Other	<u>73,003</u>	<u>35,953</u>
Total revenues	<u>\$ 25,949,040</u>	<u>\$ 26,174,127</u>

REGAL NAILS, SALON & SPA, LLC  
Consolidated Schedules of Operating Expenses  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Advertising	\$ 54,034	\$ 75,061
Background checks	4,090	3,765
Bank charges	49,186	45,065
Charitable contributions	13,360	5,000
Collection expense	10,281	12,780
Commissions	90,287	82,896
Depreciation and amortization	54,016	63,440
Dues and subscriptions	19,665	29,431
Employee benefits	96,751	97,569
Franchisee training	169,611	40,971
Inspections	49,066	25,699
Insurance	211,122	228,878
Lease cost	132,000	132,000
Legal and professional	231,558	304,538
Licenses, taxes and permits	30,746	25,026
Miscellaneous	725	1,640
Office expense	71,618	64,593
Payroll expense	2,602,704	2,696,968
Postage and freight	11,950	14,980
Repairs and maintenance	40,031	28,973
Telephone	38,734	33,787
Travel and entertainment	192,371	118,144
Utilities	<u>37,710</u>	<u>32,571</u>
Total	<u>\$ 4,211,616</u>	<u>\$ 4,163,775</u>

REGAL NAILS, SALON & SPA, LLC  
Consolidated Schedules of Non- Operating Income (Expenses)  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Exchange rate loss	\$ (36,231)	\$ (695)
Commissions	16,954	35,075
Net earnings (losses) from company owned salons	2,993	(18,460)
Interest income	117,304	84,092
Loss on joint ventures	(17,334)	(55,249)
PPP loan forgiveness	-	599,030
Miscellaneous expense	19,246	(28)
Other income	214,716	201,245
Bad debt expense	<u>(492,165)</u>	<u>(406,711)</u>
Total	<u>\$ (174,517)</u>	<u>\$ 438,299</u>

**EXHIBIT I**  
**LIST OF CURRENT FRANCHISEES**

**List of Current Franchisees  
As of December 31, 2023**

St#	Franchisee	Phone	Type	Address	City	ST	Zip
2070	Elegant Nails, Inc.	907-770-6245	WM	3101 A St.	Anchorage	AK	99503
2188	Quang Cu & Phuong Duong	907-602-1896	WM	18600 Eagle River Rd	Eagle River	AK	99577
2074	Son Vu	907-376-4999	WM	1350 S Seward Meridian Pkwy	Wasilla	AK	99654
762	Ven Nguyen	205-838-2366	WM	9248 Parkway E	Birmingham	AL	35206
1711	Bach Vu	205-956-1040	WM	1600 Montclair Rd	Birmingham	AL	35210
734	Tan Ngoc Vo	334-308-2673	WM	600 Boll Weevil Circle	Enterprise	AL	36330
766	Hoa Nguyen	256-760-8001	WM	3100 Hough Rd	Florence	AL	35630
2111	Vi Huynh	205-408-0916	WM	5335 Hwy 280 South	Hoover	AL	35242
434	My A Hoang	256-885-3577	WM	11610 Memorial Pkwy S	Huntsville	AL	35803
853	Diem Nguyen LLC	251-639-5114	WM	685 Schillinger Rd	Mobile	AL	36608
125	Hoa Le & Viet Nguyen	479-649-8886	WM	2425 South Zero Street	Fort Smith	AR	72901
141	Huong Tran	479-478-9929	WM	8301 Rogers Ave	Fort Smith	AR	72703
261	Jennifer Huynh	501-525-3346	WM	4019 Central Avenue	Hot Springs	AR	71913
124	Thuong Thi Thai	501-568-6777	WM	8801 Baseline Road	Little Rock	AR	72209
3331	Trang Nguyen & Aminus Samad	870-850-6200	WM	5501 S Olive St	Pine Bluff	AR	71603
5260	Tho Lieu	479-631-2223	WM	4208 Pleasant Crossing Blvd	Rogers	AR	72758
1381	Y Van Le	480-288-9690	WM	2555 W Apache Trail	Apache Junction	AZ	85220
1218	Hung M. Pham & Nhung C. Le	520-421-1405	WM	1741 East Florence Blvd	Casa Grande	AZ	85222
3241	Tri Minh Pham	623-376-9659	WM	18551 N 83rd Ave	Glendale	AZ	85308
1364	KDM Nail LLC	928-764-3888	WM	5695 Highway 95 North	Lake Havasu City	AZ	86404
5428	Ryan Nguyen	480-545-6233	WM	1710 So Greenfield Rd	Mesa	AZ	85206-3481
1646	NN 1646 LLC	480-325-5411	WM	6131 E Southern Ave	Mesa	AZ	85208
2482	Trang A. Hoang	480-464-6268	WM	857 N Dobson	Mesa	AZ	85201
3799	Hong Bui	480-964-1475	WM	240 West Baseline Rd	Mesa	AZ	85210
3379	Don Anh Bui	520-498-2079	WM	2150 E Tangerine Road	Oro Valley	AZ	85755
2113	Ut Thai	602-230-2464	WM	1607 W Bethany Home Rd	Phoenix	AZ	85015
5331	Karandy LLC	623-478-8816	WM	7575 W Lower Buckeye Rd	Phoenix	AZ	85043
2766	Kim Cuc Trinh	480-368-8917	WM	15355 N Northsight Blvd	Scottsdale	AZ	85260

St#	Franchisee	Phone	Type	Address	City	ST	Zip
1549	Hue Lai	623-873-7557	WM	10659 NW Grand Ave #7	Sun City	AZ	85351
2777	Tina Banh	623-546-1517	WM	13770 W Bell Rd	Surprise	AZ	85374
1746	Thuy Phan	480-491-2075	WM	1380 W Elliot Rd	Tempe	AZ	85284
2922	Nguyen Huynh	520-531-1281	WM	7635 North LA Cholla Blvd	Tucson	AZ	85741
5031	Johnny Uy	520-579-1188	WM	8280 N Cortaro Rd	Tucson (Marana)	AZ	85743
5133	Trang Thi Hoang Nguyen	530-365-3996	WM	5000 Rhonda Rd	Anderson	CA	96007
2697	Thang Vo & Trisha Ho	925-754-6928	WM	4893 Lone Tree Way	Antioch	CA	94509
3522	Tom Nguyen	626-962-9511	WM	3250 Big Dalton Ave	Baldwin Park	CA	91706
3516	Alysha Nguyen	619-216-4444	WM	1360 East Lake Parkway	Chula Vista	CA	91915
5394	Hanh Huynh	559-591-5156	WM	770 W El Monte Way Ste 4	Dinuba	CA	93618
1555	Hong Thi Le	760-337-1383	WM	2150 N Waterman Dr	El Centro	CA	92243
1645	Duy Tran	559-587-9868	WM	250 S 12th Ave	Hanford	CA	93230
2636	Cecilia Nguyen	714-841-7676	WM	8230 Talbert Ave	Huntington Beach	CA	92646
1660	Quy Nguyen & Trang Nguyen	661-273-6919	WM	40130 10th St W	Palmdale	CA	93551
2950	Tam H Nguyen	661-533-5011	WM	37140 47th St East	Palmdale	CA	93552
1615	James Le	925-431-0335	WM	2203 Loveridge Rd	Pittsburg	CA	94565
2418	Van Vo	530-626-0910	WM	4300 Missouri Flat Rd	Placerville	CA	95667
2094	Hellen Nguyen, Truc Van Le, & Phuong Linh Le Nguyen	760-732-0692	WM	1800 University Dr.	Vista	CA	92083
1689	Chi Le	303-627-4504	WM	5650 South Chamber Rd	Aurora	CO	80015
984	Thuy Tran	303-663-6415	WM	4400 Front St	Castle Rock	CO	80104
3582	Hung Nguyen LLC	719-573-4221	WM	1575 Space Center Dr	Colorado Springs	CO	80915
1896	Nhu's Nails LLC	719-536-0903	WM	8250 Razorback Rd	Colorado Springs	CO	80920
5123	Yen T Nguyen	719-266-9444	WM	5550 E Woodmen Rd	Colorado Springs	CO	80920
3533	Viet LeDinh & Yen Bui	303-377-6266	WM	7800 E Smith Road	Denver	CO	80207-1719
3566	Lucky Nails Salon LLC	303-695-0807	WM	9400 E Hampden Ave	Denver	CO	80231
4335	Lang T Vo	719-495-7144	WM	11550 Meridian Market W	Falcon	CO	80831
1273	Hien Phan	719-392-4578	WM	6510 S US Hwy 85-87	Fountain	CO	80817
2125	Hang Tran	303-237-1775	WM	7455 W Colfax Ave	Lakewood	CO	80214

St#	Franchisee	Phone	Type	Address	City	ST	Zip
1252	Dung Vo	303-346-0755	WM	6675 Business Center Dr	Littleton	CO	80126
953	Mary Phan LLC	970-613-8877	WM	1325 N Denver Ave	Loveland	CO	80537
842	Lan Lily Nails LLC	719-544-3593w	WM	4200 Dillion Dr	Pueblo	CO	81008
1001	Bob Le & Lang Le	719-565-0566	WM	4080 West Northern Ave	Pueblo	CO	81005
5095	Nam Hue LLC	860-953-1488	WM	495 Flatbush Ave	Hartford	CT	06106-3621
1891	CY Nails LLC	860-648-1939	WM	420 Buckland Hills DR	Manchester	CT	6040
2965	P & T Nails LLC	860-878-6995	WM	3164 Berlin Turnpike	Newington	CT	6111
3548	DannyDai Tien Nguyen	203-753-6245	WM	910 Wolcott St	Waterbury	CT	6705
2331	Dat Dang & Hkuit Nay	860-444-7810	WM	155 Waterford Parkway N	Waterford	CT	6385
1736	D & T, Inc.	302-674-8517	WM	1736 Jerome Dr	Dover	DE	19901
3802	Megan Nguyen	302-449-2118	WM	705 Middletown Warwick Road	Middletown	DE	19709
955	My Uyen Ngoc Ha	407-880-0008	WM	1700 S Orange Blossom Trail	Apopka	FL	32703
528	Phan Nails LLC	941-755-2250	WM	2911 53 <sup>rd</sup> Ave. East	Bradenton	FL	34203
1004	Nail Salon of Bradenton LLC	941-794-8405	WM	5315 Cortez Rd West	Bradenton	FL	34210
3474	Huong Nguyen	941-747-6876	WM	6225 E State Rd 64	Bradenton	FL	34208
1213	Sang T Nguyen	352-597-7114	WM	13286 Cortez Blvd	Brooksville	FL	34613
819	Thao Duc Hang	239-458-9191	WM	1619 Del Prado Blvd S	Cape Coral	FL	33904
943	Huong T Tang	407-671-1134	WM	1241 State Road 436	Casselberry	FL	32707
2695	Huong Nguyen	352-394-2322	WM	1450 Johns Lake Rd	Clermont	FL	34711
RC1 8	RNSDS, LLC	352-708-5572	RC	2775 E. Highway 50	Clermont	FL	34711
1916	Myrlande Valcourt	954-354-1004	WM	5571 West Hillsboro Blvd	Coconut Creek	FL	33073
1387	Lieu Thi Phan Vu	954-753-1293	WM	3801 Turtle Creek Dr	Coral Springs	FL	33067
3307	Trang Thi vu Huynh	850-926-8870	WM	35 Mike Stewart Dr	Crawfordville/ Wakul	FL	32327
944	Cuc Thi Nguyen	850-689-0441	WM	3351 S Ferdon Blvd	Crestview	FL	32536
1391	Tony Nguyen	386-763-3136	WM	1101 Beeville Road	Daytona Beach	FL	32119
3310	Tuan Le & Jessica Ho	407-936-3777	WM	101 Howland Blvd	Deltona	FL	32738
1362	Ai Nguyen	850-654-9919	WM	15017 Emerald Coast Pkwy	Destin	FL	32541
2091	Giong Ho Nails Salon LLC	786-260-6362	WM	8651 NW 13 <sup>th</sup> Terrace	Doral	FL	33126
623	Hung Tran	239-656-0478	WM	545 Pine Island Rd	Fort Meyers (N)	FL	33903

St#	Franchisee	Phone	Type	Address	City	ST	Zip
987	Bay Hien Thi Ho	239-454-4142	WM	14821 Six Mile Cypress Pkwy	Fort Myers	FL	33912
5034	Devan Ho/Annie Ho	239-931-7550	WM	4770 Colonial Blvd	Fort Myers	FL	33912
973	Tien Dang	772-461-1152	WM	5100 Okeechobee Rd	Fort Pierce	FL	34981
919	Nam Nguyen & Thich Nguyen	850-863-8557	WM	748 Beal Pkwy NW	Fort Walton Bch	FL	32547
2533	KimTNgo	850-916-2903	WM	3767 GULF BREEZE PARKWAY	Gulf Breeze	FL	32563
1590	Vinh Truong	305-403-7333	WM	5851 N W 177th Street	Hialeah	FL	33015
2814	Tuyen Tran	305-557-0023	WM	9300 NW 77th Ave	Hialeah Gardens	FL	33016
1104	Johnny Chau	352-860-2911	WM	2461 East Gulf to Lake Hwy	Inverness	FL	34453
4063	KHAA Lehigh LLC	239-433-3345	WM	17105 San Carlos Blvd.	Iona	FL	33931
1083	Emily Thao Ho	904-781-0117	WM	6830 Normandy Blvd	Jacksonville	FL	32205
1090	Rui Feng Jiang	904-777-9444	WM	6767 103rd St	Jacksonville	FL	32210
1173	Rose Nguyen	904-620-0084	WM	8808 Beach Blvd	Jacksonville	FL	32216
1219	Phuong Nguyen & Loan Nguyen	904-766-9494	WM	12100 Lemturner Rd	Jacksonville	FL	32218
3309	Duc M Nguyen	904-731-8805	WM	4250 Phillips Highway	Jacksonville	FL	32207
3702	Khanh Phan	904-714-1904	WM	13227 City Square Dr	Jacksonville	FL	32218
1680	Trang Do	305-383-0077	WM	15885 SW 88 <sup>th</sup> St.	Kendall (Miami)	FL	33196
817	Huong Nguyen	407-396-9661	WM	4444 West Vine St	Kissimmee	FL	34746
767	Melissa Nguyen	386-719-6446	WM	2767 W US Highway 90	Lake City	FL	32055
859	Liem Nguyen	863-679-5244	WM	2001 State Road 60 East	Lake Wales	FL	33898
1245	Lucky 1980 LLC	863-815-4900	WM	5800 US Hwy 98 N	Lakeland	FL	33809
RC1 35	Vinh Nguyen Inc.	863-853-8477	RC	4000 US Hwy 98 N	Lakeland	FL	33809
2237	KHAA Lehigh LLC	239-303-7101	WM	2523 LEE BLVD	Lehigh Acres	FL	33971
3311	Hung That Ton	786-428-0079	WM	19501 NW 27th Ave	Miami Gardens	FL	33056
705	NG Nails Inc.	352-735-3099	WM	17030 US Highway 441	Mount Dora	FL	32757
5035	Kim Huynh & Andy Hoa Vo	863-646-8639	WM	6900 N Church Ave	Mulberry	FL	33860
1851	Salon And Spa by Cong Tran LLC	954-724-5054	WM	7300 W McNab Rd	N Lauderdale	FL	33068
5391	Danny Le	239-596-0022	WM	5420 Cormorant Ave	Naples	FL	34109
5055	Cindy Le	239-352-1071	WM	9885 Collier Blvd	Naples	FL	34114
RC1 47	James & Mail, LLC	239-348-8809	RC	7335 Radio Rd., Unit 106	Naples	FL	34104



St#	Franchisee	Phone	Type	Address	City	ST	Zip
994	DHSPA LLC	727-372-1493	WM	8745 State Road 54	New Port Richey	FL	34655
5266	KVT Ventures LLC	727-861-3219	WM	12610 North US Hwy 19	New Port Richey/Hudson	FL	34667
1079	Hanh Nguyen	360-223-6358	WM	3155 State Rd #44	New Smyrna Beach	FL	32168
3397	Phuong Thi Kim Van	786-428-0076	WM	17650 Northwest 2nd Ave	Norland	FL	33169
3387	Nail Spa North Port Inc	941-426-8033	WM	17000 Tamiami Trail	Northport	FL	34287
1847	Tuyet Bui	352-236-4501	WM	4980 East Silver Springs Blvd	Ocala	FL	34470
5326	Dao Dang	352-873-6030	WM	9570 SW Hwy 200	Ocala	FL	34481
942	Huong Hoang & Thanh Nguyen	407-654-7075	WM	10500 W Colonial Dr	Ocoee	FL	34761
2796	Danny Truong	813-814-1003	WM	3801 Tampa Rd	Oldsmar	FL	34677
1225	Van Liem Inc.	904-272-7232	WM	899 Blanding Blvd	Orange Park	FL	32065
2920	Indy Nguyen	904-215-1470	WM	1505 County Rd 220	Orange Park	FL	32073
908	TL Nails & Spa Salon Inc.	407-363-4468	WM	8101 S John Young Pkwy	Orlando	FL	32819
613	Tuyen Dam	386-677-7441	WM	1521 W Granada	Ormond Beach	FL	32174
990	Lily Ha Vo Le	850-995-5909	WM	4965 Hwy 90	Pace	FL	32571
1182	Malis Beauty Works LLC	386-447-7079	WM	174 Cypress Point Pkwy	Palm Coast	FL	32164
3370	Noi Nguyen	941-729-5137	WM	508 10th E	Palmetto	FL	34221
818	AKN LLC	850-233-3337	WM	10270 Front Beach Rd	Panama City	FL	32407
2591	Quang Le	954-318-2233	WM	151 SW 184 Ave	Pembroke Pine	FL	33029
1222	My Phuong Tran	850-484-7750	WM	8970 Pensacola Blvd	Pensacola	FL	32534
3484	VIP Nail of Blue Angel, LLC	850-457-9192	WM	2951 S Blue Angel Pkwy	Pensacola (Blue Angel)	FL	32506
2962	LH Nails & Spa LLC	954-984-9939	WM	2300 W Atlantic Blvd	Pompano Beach	FL	33069
721	Nail Port Charlotte Inc	941-235-0001	WM	19100 Murdock Circle	Port Charlotte	FL	33948
3349	Phi Lieu LLC	941-764-8200	WM	375 Kings Hwy	Port Charlotte	FL	33983
582	Binh Truong	386-322-6061	WM	1590 Dunlawton Ave	Port Orange	FL	32127
4260	Emai, INC	772-879-9299	WM	1850 SW Gatlin Blvd	Port St Lucie (W)	FL	34953-2703
778	Thien Cong Truong	941-505-6245	WM	5001 Taylor Jones Loop Road	Punta Gorda	FL	33950
488	Lynn le	850-627-6788	WM	1940 Pat Thomas Pkwy	Quincy	FL	32351
1541	V.A.L. Enterprise, LLC	561-791-7700	WM	9990 Belvedere Road	Royal Palm Bh	FL	33411
3207	Noi Van Nguyen	941-729-5137	WM	1601 Rinehart Road	Sanford	FL	32771

Exhibit I – List of Current Regal Nails, Salon & Spa Franchisees

St#	Franchisee	Phone	Type	Address	City	ST	Zip
1068	Chau Tran	772-388-8608	WM	2001 US Hwy 1	Sebastian	FL	32958
666	Tung&Han LLC	863-385-6209	WM	3525 US Highway 27 N	Sebring	FL	33870
967	TN LLC & Huong Pham	352-683-9630	WM	1485 Commercial Way	Springhill	FL	34607
1086	Phuong Bich Tran	407-957-5042	WM	4400 13th St	St Cloud	FL	34769
1223	Son Nguyen	850-894-5400	WM	5500 Thomasville Rd	Tallahassee	FL	32312
1501	Vinh Pham	813-963-1870	WM	14941 N Dale Marby Hwy	Tampa	FL	33618
2627	Tuan Nguyen	813-903-8838	WM	2701 East Fletcher Ave	Tampa	FL	33612
5036	Van Seband	813-264-5808	WM	6192 Gunn Hwy	Tampa	FL	33625
2740	Lan Nguyen	813-991-5008	WM	19910 Bruce B Downs	Tampa (NE)	FL	33647
4262	Thanh Nguyen	352-259-5936	WM	4085 Wedgewood Lane	The Villages	FL	32162
769	Paul Nguyen	941-493-9493	WM	4150 S Tamiami Trail	Venice	FL	34293
931	Nails Salon & Spa By Thu's Inc	772-562-6660	WM	5555 20th St	Vero Beach	FL	32966
3538	Annie Nguyen	321-751-6900	WM	8500 N Wickham Rd	Viera	FL	32940
3418	Thao J Nguyen LLC	813-815-2276	WM	28500 State Rd. 54	Wesley Chapel	FL	33543
1203	Thanh Ngoc Bach	813-634-7572	WM	4928 SR 674	Wimauma	FL	33598
968	Cuc Thinh LLC	863-294-6518	WM	355 Cypress Garden Blvd	Winter Haven	FL	33880
3347	Luyen & Nam Nails Salon Spa LLC	863-324-4051	WM	7450 Cypress Gardens Blvd	Winter Haven (Lakela)	FL	33884
588	Thu Thao Mai	229-420-8408	WM	2825 Ledo Rd	Albany	GA	31707
2941	Phong Nguyen	770-663-0408	WM	5200 Winward Pkwy	Alpharetta City	GA	30004
2811	Tam Minh Ton	706-354-4949	WM	4375 Lexington Rd	Athens	GA	30605
3709	Phuong Duong	404-212-1599	WM	2427 Gresham Rd SE	Atlanta	GA	30316
1586	Duc Tan Huynh	770-434-6200	WM	1133 E West Connector	Austell	GA	30001
722	Susan Bui	770/214/9011	WM	1735 So. Park St	Carrollton	GA	30117
2475	Loan Huynh	770-922-0922Tong kim	WM	1436 Dogwood Dr	Conyer	GA	30013
3403	Linh Cao & Long Nguyen	770-505-8995	WM	3615 Marietta Hwy	Dallas	GA	30157
3874	Thinh Pham	706/531/1332	WM	156 Power Center Dr	Dawsonville	GA	30534
3710	Mike Truong LLC	404-289-2616	WM	3580 Memorial Dr, suite D	Decatur	GA	30032
3609	KYMY Tran LLC	404-361-7243	WM	2940 Anvil Block Rd.	Ellenwood	GA	30294
3570	Oanh Nguyen	706-860-6122	WM	4471 Washington Rd	Evans	GA	30809

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St#	Franchisee	Phone	Type	Address	City	ST	Zip
594	Tran T Luong	770-716-8656	WM	125 Pavilion Pkwy	Fayetteville	GA	30214
510	Nails By Thi Truong LLC	770-538-0300	WM	400 Shallowford Rd	Gainesville	GA	30504
932	Thanh Loc Phan	770-412-6003	WM	1569 N Expressway	Griffin	GA	30223
618	Tao T Bui	678-567-2509	WM	4166 Jimmy Le Smith Pkwy SteB2	Hiram	GA	30141
548	TCD Salon, LLC	678-377-5411	WM	630 Collins Hill Rd	Lawrenceville	GA	30045
3388	TD Nail Salon, LLC	678-330-1529	WM	15400 Lawrence Hwy	Lawrence	GA	30045
1373	Kim Loan Pham	678-380-6710	WM	4004 Lawrenceville Hwy NW	Lilburn	GA	30047
3205	Hoang Mai & Vi Ho	770-745-0305	WM	1100 Thornton Rd	Lithia Springs	GA	30122
5252	TTN Nails & Spa LLC	678-694-8663	WM	4221 Atlanta Hwy	Loganville	GA	30052
5363	Kim 99 Enterprise Inc.	770-478-9007	WM	11499 Tara Blvd	Lovejoy	GA	30250
3201	Phu Gia LLC	770-898-7303	WM	101 Willow Lane	McDonough	GA	30253
1047	Quang Ngo	770-961-4044	WM	6065 Jonesboro Rd	Morrow	GA	30260
3627	Hong Truong	770-536-1711	WM	3875 Mundy Mill Rd	Oakwood	GA	30566
3461	Steven Phan & Loan Nguyen	678-364-9090	WM	2717 Hwy 54 West	Peachtree	GA	30269
787	Katie Vo Two, LLC	770-996-0081	WM	7050 Highway 85	Riverdale	GA	30274
1578	Jim Huy	770-643-8522	WM	970 Mansell Rd	Roswell	GA	30076
1720	Hannah Vu & Phillips Bui	770-982-0230	WM	1550 Scenic Hwy North	Snellville	GA	30078-2130
3389	Nails and Spa Centerville LLC	678-344-1880	WM	3435 Centerville Hwy	Snellville	GA	30039-6117
745	Nails by L & T LLC	678-289-8993	WM	5600 N Henry Blvd	Stockbridge	GA	30281
3402	Thuy Lynh Nguyen & Lap Van Nguyen	678-289-2058	WM	1400 Hudson Bridge Rd	Stockbridge	GA	30281
1184	Tuan Mai Inc.	770-469-0435	WM	1825 Rockbridge Rd	Stone Mountain	GA	30087
855	CB Sisters LLC	770-774-7404	WM	4375 Jonesboro Rd	Union City	GA	30291
899	Hong Hoang	229-241-9199	WM	340 Norman Drive	Valdosta	GA	31601
1367	Thi Nguyen	478-971-4903	WM	2720 Watson Blvd	Warner Robins	GA	31093
3750	Ngoc Thach Nguyen	478-918-0023	WM	502 Booth Rd	Warner Robins	GA	31088
556	Tuyet Nhung Hoang	912-285-0657	WM	2425 Memorial Dr	Waycross	GA	31501
892	Si Ngo	515-963-3074	WM	1002 SE National Dr	Ankeny	IA	50021
1241	Hien Thi Thu Nguyen & Hoang Huu Tran	563-355-7481/441 0190	WM	5811 Elmore Ave	Davenport	IA	52807
1723	Van Thi Tran	515-953-6680	WM	5101 SE 14th ST	Des Moines	IA	50266

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St#	Franchisee	Phone	Type	Address	City	ST	Zip
1764	Kieu Vo Doan Nguyen	515-277-2349	WM	1001 73rd St	Des Moines	IA	50311
784	Hai Nguyen & Kate Nguyen	319-385-9549	WM	1045 N Grand Ave	Mt Pleasant	IA	52641
3590	Diem Thi Pham	712-239-3410	WM	3101 Floyd Blvd	Sioux City	IA	51108-1465
1734	Ngan Tram Enterprises Inc.	217-351-9750	WM	2610 N Prospect	Champaign	IL	61822
612	Huong Nhan Le	217-345-2001	WM	2250 Lincoln Ave	Charleston	IL	61920
2491	Hanh Nguyen Bich Hoang	217-442-2809	WM	4101 N Vermilion Suite A	Danville	IL	61832
1028	Carl Van Nguyen	309-698-1000	WM	401 River Road	East Peoria	IL	61611
1814	Thai Nguyen	847-468-1525	WM	1001 N Randall Rd	Elgin	IL	60123
1418	Khanh Nails LLC	618-622-9133	WM	1530 W Hwy 50	O Fallon	IL	62269
3460	Nancy Nga Vo	309-690-3325	WM	8915 North Allen Rd	Peoria	IL	61615
2815	DD Nails Salon & Spa, Inc.	847-952-4444	WM	1460 Golf Road	Rolling Meadow	IL	60008
891	Danh V Nguyen	815-625-4069	WM	4115 E Lincoln Way	Sterling	IL	61081
1421	Rose Huynh	309-745-5111	WM	1980 Freedom Parkway	Washington	IL	61571
1459	Pensy Mawi & Za Siang	317-884-4799	WM	7245 US Hwy 31 S	Indianapolis	IN	46227
870	Son Huynh & Duong Dinh	812-481-1764	WM	4040 Newton St	Jasper	IN	47546
5307	NgocDang Le	913-884-4744	WM	1725 E Santa Fe Street	Gardner	KS	66030
1151	Don Nguyen	913-334-2020	WM	10824 Parallel Pkwy	Kansas City	KS	66109
577	Khanh Tong	913-780-6245	WM	13600 S Alden St	Olathe	KS	66062
2855	Thuy Nguyen	913-248-1111	WM	16100 West 65th St	Shawnee	KS	66217
1802	Mau Van Ngo	785-271-6003	WM	1501 SW Wannamaker Rd	Topeka	KS	66604
4321	Kimtuyen Nails Salon, LLC	316-832-9595	WM	5475 N Meridian Ave	Wichita	KS	67217
1099	Hien N Nguyen	316-265-6859	WM	501 E Pawnee St	Wichita	KS	67211
1221	MNH LLC	316-262-2626	WM	6110 W Kellogg Dr	Wichita	KS	67209
3283	Victoria Nguyen	316-773-5660	WM	10600 West 21st St	Wichita	KS	67212
3492	Sylvester Van	316-651-5555	WM	11411 East Kellogg	Wichita (E)	KS	67207
5418	Hue Nguyen	502-238-5718	WM	2020 Bashford Manor Lane	Louisville	KY	40218
589	Kim Vo LLC	502-962-9774	WM	11901 Standiford Plaza Dr	Louisville	KY	40229
3294	MV, LLC	502-239-3750	WM	7101 Cedar Springs Blvd	Louisville	KY	40291
5417	Vinh Thanh Nguyen	502-366-0100	WM	175 Outer Loop	Louisville	KY	40214

St#	Franchisee	Phone	Type	Address	City	ST	Zip
4450	Quynh Nhu Thi Nguyen	502-244-4435	WM	12981 Shelbyville Rd	Middletown	KY	40243
1163	Hieu Harry LLC	504-263-2826	WM	4001 Berhman Hwy	Algiers	LA	70114
839	Khanh Tran LLC	225-927-7890	WM	9350 Cortana Place	Baton Rouge	LA	70815
2132	Triet Tran LLC	225-295-1116	WM	10606 N Mall Dr	Baton Rouge	LA	70809
909	Yen Nguyen	504-684-3889	WM	8101 W. Judge Perez Dr.	Chalmette	LA	70043
935	Peter Tu Huynh	225-664-0068	WM	904 S Range Ave	Denham Springs	LA	70726
773	Chan Hong & SatheaHuynh	337-457-2555	WM	1538 US Highway 190	Eunice	LA	70535
1353	D&M Nail Salon LLC	504-734-3337	WM	5110 Jefferson Hwy	Harahan	LA	70123
2706	Phat Nguyen	504-367-7272	WM	1501 Manhattan Blvd	Harvey	LA	70058
542	Ut Nguyen	985-580-1783	WM	1633 Martin Luther King Hwy	Houma	LA	70360
1342	Thao Nguyen	504-467-4300	WM	300 West Esplanade	Kenner	LA	70065
469	Mien Van Le	337-477-8448w	WM	3415 Hwy 14	Lake Charles	LA	70607
1193	Tuan Nguyen	318-388-4122	WM	2701 Louisville Ave	Monroe	LA	71201
533	Helene & Tha Huynh	337-365-3858	WM	1205 East Admiral Doyle	New Iberia	LA	70560
912	Yen Nguyen	504-241-7555	WM	6000 Bullard Ave.	New Orleans	LA	70128
5022	Kiet Thuong Nguyen	504-587-9100	WM	1901 S Tchoupitoulas St	New Orleans	LA	70130
75	Lam Huynh & Van Huynh	318-640-5551	WM	3636 Monroe Hwy	Pineville	LA	71360
5056	Thu Ha & Denny Nguyen	225-744-4470	WM	17585 Airline Hwy	Prairieville	LA	70769
450	Chin Chin Porter	318-686-7868	WM	9550 Mansfield	Shreveport	LA	71118
278	Hoa Tran	318-798-9300	WM	1645 E Industrial	Shreveport	LA	71105
553	Danny Nguyen	985-726-5010	WM	39142 Natchez Drive	Slidell	LA	70461
2665	Yen Nguyen & Dep Lam	985-643-3037	WM	167 Northshore Blvd	Slidell	LA	70460
428	Anh Thi Nguyen	225-658-9055	WM	5901 Main Street	Zachary	LA	70791
3409	Hien Le & Huong Pham	508-892-2940	WM	1626 Main St.	Leicester	MA	01524
2964	Khan Lam	978-537-0636	WM	11 Jungle Road	Leominster	MA	01453
2366	Dat Minh Tran & Thuy Thanh Duong	508 699-0892	WM	1470 S Washington St.	N. Attleborough	MA	02760
2184	Monirath Chan	508-336-3202	WM	1180 Fall River Ave	Seekonk	MA	02771
2953	JennyNguyen & AnhLe	508-675-3632	WM	262 Swansea Mall Dr. #400	Swansea	MA	02777
4387	Minh Ho	508-755-4209	WM	25 Tobias Bloland Way	Worcester	MA	01607

St#	Franchisee	Phone	Type	Address	City	ST	Zip
3720	Thuy Hoang	410-242-7046	WM	3601 Washington Blvd	Arbutus	MD	21227
1674	Truong An Nguyen	240-420-2929	WM	17850 Garland Groth Blvd	Hagerstown	MD	21740
2027	Hung & Nhiem LLC	301-729-4490	WM	12500 Country Club Mall Rd SW	La Vale	MD	21502
1890	Thinh Duc Nguyen	410-334-2626	WM	2707 N Salisbury Blvd	Salisbury	MD	21801
1856	Region Nails LLC	207-990-5100	WM	900 Stillwater Dr	Bangor	ME	04401
2013	LE FAMILY CORPORATION	207-861-8100	WM	80 Waterville Commons Dr	Waterville	ME	04901-4900
1542	Nhan Tran	989-731-1514	WM	950 Edelweiss Pkwy	Gaylord	MI	49735
3726	H Nails Salon & Spa LLC	810-694-3200	WM	6170 S Saginaw Rd	Grand Blanc	MI	48439
2014	Dung Vo	989-366-5007	WM	2129 W Houghton Lake Drive	Houghton Lake	MI	48629
5064	Viet Nguyen	269-345-0633	WM	6065 Gull Rd	Kalamazoo	MI	49048
5065	Van Truong	269-353-8034	WM	501 N 9th St	Kalamazoo	MI	49009
33	Souvanny Siakhasone	231-922-0822	Meijers	3955 US 31 South	Traverse City	MI	49684
2338	Sassy Siakhasone Ink, Inc.	231-421-8818	WM	2640 Crossing Cir.	Traverse City	MI	49684
1632	Xuan Nguyen	320-763/8889	WM	4611 Hwy 295	Alexandria	MN	56308
1654	Nail World Inc.	218-828-6518	WM	7295 Glory Rd	Baxter	MN	56425
1861	Huong Tran	651-439-1497	WM	5815 Norell Ave	Oak Park Heights	MN	55082
3364	Ai Le	651-554-4852	WM	1644 S Robert St	W St Paul	MN	55118
451	Son Xuan Le & Hieu Tran	573-442-6472	WM	1201 Grindstone Pkwy	Columbia	MO	65205
96	Phuong Le & Tim Nguyen	816-884-4339	WM	1700 North 291 Hwy	Harrisonville	MO	64701
2955	Dinh Nguyen	816-942-8300	WM	1701 West 133rd St	Kansas City	MO	64145
4553	Dinh Nguyen	816-313-6636	WM	11601 E US 40 Hwy	Kansas City	MO	64133
573	Van Lu, LLC	816-347-0708	WM	1000 NE Sam Walton Ln	Lees Summit	MO	64086
4590	Luan Thi Nguyen	816-623-3609	WM	3410 SW Market St.	Lees Summit	MO	64082
319	Thu Van Nguyen & Hung Nguyen	816-318-1729	WM	2015 W Foxwood Dr	Raymore	MO	64083
219	Trinh Thi My Nguyen LLC	660-829-0059	WM	3201 W Broadway	Sedalia	MO	65301
2221	Hieu Le	417-881-8683	WM	2021 E Independence	Springfield	MO	65804
172	Minh Hoang & Vinh Hoan	636-390-2777	WM	1701 Pearson Dr	Washington	MO	63090
2715	K & M Nail Spa, LLC	228-392-0908	WM	3615 Sangani Blvd	D'iberville	MS	39540
182	ANN HAYLIE NAILS SPA LLC	662-335-5600	WM	1831 Hwy 1 South Ste 100	Greenville	MS	38701

St#	Franchisee	Phone	Type	Address	City	ST	Zip
903	TnTn LLC	601-922-7273	WM	2711 Greenway Dr	Jackson	MS	39204
AA2 5	Kelly Mai & Vinh Le	228-374-9350	AAF ES	506 Larcher Blvd., Bldg 2306	Keesler (Biloxi)	MS	39534
501	Hoa Lam	601-649-3060	WM	1621 Hwy 15 N	Laurel	MS	39440
1025	Chau Son	601-249-3273	WM	1608 Smithdale Rd Suite 6	McComb	MS	39648
1346	Dung Xuan Ngo	228-872-3522	WM	3911 Bienville Blvd	Ocean Springs	MS	39564
1066	Nhung Hoang & Thom Duong	228-712-2720	WM	4253 Denny Ave	Pascagoula	MS	39567
848	Kevin Dang	662-349-5615	WM	6811 Southcrest Pkwy	Southaven	MS	38671
112	Vu & Presley, LLC	662-323-9500	WM	1010 Hwy 12 W	Starkville	MS	39759
1195	Hai Bich Vu	228-463-2399	WM	460 Hwy 90	Waveland	MS	39576
1133	Sy Quoc Luong	980-430-9128	WM	781 Leonard Ave.	Albermarle	NC	28001
1179	Van Nguyen	828-684-0906	WM	95 Airport Rd	Arden	NC	28704
1464	Tam Tran	704-587-7400	WM	8180 S Tryon St	Charlotte	NC	28201
1527	Thao Nguyen	252-335-5831	WM	101 Tanglewood Pkwy	Elizabeth City	NC	27909
1238	Chau Nguyen	910-860-7390	WM	1550 Skibo Rd	Fayetteville	NC	28303
1261	Thua Tran	910-423-3777	WM	4601 Ramsey Street	Fayetteville	NC	28311
3595	Mai H Tran & Nheo V Ng	910-826-7410	WM	7701 South Raeford Rd	Fayetteville	NC	28304
1385	Toa Nguyen	704-865-8666	WM	3000 E Franklin Blvd	Gastonia	NC	28056
4410	Doan La	828-313-0552	WM	4780 Hickory Blvd.	Granite Falls	NC	28630
1379	Tuan Thanh Nguyen	252-321-5565	WM	210 Greenville Blvd SW	Greenville	NC	27834
1242	Luong Bui	828-693-9701	WM	250 Highland Square Dr	Hendersonville	NC	28792
948	Tuan Hoang, LLC	828-328-1155	WM	2525 Hwy 70 SE	Hickory	NC	28602
3864	Jennie Vu & Van Vu	910-937-7778	WM	561 Yopp Road	Jacksonville	NC	28540
2793	Tha Son	336-993-7484	WM	1130 S Main St	Kernersville	NC	27284
4273	Nails By Truong Inc.	910-371-2200	WM	1112 Newpoint Blvd	Leland	NC	28451
1209	Phong Chau Phan	704-748-9115	WM	401 North General Blvd	Lincolnton	NC	28092
1155	Kiem Nguyen	910-735-1571	WM	5070 Fayetteville Rd	Lumberton	NC	28358
877	SonNguyen & DaiNguyenD	704-225-8660	WM	2406 W Roosevelt Blvd	Monroe	NC	28110
1156	Allie Nails, LLC	704-663-3750	WM	169 Norman Station Blvd	Mooresville	NC	28117
1288	Tien Hoang	336-599-9599	WM	1049 Durham Rd Ste A	Roxboro	NC	27573

St#	Franchisee	Phone	Type	Address	City	ST	Zip
1552	Diep Phan	704-636-8400	WM	323 S Arlington St	Salisbury	NC	28144
1034	Thi Hieu LLC	704-480-9505	WM	705 E Dixon Blvd	Shelby	NC	28150
1662	Doan La	704-924-9777	WM	1116 Crossroads Drive	Statesville	NC	28677
2472	Bich Van Ngo	336-765-8001	WM	4550 Kester Mill Rd	Winston Salem	NC	27103
2847	T Panda Inc.	402-292-0870	WM	10504 South 15th St	Bellevue	NE	68123
5361	Nguyet Anh Ngo	402-895-7277	WM	12850 L St	Omaha	NE	68137
1637	Shayla Quach	402-571-2553	WM	6304 N 99th St	Omaha	NE	68134
1671	Ngoc Bao Le Nguyen & Thanh Thao T Nguyen	402-339-1138	WM	8525 S 71st Street Plaza	Papillion	NE	68157
1796	All Seasns Nails & Waxing Studio LLC	603-672-2071	WM	85 Route 101A	Amherst	NH	03031
3535	Mindy Nails and Spa LLC	603-679-9688	WM	75 Cales Hwy	Epping	NH	03042
2142	Kelly Duong & Nghiem Nguyen	603-898-6710	WM	326 N Broadway	Salem	NH	03079
5077	Trong Nguyen	973-263-8444	WM	300 Wootton St	Boonton	NJ	07005
3291	DA Nails LLC	973-691-2500	WM	40 International Dr S	Flanders	NJ	07836
3236	Linh Le	732-308-1773	WM	326 W Main St	Freehold	NJ	07728
3469	Mickey's Nails & Spa LLC	908-275-7439	WM	1050 W, Edgar Rd.	Linden	NJ	07036
2003	Red Velvet Spa Inc	732-246-7900	WM	979 Route 1 S	N Brunswick	NJ	08902
2497	Anh Tran	908-454-8982	WM	1300 St. 22 <sup>nd</sup> E.	Phillipsburg	NJ	08865
3339	Vu Hoang	856-691-9191	WM	1070 West Landis Ave	Vineland	NJ	08360
5430	Dawn Tran	505-452-0002	WM	3500 Coors Blvd SW	Albuquerque	NM	87121
850	L.P.X.L. LLC	505-830-2353	WM	12809 Granite Ave NE	Albuquerque	NM	87112
2924	No Le	505-352-1293	WM	2550 Coors Blvd NW	Albuquerque	NM	87120
806	Hoa Huynh	505-523-5270	WM	571 S Walton Blvd	Las Cruces	NM	88001
3596	Vinh Q. Tran	505-865-9110	WM	2250 Main St NW	Los Lunas	NM	87031
1648	Mike Van Nguyen	775-267-2410	WM	3770 US Highway 395 S	Carson City	NV	89705
3408	Thanh Nguyen Shiboski	775-882-3332	WM	3200 Market St	Carson City	NV	89706
2453	Phuong Le & Minh Tran	775-423-4795	WM	2233 Reno Hwy	Fallon	NV	89406
5864	Mike Nguyen & Huong Nguyen	775-782-4105	WM	1151 Grant Ave.	Gardnerville	NV	89410
1560	Tu Dang LLC	702-868-2900	WM	6005 Eastern Ave	Las Vegas	NV	89119
1584	Nuong Hoa Thach	702-251-5788	WM	3615 S Rainbow Blvd	Las Vegas	NV	89103

Exhibit I – List of Current Regal Nails, Salon & Spa Franchisees



St#	Franchisee	Phone	Type	Address	City	ST	Zip
2593	M & V Salon LLC	702-896-4445	WM	2310 E Serene Ave	Las Vegas	NV	89123
2884	TET SALON INC	702-656-5242	WM	8060 West Tropical Pkwy	Las Vegas	NV	89149
3473	HT Salon & Spa LLC	702-258-5900	WM	4505 W Charleston	Las Vegas	NV	89102
4356	HT Beauty Salon LLC	702-263-3727	WM	7200 Arroyo Crossing Parkway	Las Vegas	NV	89113
5070	Sonny Tran	702-459-6100	WM	5200 South Fort Apache Road	Las Vegas	NV	89148
2106	Duong Le	775-287-5320	WM	2425 E. 2nd St	Reno	NV	89502
3254	Quang Nguyen	775-787-1340	WM	5260 W 7th St	Reno	NV	89523
3277	Xuan Luong	775-853-0300	WM	155 Damonte Ranch Pkwy	Reno	NV	89511
3729	Hanh Nguyen & Phuong Le	775-424-2590	WM	5065 Pyramid Lake Rd	Spark	NV	89436
2911	Dung Huynh	315-676-2880	WM	3018 East Ave	Central Square	NY	13036
5242	Hoai Hunh & Eric Huynh	315-699-5527	WM	8064 Brewerton Rd	Cicero	NY	13039
1997	Kelly Nail Salon 1997 LLC	518-783-0644	WM	579 Troy/Schenectady Rd	Colonie/Latham	NY	12110
1966	Jeremy Ho & Thao Ho	585-243-5770	WM	4235 Veterans Dr	Geneseo	NY	14454
3583	Ariana Duong	518-633-1513	WM	311 Route 9W	Glenmont	NY	12077
2874	Angela Duong LLC	518-633-1513	WM	200 Dutch Meadows Lane	Glenville	NY	12302
1976	Ly & Nancy Nails INC	607-796-2124	WM	1400 Country Rd 64	Horseheads	NY	14845
2915	Lan Nguyen & Tuan Pham	631-476-4246	WM	3990 Nesconset Hwy	South Setauket	NY	11733
1835	Binghamton Nail Salon LLC	607-770-6245	WM	2405 Vestal Parkway East	Vestal	NY	13850
1959	J.J.Z. Nails Inc.	845-341-0752	WM	470 Route 211 E	Wallkill	NY	10940
2056	Lisa Ho	518-226-0659	WM	16 Old Gick Rd	Wilton	NY	12866
3250	Quyen Le	330-995-6258	WM	7235 Market Place Drive	Aurora	OH	44023
5066	Zhihong Shen Nail and Spa LLC	440-937-6378	WM	35901 Chester Rd	Avon	OH	44011
3262	Thu Yan Nguyen	740-255-5668	WM	61205 Southgate Rd.	Cambridge	OH	43725
4285	Tuoi Tran	216-661-4471	WM	3400 Steelyard Drive	Cleveland	OH	44109
5185	YIP LLC	614-274-0442	WM	1221 Georgesville Rd	Columbus	OH	43228
2098	Hoa T Vo	614-428-4999	WM	3900 Morse Road	Columbus	OH	43219
2426	Thao Dinh	614-777-7990	WM	5200 West Point Plaza	Columbus (Hilliard)	OH	43228
3515	Duong Nguyen	937-840-0609	WM	540 Harry Sauner Rd	Hillsboro	OH	45133
5104	Lien Le	937-643-1051	WM	1701 W Dorothy Lane	Kettering/Dayton	OH	45439

St#	Franchisee	Phone	Type	Address	City	ST	Zip
2725	Sukhwinder Gill	740-657-8344	WM	8659 Columbus Pike	Lewis Center	OH	43035
3641	Kim Dung Hoang	937-322-0452	WM	200 S Tuttle Rd	Springfield	OH	45503
2313	Mai Lam & Jefferson Tran	330-626-5160	WM	905 Singletary Dr	Streetsboro	OH	44241
5028	Vivian Mao	419-382-0160	WM	2925 Glendale Ave	Toledo	OH	43614
3447	Kevin Nguyen	614-238-3088	WM	3657 East Main St	Whitehall	OH	43213
1463	Quang Ngoc Le	937-372-3229	WM	70 Hospitality Dr	Xenia	OH	45385
2209	My Thi Nguyen	937-830-2392	WM	2850 Maple Ave	Zanesville	OH	43701
479	Tuyen Ho & Loan Duong	580-379-9088	WM	2500 N Main	Altus	OK	73521
41	Lan Truong & Marry Than	918-331-3877	WM	4000 Green Country Rd	Bartlesville	OK	74006
3295	Toan Huynh	918-455-5702	WM	6310 S Elm Place	Broken Arrow	OK	74011
472	Phuong HM Pham & Tuyen C Truong	918-259-1971	WM	2301 W Kenosha	Broken Arrow	OK	74012
4637	Quoc Quan & Ai Nguyen	918-355-5352	WM	3900 E Hillside Dr	Broken Arrow	OK	74044
1116	Joseph Nguyen LLC	580-470-8881	WM	1845 North 81 Hwy	Duncan	OK	73533
975	Kristie Ng & Hoang Yen Ng	580-931-3009	WM	3712 W Main St	Durant	OK	74701
28	Tan Vo	918-540-1354	WM	2415 N Main St	Miami	OK	74354
3430	Huy Nguyen & Cam Hong Ng	405-769-7300	WM	9011 NE 23rd	Midwest City	OK	73141
517	Steven Hua	405-376-4534	WM	951 E State Hwy 152	Mustang	OK	73064
212	Brian Hung Nguyen	405-360-4450	WM	333 Interstate Dr	Norman	OK	73072
564	Moonlight Dream, LLC	405-787-2222	WM	6100 W Reno Ave	Oklahoma City	OK	73127
622	Long Duy Do & Kay Yen Tran	405-728-4888	WM	7800 NW Expressway	Oklahoma City	OK	73132
1626	Lan Tran Nail LLC	405-749-8500	WM	2000 West Memorial Rd	Oklahoma City	OK	73134
121	ThuyLe & Thiet Huynh	918-728-0741	WM	1800 S Wood Dr	Okmulgee	OK	74447
168	Chau Truong	918-376-9930	WM	12101 E 96th St North	Owasso	OK	70455
838	Vu M Nguyen	918-245-6030	WM	220 South Hwy 97	Sand Springs	OK	74063
73	Bach Thi Phan	918-224-3785	WM	1002 W Taft St	Sapulpa	OK	74066
103	Tracy Vu Nguyen	405-273-0083	WM	196 Shawnee Mall Drive	Shawnee	OK	74804
221	Lan T Nguyen	405-350-1199	WM	1200 Garth Brooks Blvd	Yukon	OK	73099
1772	Thao Thi Hoang	541-884-3277	WM	3600 Washburn Way	Klamath Falls	OR	97603
5368	DV Nail Salon & Spa LLC	503-371-1426	WM	1940 Turner Rd SE	Salem	OR	97302

St#	Franchisee	Phone	Type	Address	City	ST	Zip
1793	Thanh Mai Nguyen & Huong Thi Nguyen	503-982-1393	WM	3002 Stacy Allison Way	Woodburn	OR	97071
3252	ATD Nail Salon LLC	610-494-1460	WM	605 Conchester Hwy	Boothwyn	PA	19061
2574	Phuong Tran	717-258-1688	WM	60 Noble Blvd	Carlisle	PA	17013
1770	Phuc Sy Liu, LLC	724-776-4040	WM	20245 Route 19	Cranberry Township	PA	16066
3810	My A Ngo & Phuong H Trinh	215-679-0767	WM	620-A Gravel Pike	East Greenville	PA	18041
2368	Truong and Sorn Inc	570-424-9596	WM	355 Lincoln Ave	East Stroudsburg	PA	18301
2059	Minh Tuyet Tran	724-836-2580	WM	2200 Greengate Centre Blvd	Greensburg	PA	15601
2445	Lotus App II Inc.	215-822-3000	WM	1515 Bethlehem Pike	Hatfield	PA	19440
1607	Donny Huynh	717-247-9148	WM	10180 U S Hwy 522 South	Lewistown	PA	17044
3501	Thanh Thuy Thi Vu	610-286-0410	WM	100 Crossings Blvd	Morgantown	PA	19520
2543	Linh Hua Nail Salon Pittston LLC	570-654-3794	WM	390 Route 315 Hwy	Pittston	PA	18640
2019	Danny Dinh & Bich Tran	724-430-4994	WM	355 Wal-Mart Drive	Uniontown	PA	15401
1529	Long Ngoc Dinh	717-757-4801	WM	2801 E Market	York	PA	17402
2302	Tran Nguyen	787- 503-1200	WM	Florida Afuera Ward State Road #2 km 56.6	Barceloneta	PR	00617
5802	DAIAN's Nail LLC	787-969-6699	WM	PR #3 Km 17.8 Intersection 66	Canovanas	PR	00729
2423	Nikkie Nail Inc	787-769-4948w	WM	State Rd #3 San Anton Ward	Carolina	PR	00987
1822	Dung Pham	787-801-3268	WM	150 Carr.940 Suit 180	Fajardo	PR	00738
2240	John Perez	787-285-4830	WM	Plaza Palma Real PR #3 KM 77.6 Rio Abajo	Humacao	PR	00792
2026	Tammy Nguyen	787-969-2288	WM	Canas Ward	Ponce	PR	00728
5803	Xiaolan Ye	787-424-8009	WM	Calle Labra, Esq. Calle Corchado, Pda. 18, Santurce	Santurce	PR	00924
3301	Mimi Fashion Inc.	401-272-0469	WM	51 Silver Spring St	Providence	RI	02904
514	Sunny Nails Spa LLC	803-644-3939	WM	2035 Whiskey Rd	Aiken	SC	29801
1383	Trong Duc Dang Le	843-322-0549	WM	350 Robert Smalls Pkwy	Beaufort	SC	29902
1339	Phuong Nguyen	803-462-0000	WM	10060 Two Notch Rd	Columbia	SC	29223
2214	Minh Doan & Hung Nguyen	803-782-9037	WM	5420 Forest Dr	Columbia	SC	29206
4664	Beauty Nails by Anh LLC	843-234-0087	WM	151 Myrtle Ridge Dr.	Conway	SC	29526
625	Loan Thi Le	843-546-4544	WM	1310 N Fraser	Georgetown	SC	29440
2928	Quoc Van	843-832-5734	WM	605 St James Ave	Goose Creek	SC	29445

St#	Franchisee	Phone	Type	Address	City	ST	Zip
4384	LN Nails and Spa LLC	843-849-7363	WM	3000 Proprietors Place	Mt Pleasant	SC	29464
5087	Doan V Le	843-281-8733	WM	550 Hwy 17 N	Myrtle Beach	SC	29582
2712	Chuc Thi Kim Lam	843-444-9239	WM	541 Seaboard St	Myrtle Beach	SC	29577
1748	Cao Thanh Tam	843-763-5757	WM	3951 West Ashley Circle	South Charleston	SC	29414
1037	Quoc Le	843-832-5734	WM	1317 North Main St	Summerville	SC	29483
574	Tuoi Lam & Manh Nguyen	843-215-9239	WM	2751 Beaver Run Blvd	Surfside Beach	SC	29575
710	Diana Tran	615-889-2745	WM	4424 Lebanon Pike	Hermitage	TN	37076
335	Phuong Nguyen & Hung D Nguyen	731-664-0944	WM	2196 Emporium Dr	Jackson	TN	38305
2322	Linh Khanh Ha	901-757-9455	WM	577 Germantown Pkwy	Memphis/Cordova	TN	38018
685	Dung Lam	423-317-0340	WM	475 Davy Crockett Pkwy	Morristown	TN	37813
688	Son Ho	615-331-7441	WM	5824 Nolensville Pike	Nashville	TN	37211
3717	Tan TRong Tran	615-837-1477	WM	4040 Nolensville Pike	Nashville	TN	37211
3835	Vi Hung Pham	423-238-0177	WM	5588 Little Debbie Way	Ooltewah	TN	37363
5165	Binh Le	956-783-8211	WM	1421 West Frontage Rd	Alamo	TX	78516
791	Khanh Phan & Vyanna Tran	361-396-0916	WM	2701 E Main	Alice	TX	78332
1801	Hoa Thi Hoang Vu	817-466-3239	WM	4801 S Cooper Ste 205	Arlington	TX	76017
744	Trang Phuong Hoang	281-540-9937	WM	6626 FM 1960 East	Atascocita (Humble)	TX	77346
1253	Tony Nguyen	512-383-0811	WM	710 E Ben White Blvd	Austin	TX	78704
3569	Kim Nga Vu	512-973-9992	WM	12900 N I 35 Svc Rd SB	Austin	TX	78753
5317	Duc Phan, Yen Le, & Angelique Hoang	512-291-9393	WM	9300 S IH-35 Bldg B	Austin	TX	78748
194	Oanh Kieu Thi Mims	281-421-1813	WM	4900 Garth Rd	Baytown	TX	77521
1178	Doi Nguyen	817-571-8163	WM	4101 Hwy 121	Bedford	TX	76021
4219	Vu Do	512-295-2525	WM	690 Old San Antonio Rd	Buda	TX	78610
1216	Yen Nguyen & Anh Huu Nguyen	972-242-4061	WM	1213 E Trinity Mills Rd	Carrollton	TX	75006
3285	Dung Pham	469-272-3988	WM	621 Uptown Blvd	Cedar Hill	TX	75104
2991	Kim Pham	512-260-1866	WM	201 Walton Way	Cedar Park	TX	78613
5091	Cassey Ho LLC	281-213-3511	WM	26270 NW Freeway	Cypress	TX	77429
HB20	Rosa Hong Nguyen	281-758-3555	HEB	24224 Northwest Freeway Ste510	Cypress/Barker	TX	77429
3432	Bong Kim Huynh	972-217-4900	WM	951 West Belt Line Rd	Desoto	TX	75115

St#	Franchisee	Phone	Type	Address	City	ST	Zip
344	Kieu Suong Thi Dao	979-543-3155	WM	3413 West Loop	El Campo	TX	77437
512	Abril Rose Nails Corp	915-591-1222	WM	10727 Gateway Blvd West	El Paso	TX	79935
964	Tip to Toes Spa LLC	915-859-5555	WM	9441 Alameda Ave	El Paso	TX	79907
972	Hong To	817-237-2523	WM	6360 Lake Worth Blvd	Fort Worth	TX	76135
1455	Lisa Nguyen	817-801-8441	WM	8401 Anderson Blvd Suite 300	Fort Worth	TX	76120
504	Don Ta	409-744-9262	WM	6702 Seawall Blvd Ste#10	Galveston	TX	77550
896	Danh Cong Do	972-660-7444	WM	2225 West Interstate 20	Grand Prairie	TX	75052
4538	Thao Luong & Toan Nguyen	281-861-8899	WM	6060 Fry Rd	Houston	TX	77449
HB6 16	Tuan Anh Hoang	281-397-0992	HEB	12035 Antoine Dr.	Houston	TX	77066
772	House of Claws, LLC	281-496-7530	WM	3506 S Hwy 6 South	Houston	TX	77082
1103	Thuy Hong Tran	281-397-7788	WM	3450 FM 1960 West	Houston	TX	77068
2066	Ngo Thi Vu	713-339-4795	WM	2727 Dunvale Rd	Houston	TX	77063
3302	Tam Nguyen	281-498-7282	WM	9460 W. SAM HOUSTON PKWY SO	Houston	TX	77099
3425	Van Phan	281/990/997	WM	3598 Rowlett Road	Houston	TX	77075
3500	Kelly Thanh Chu	713-453-0994	WM	5655 E Sam Houston Pkwy N	Houston	TX	77015
5045	DCL Nails Corporation	281-257-9580	WM	22605 Tomball Pkwy	Houston (Tomball)	TX	77375
3226	LTD Nails Corp.	281-644-6484	WM	25108 Market Place Dr	Houston (Katy Mills)	TX	77494
1040	Chau Van Nguyen	281-861-0999	WM	15955 FM 529 Road	Houston/Cop perfield	TX	77095
2649	Hung TiAi LLC	972-402-0796	WM	1635 Market Place	Irving	TX	75063
768	Lori Dang Nails and Spa, LLC	281-398-8890	WM	1313 Fry Rd	Katy	TX	77449
407	Pyong Green & P Carter	254-634-6667	WM	1400 Lowe s Blvd	Killeen	TX	76542
HB1 4	Nails Kyle LLC	512-262-2100	HEB	5401 S FM 1626	Kyle	TX	78640
AA3 1	Tien Hart		AAF ES	2180 Reese St., Bldg 1385	Lackland	TX	78236
5116	Dung Thi Ngoc Vu	281-542-0800	WM	9025 Spencer Hwy	La Porte	TX	77571
3623	Tan Van Tran	956-794-8887	WM	4401 Hwy 83 South	Laredo	TX	78046
5388	Samphors Sweeney	281-534-1598	WM	1701 W FM 646	Leauge City	TX	77573
426	Tuyet Vu	972-330-6509	WM	4691 State Hwy 121	Lewisville (The Colony)	TX	75056
5389	Nghiem Truong	254-420-4153	WM	2407 Glen eagles	Lorena	TX	76655
284	My thi Nguyen Corp	817-453-9930	WM	930 N Walnut Creek Dr Suite 600	Mansfield	TX	76063

St#	Franchisee	Phone	Type	Address	City	ST	Zip
781	Loan Nguyen	830-798-2095	WM	2700 Hwy 281 N	Marble Falls	TX	78654
5211	Julie Tran	214-592-0655	WM	5001 McKinney Ranch Pkwy.	McKinney	TX	75070
608	Nhung Nguyen & Jim Tran	432-694-6129	WM	4517 N Midland Dr	Midland	TX	79707
2505	Ty Borath	281-403-9600	WM	5501 South Hwy 6	Missouri City	TX	77459
3591	Trang Nu Ton	936-582-1283	WM	18700 State Hwy 105 W	Montgomery	TX	77356
865	Lan Do	830-626-8884	WM	1209 IH 35 S	New Braunsfel	TX	78130
2724	Vu Nguyen	713-473-2733	WM	1107 S Shaver St	Pasadena	TX	77506
HB6 3	Lean & Grow LLC	281-990-9997	HEB	2805 Business Center Dr	Pearland	TX	77581
3572	Nguyen Dang Enterprises LLC	713-436-6211	WM	10505 Broadway St	Pearland	TX	77584
297	Na Do	281-354-1177	WM	23561 US Hwy 59	Porter	TX	77365
546	Duy Phuong, Inc.	w 281-239-3919	WM	5330 FM 1640	Richmond	TX	77469
475	Tuan Dac Nguyen	512-733-5552	WM	2701 S IH 35	Roundrock	TX	78664
HB2 6	Daniel Do	210-531-9811	HEB	4100 S. New Braunfels, Suite# 530	San Antonio	TX	78233
765	Vu Anh Dung	210-946-5950	WM	16503 Nacogdoches Rd	San Antonio	TX	78247
1198	Ky Do	210-496-9306	WM	1515 N FM 1604 East	San Antonio	TX	78258
1347	Quoc Duy Tang	210-822-2653	WM	1430 Austin Hwy	San Antonio	TX	78209
2239	Tuan Quoc Ly	210-680-8500	WM	8923 W Military Drive	San Antonio	TX	78245
3279	Vu Ngoc Hieu	210-648-9653	WM	2100 Loop 410 SE	San Antonio	TX	78220
3888	Jason Vu Duong Nguyen	210-675-1115	WM	11210 Potranco Rd	San Antonio	TX	78253
5144	Khiem Tran	210-666-4448	WM	8315 FM 78	San Antonio	TX	78109
5145	LanDo & MuoiDo	210-733-6634	WM	1603 Vance Jackson Road	San Antonio	TX	78213
5146	Frank Ta	210-522-1019	WM	8030 Bandera Rd	San Antonio	TX	78250
2864	Linh Ho	210-688-6245	WM	6703 Leslie Rd	San Antonio (WNW)	TX	78253
404	Loan Nguyen	512-353-4747	WM	1015 Highway 80	San Marcos	TX	78666
915	Quang Dai Khuu	281-988-8801	WM	11210 W Airport Blvd	Stafford	TX	77477
2993	Hiep D Nguyen & Tam Thuy Anh Mai	281-313-0571	WM	345 Hwy 6	Sugarland	TX	77478
746	Linda Huynh	254-771-2100	WM	3401 S 31st St	Temple	TX	76502
703	Holly Huynh	281-516-2272w	WM	27650 Tomball Pkwy	Tomball	TX	77375
1044	Nha Tran Nguyen	903-581-0589	WM	5050 Troup Hwy	Tyler	TX	75707

St#	Franchisee	Phone	Type	Address	City	ST	Zip
939	Ty Bien & Thang Pham	254-399-6424	WM	4320 Franklin Ave	Waco	TX	76710
260	Tammy Vu	972-937-6757	WM	1200 N Hwy 77	Waxahachie	TX	75165
963	Thanh Nguyen	817-599-3360	WM	1836 S Main St Ste#105	Weatherford	TX	76086
777	Trang Nguyen & Tin Dao	409-883-4223	WM	3115 Edgar Brown Dr	West Orange	TX	77630
1768	Nguyet Pham	801-426-4767	WM	1355 S Sandhill Rd	Orem	UT	84058
3620	Trang Stevenson	801-302-0307	WM	13502 S. Hamilton View Rd	Riverton	UT	84065
3208	Ta Ton & Huong Phan	801-489-8225	WM	660 South 1750 West	Springville	UT	84663
1439	Thai Tran	435-627-0899	WM	625 West Telegraph St	Washington City	UT	84780
3232	Linh Anh Huynh	801-280-5775	WM	7671 South 3800 West	West Jordan	UT	84088
2258	Vong Nguyen & Vinh Bui	703-360-9800	WM	7910 Richmond Hwy	Alexandria	VA	22306
1841	H&K Nails Spa Inc.	757-549-9996	WM	1521 Sams Circle	Chesapeake	VA	23320
1292	Tam Duc Truong	540-381-9796	WM	2400 N Franklin St	Christiansburg	VA	24073
1465	2 Hearts Found Home Company Corporation	434-797-1044	WM	515 Mt Cross Rd	Danville	VA	24540
2015	Nancy Nguyen LLC	703-631-1900	WM	13059 Fair Lakes Pkwy	Fairfax	VA	22033
1833	Lisa Phuong Nguyen LLC	540-548-3188	WM	1800 Carl D Silver Parkway	Fredericksburg	VA	22401
1631	Chi Nguyen	757-825-5999	WM	1102 W Mercury Blvd	Hampton	VA	23666
1773	Huy Vo/Trang Mai Vo	757-833-8200	WM	12401 Jefferson Ave	New Port News	VA	23602
3831	Minh Tu & Len Tu	757-393-0114	WM	1098 Fredrick Blvd	Portsmouth	VA	23707
1301	Jennifer Cam Han Nguyen	540-725-1000	WM	5350 Clearbrooke Village Ln	Roanoke	VA	24014
2312	Ngoc Dung Le	540-563-2700	WM	4807 Valley View Blvd NW	Roanoke	VA	24012
3243	Fashion Nails Boutique LLC	540-815-7006	WM	4524 Challenger Ave.	Roanoke	VA	24012
4258	Seul Lee, Suk H. Lee Jung & Youn Ho Lee	540-286-0999	WM	11 Village Parkway	Stafford (S)	VA	22406
3216	Mia Tran Ho & Thien Hau Tran	757-563-2195	WM	1149 Nimmo Pkwy	Virginia Beach	VA	23456
3344	Chi Kim Dang	540-542-6628	WM	501 Wal-Mart Drive	Winchester	VA	22603
1852	Toan Cong Van	703-492-5559	WM	14000 Worth Ave	Woodbridge	VA	22192
2595	B.E.I. Corp	360-653-0120	WM	8924 Quilceda Blvd	Marysville	WA	98271
2007	JHC Nails & Spa LLC	509-765-3879	WM	1005 North Stratford Rd	Moses Lake	WA	98837
2596	TANQUY LLC	360-848-1133	WM	2301 Freeway Dr	Mt. Vernon	WA	98273

St#	Franchisee	Phone	Type	Address	City	ST	Zip
5272	Viet Quoc Tran	360-598-1700	WM	21200 Olhava Way NW	Poulsbo	WA	98370
3525	V & T Nails & Spa Inc.	253-445-5454	WM	16502 Meridan Ave	Puyallup	WA	98375
3261	Khuong Truong, Inc	509-627-6000	WM	2801 Duportail St	Richland	WA	99352
2549	Chuong Nguyen	509-465-9528	WM	9212 N Colton St	Spokane	WA	99218
3742	Tuyen Le	360-225-7998	WM	1486 Dike Access Road	Woodland	WA	98674
1982	Bich T. Kim	920-734-1499	WM	955 N Mutual Way	Appleton	WI	54913
2958	Huong Nguyen LLC	920-749-1679	WM	3701 East Calumet St	Appleton	WI	54915
5373	Tuyen Lai	715-726-8685	WM	2786 Commercial Blvd	Chippewa Falls	WI	54729
1305	Quoc Toan Mai Bui	608-754-2311	WM	3800 Deerfield Dr	Janesville	WI	53546
2986	Tuyet Nga Nguyen	920-727-4722	WM	1155 Winneconne Ave	Neenah	WI	54956
1167	Nails of Kenosha, LLC	262-658-8809	WM	3500 Brumback Blvd.	Somers	WI	53144
1714	Thoa Kim Dang	304-363-4167	WM	5 Tygart Valley Mall	Fairmont	WV	26554
2610	Lucky 9 LLC	304-752-2463	WM	77 Norman Morgan Blvd	Logan	WV	25601
2036	Tuan Dinh & Thi Mai	304-746-7778	WM	2700 Mountaineer Blvd	S. Charleston /Kenawha	WV	25309
1617	Phuong Hue Sivert & Hai Le	307-235-6245	WM	4400 E 2nd St	Casper	WY	82609
3778	Diem Ho LLC	307-472-6245	WM	4255 Cy Ave	Casper	WY	82604
1315	Thieu Q Huynh	307-637-0189	WM	2032 Dell Range Blvd	Cheyenne	WY	82009



**Franchisees Who Signed a Franchise Agreement  
but Whose Salons Were Not Yet Open as of December 31, 2023**

<b>Franchisee</b>	<b>Phone</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>
Kim Tran	480-620-2028	1724 S. Colonial Dr.	Gilbert	AZ	85296
Tam Nguyen	602-249-3064	5824 N. 21 <sup>st</sup> Ave.	Phoenix	AZ	85015
Tam Nguyen	602-249-3064	5824 N. 21 <sup>st</sup> Ave.	Phoenix	AZ	85015
Barbara Nguyen	352-459-3581	38634 Lakeview Walk	Lady Lake	FL	32159
Tiffani Linh Vu	954-759-1659	12694 SW 42 <sup>nd</sup> St.	Miramar	FL	33027
Mai Vo	678-793-8637	8514 N. Shore Dr.	Jonesboro	GA	30236
Chuong Nguyen	678-678-5343	2164 Caicland Farm Dr.	Lawrenceville	GA	30044
Julie Truong	732-762-4773	68 Hillside Ave.	Bridgewater	NJ	08807
Khai Nguyen	216-739-9630	7326 Ira Ave.	Brooklyn	OH	44144
Khai Nguyen	216-739-9630	7326 Ira Ave.	Brooklyn	OH	44144
Khai Nguyen	216-990-3537	4072 West 56th St	Cleveland	OH	44144

**EXHIBIT J TO THE REGAL NAILS SALON & SPA DISCLOSURE DOCUMENT**

**LIST OF FORMER FRANCHISEES**

**List of Franchisees Who Left the System  
During the Period Beginning January 1, 2023 to December 31, 2023**

All franchisees of Regal Nails Salon & Spa and of Regal Nails whose franchises have been transferred, cancelled or terminated, not renewed, reacquired by us or who have otherwise left the system during the fiscal year ending December 31, 2023 or who have not communicated with us within ten weeks of the issuance date of this disclosure document.

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

Date	Store #	City	State	Former Owner's Name	City	State	Phone
1/31/2023	300	Jacksonville	AL	Ngoc Pham	Lincoln	AL	256-454-5868
5/31/2023	991	Mobile	AL	Quang Le & Thuan Le	Mobile	AL	251-623-4402
5/1/2023	WM853	Mobile	AL	Diem Ngoc Thi Nguyen	Mobile	AL	251-217-4377
1/31/2023	1474	Yuma	AZ	Ky Thi Vo & Thinh V Dinh	Yuma	AZ	928-580-5127
12/29/2023	WM2697	Antioch	CA	Anthony A Le	Antioch	CA	925-754-8089
1/31/2023	3313	Centennial	CO	Tuan Lam	Aurora	CO	303-564-6292
2/8/2023	WM1896	Colorado Springs	CO	Tom Nails LLC	Colorado Springs	CO	719-271-4078
3/1/2023	WM3566	Denver	CO	Anh Ton & Thieu Le	Denver	CO	303-359-0597
7/3/2023	WM953	Denver	CO	Hai Huynh & Thuy Phan	Loveland	CO	970-443-8578
7/3/2023	WM4335	Falcon	CO	D & R Nails LLC	Peyton	CO	719-888-9908
9/22/2023	WM987	Fort Myers	FL	Minh Truong	Fort Myers	FL	239-826-5934
6/7/2023	WM3309	Jacksonville	FL	My Ngoc Spa INC	Jacksonville	FL	904-629-6869
1/31/2023	3348	Lake Park	FL	Christian Tran & Kinh Nguyen	Sarasota	FL	941-807-6474
9/22/2023	WM859	Lake Wales	FL	Huong Nguyen	Winter Haven	FL	863-207-7619
8/14/2023	WM1245	Lakeland	FL	Maria Nguyen & Michael Phan	Pinellas Park	FL	727-504-2446
4/30/2023	2920	Orange Park	FL	Chuang Nguyen	Fleming Island	FL	904-343-9220
6/21/2023	WM1225	Orange Park	FL	Liem Nguyen	Orange Park	FL	904-236-0593
2/23/2023	WM2920	Orange Park	FL	Chuang Nguyen	Orange Park	FL	904-343-9220
6/7/2023	WM2962	Pompano Beach	FL	Rnails by Quyen Dang LLC	Pompano Beach	FL	954-673-5211
12/29/2023	WM3418	Wesley Chapel	FL	TT Tran Beauty LLC	Wesley Chapel	FL	941-730-5858
1/19/2023	WM2941	Alpharetta City	GA	Ocean Breeze Spa INC	Sugar Hill	GA	678-790-9925
7/21/2023	WM3609	Ellenwood	GA	Nails By TP LLC	Morrow	GA	404-989-4615
6/21/2023	WM5252	Loganville	GA	E&E Hoang Inc	Grayson	GA	404-451-3462
12/29/2023	WM5363	Lovejoy	GA	Nha Le	Riverdale	GA	678-933-9779
1/19/2023	WM787	Riverdale	GA	Katie Vo	Riverdale	GA	404-863-8462
10/13/2023	WM1764	Des Moines	IA	Khanh D Bui	Des Moines	IA	515-779-0579
4/30/2023	3459	Bloomington	IL	Nhon Mai	Bloomington	IL	309-530-0618
6/30/2023	361	Collinsville	IL	Lilian Hien Le	St Louis	MO	314-480-2999
4/11/2023	WM1459	Indianapolis	IN	Phuong Pham & Hai Huynh	Indianapolis	IN	317-416-4770

1/31/2023	1151	Kansas City	KS	Don H Nguyen	Shawnee	KS	913-645-5981
5/24/2023	WM4321	Wichita	KS	R & D Nails Salon, LLC	Wichita	KS	316-650-1684
1/19/2023	WM1193	Monroe	LA	Phat Tra	Monroe	LA	504-722-4996
1/19/2023	WM2013	Waterville	ME	Phuong Phan	Augusta	ME	256-744-2890
2/8/2023	WM4590	Lee's Summit	MO	Thi Quan Nguyen	Lee's Summit	MO	816-803-4514
7/21/2023	WM219	Sedalia	MO	Thang Danh	Sedalia	MO	660-473-0289
1/31/2023	172	Washington	MO	Minh Hoang & Vinh Hoang	St Louis	MO	314-475-4113
1/31/2023	5879	Huntersville	NC	Le Thi-My Bui	Charlotte	NC	704-526-8199
2/8/2023	WM4273	Leland	NC	Phong Truong	Leland	NJ	336-338-6600
7/3/2023	WM1209	Lincolnton	NC	Tot Nguyen	Gastonia	NC	704-964-1117
2/8/2023	WM1034	Shelby	NC	Tuyen Thi Kim Nguyen	Shelby	NC	980-214-6346
4/11/2023	WM1034	Shelby	NC	Hieu Thi Le	Shelby	NC	704-606-7531
2/8/2023	WM3236	Freehold	NJ	So Ly	Freehold	NJ	732-614-5873
7/3/2023	WM3469	Linden	NJ	Kelly Nails Salon & Spa LLC	Rahway	NJ	908-463-6822
4/11/2023	WM2003	North Brunswick	NJ	KL Spa Inc	North Brunswick	NJ	732-672-7591
12/29/2023	WM3408	Carson City	NV	My Nguyen	Carson City	NV	775-220-8001
9/22/2023	WM3277	Reno	NV	Minh Chu	Reno	NV	775-224-3717
1/19/2023	WM2847	Glenville	NY	Angela Duong	Glenville	NY	518-698-1505
4/11/2023	WM1796	Horseheads	NY	Nancy Nguyen & Maily Phan	Horseheads	NY	607-271-0503
1/19/2023	WM1959	Wallkill	NY	Fei Ya Tan	Wallkill	NY	646-407-0132
5/1/2023	WM5066	Avon	OH	Tam Doan	Avon	OH	216-773-0896
1/31/2023	2313	Streetsboro	OH	Jefferson Tran & Mai Lam	Cleveland	OH	216-407-2583
4/30/2023	3295	Broken Arrow	OK	Toan Van Huynh	Broken Arrow	OK	713-314-0736
10/13/2023	WM1772	Klamath Falls	OR	Karen Pham	Klamath Falls	OR	541-842-0531
1/31/2023	1777	Reading	PA	BLUE CRYSTAL LLC	Sinking Spring	PA	610-741-3195
5/1/2023	WM3301	Providence	RI	Mimi Mai Truong	Providence	RI	774-235-4637
11/30/2022	632	Mount Pleasant	SC	Kimberly Nguyen	Mt Pleasant	SC	508-776-3156
8/5/2023	WM680	Greenville	TN	Minh Nguyen & Thao Hoang Nguyen	Greenville	TN	423-329-2208
1/31/2023	5263	Cleveland	TN	Hong Pham	Cleveland	TN	423-310-7798
8/14/2023	WM344	El Campo	TX	Phuong T Vo	Palacios	TX	832-235-7475

10/13/2023	WM512	El Paso	TX	Trang Nguyen	El Paso	TX	714-489-3055
9/22/2023	WM768	Katy	TX	Lori Dang Nail and Spa, LLC	Katy	TX	713-301-4187
8/14/2023	AA31	Lackland	TX	Peter Ly	San Antonio	TX	210-845-3109
1/19/2023	WM284 7	Mansfield	TX	My Thi Nguyen	Mansfield	TX	682-472-0493
1/19/2023	WM746	Temple	TX	My Huynh	Temple	TX	832-998-4726
12/29/2023	WM260	Waxahachie	TX	Lan Le	Arlington	TX	682-521-4282
2/8/2023	WM184 1	Chesapeake	VA	Nails By Rose INC	Chesapeake	VA	757-215-8373
6/21/2023	WM146 5	Danville	VA	Ba Van Nguyen	Danville	VA	434-203-9098
1/31/2023	4623	Newport News	VA	Duy Nguyen	Hampton	VA	757-503-3854
3/6/2023	WM321 6	Virginia Beach	VA	Sang Nguyen	Virginia Beach	VA	770-536-6430
2/8/2023	WM298 6	Neenah	WI	Hien Ngoc Vo & Vincent Luong	Neenah	WI	920-475-1672
10/31/2023	WM285 2	Moundsville	WV	Thanh Nguyen	Moundsville	WV	303-217-6574

## EXHIBIT K

### STATE EFFECTIVE DATES

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

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT L  
RECEIPT**

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Regal Nails, Salon & Spa, 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.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Regal Nails, Salon & Spa, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

The franchisor is Regal Nails Salon & Spa, LLC, 5150 Florida Boulevard, Baton Rouge, LA 70806, 1-888-414-6245.

Issuance Date: March 28, 2024

The franchise seller(s) for this offering is:

Name	Principal Business Address	Telephone Number
Loan Nguyen	5150 Florida Blvd, Baton Rouge, Louisiana 70806	225-906-0561

Regal Nails Salon & Spa, LLC authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I have received a disclosure document dated March 28, 2024, that included the following Exhibits:

- A. FRANCHISE AGREEMENT (WITH PARTS 1. DEFINITIONS, 2. SITE DEPOSIT ADDENDUM, 3. CONFIDENTIALITY AGREEMENT AND AGREEMENT NOT TO COMPETE, 4. CURRENT FORM OF GENERAL RELEASE, AND 5. AUTHORIZATION AGREEMENT FOR PREAUTHORIZED PAYMENTS)
- B. RECEIPT FOR CONFIDENTIAL OPERATIONS MANUAL
- C.-1 WAL-MART LEASE AGREEMENT, APPENDIXES, AND AMENDMENTS
- C.-2 SAMPLE HEB LEASE
- C.-3 RIDER TO LEASE
- C.-4 THE EXCHANGE ADDENDUM TO FRANCHISE AGREEMENT
- C.-5 FRANCHISE COMMENCEMENT AGREEMENT
- D. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- E. STATE ADDENDUM TO DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
- F. TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL
- G. SNOW WHITE PACKAGE, LISTS OF CONTENTS
- H. FINANCIAL STATEMENTS
- I. LIST OF CURRENT FRANCHISEES
- J. LIST OF FORMER FRANCHISEES
- K. STATE EFFECTIVE DATES
- L. RECEIPT

Date

\_\_\_\_\_

Signature of Prospective Franchisee

Print name of Prospective Franchisee

\_\_\_\_\_

Please keep this copy of the receipt for your records.

You may return the signed receipt either by signing, dating, and mailing it to your franchise seller whose name appears above at Regal Nails Salon & Spa, LLC at 5150 Florida Boulevard, Baton Rouge, LA 70806, or by faxing a copy of the signed and dated receipt to your franchise seller at Regal Nails Salon & Spa, LLC at 800-422-4608.



**EXHIBIT L  
RECEIPT**

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Regal Nails, Salon & Spa, 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.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Regal Nails, Salon & Spa, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

The franchisor is Regal Nails Salon & Spa, LLC, 5150 Florida Boulevard, Baton Rouge, LA 70806, 1-888-414-6245.

Issuance Date: March 28, 2024

The franchise seller(s) for this offering is:

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Loan Nguyen	5150 Florida Blvd, Baton Rouge, Louisiana 70806	225-906-0561

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- H. FINANCIAL STATEMENTS
- I. LIST OF CURRENT FRANCHISEES
- J. LIST OF FORMER FRANCHISEES
- K. STATE EFFECTIVE DATES
- L. RECEIPT

Date  
\_\_\_\_\_

Signature of Prospective Franchisee  
\_\_\_\_\_

Print name of Prospective Franchisee  
\_\_\_\_\_

Please sign this copy of the receipt, date your signature, and return it to your franchise seller whose name appears above, at Regal Nails Salon & Spa, LLC at 5150 Florida Boulevard, Baton Rouge, LA 70806, or fax a copy of the signed and dated receipt to your franchise seller at Regal Nails Salon & Spa, LLC at 800-422-4608.